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NEWSLETTER

LATEST NEWS FROM CHINA



Newsletter

Latest news from China
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Tax

1. Tax Cuts for Consumers in Efforts to enhance Domestic Spending on Cosmetic Goods
2. Clarification of Procedures for Taxpayers to apply for Issuance of VAT on their own Behalf
3. SAT Optimizes Tax Rebates for Integrated Foreign Trade Service Enterprises

Corporate/Legal

4. China is switching to a new 'Five-in-One' Business License
5. Changes in China's Foreign Investment Administration Reform

HR

6. Crossing the Border is easier with the E-Channel System
7. Integration of Foreign Employees Work Permits
8. Easy as A,B,C – China's new Foreign Worker Classifications
9. Guangdong increases Maternity Leave and clarifies New Population Reforms

Treasury/Foreign Exchange

10. Chinese Yuan becomes IMF World Reserve Currency
11. ICBC new E-commerce Platform encourages the Sale of Italian Products

1. Tax Cuts for Consumers in Efforts to enhance Domestic Spending on Cosmetic Goods

News Category: Tax
Cai Shui [2016] No. 103
Title: *Circular on Adjusting Consumption Tax Policies for Cosmetics*
Promulgator: MOF, SAT
Promulgation Date: September 30th, 2016
Effective Date: October 1st, 2016

On Friday September 30th, the Ministry of Finance and the State Administration of Taxation (SAT) announced major cuts in consumer taxes of cosmetic products.

Previously set at 30%, all consumption taxes on all non-luxury cosmetic products are now completely eliminated, while taxes on more expensive luxury cosmetic items will be reduced to 15%.

Strategically announced on the eve of a national holiday, the Ministry of Finance is working to make cosmetic products more affordable, and in doing so enhancing domestic consumption. This announcement could improve the demand for imported products, but due to still high tariffs, imported cosmetic prices will still remain fairly high and the industry shouldn't experience any major effects.

This push for an increase in consumption has been a theme of China's recent reforms, when just last year there was a major cut on other categories of consumption products. Although cosmetics sales have been surging and are up 130% from 2010, other aspects of the Chinese international markets, including a 17% value added tax, continue to deter the country from improving domestic demand.

You can read the complete news at:

<http://www.chinatax.gov.cn/n810341/n810755/c2279432/content.html>

http://www.gov.cn/xinwen/2016-09/30/content_5114189.htm

C&A's Observation:

Due to the burdensome tax regime on imported cosmetics, Chinese consumers have usually opted for purchasing foreign cosmetic goods overseas or in Hong Kong. With this change, the Ministry of Finance and the SAT aim to increase domestic sales and bring in higher tax revenues from this huge market, by promoting sales through legitimate channels such as cross-border e-commerce and retail stores.

2. Clarification of Procedures for Taxpayers to apply for Issuance of VAT on their Own Behalf

News: TAX

SAT Announcement [2016] No. 59

Title: *Announcement of the State Administration of Taxation on the Handling Procedures for Taxpayers to Apply for the Issue of VAT Invoices on Their Behalf*

Promulgator: SAT

Promulgation Date: August 31st, 2016

Effective Date: November 15th, 2016

The SAT has made a new announcement regarding the handling procedures for taxpayers to apply for issuance of Value-added Tax invoices on their own behalf. The follow steps must be taken in a taxpayer service hall:

1. Submit the Tax Return for VAT invoice, identity card with a photocopy (a business license with unified social credit code also suffice), and the personal ID card with a photocopy at the designated window;
2. Declare and pay VAT and other taxes at the window;
3. Obtain the invoices at the window.

This announcement also requires tax authorities of all provinces to create their own refined announcements on handling procedures for taxpayers to apply for VAT invoices on their own. This is to get the process familiarized and simplified so that it is as efficient as possible.

You can read the complete news at:

<http://hd.chinatax.gov.cn/guoshui/action/GetArticleView1.do?id=4311327&flag=1>

3. SAT Optimizes Tax Rebates for Integrated Foreign Trade Service Enterprises

News: TAX

SAT Announcement [2016] No. 61

Title: *Announcement of the State Administration of Taxation on further optimizing the Administration of Tax Rebates (Exemptions) on Exported Good for integrated Foreign Trade Service Enterprises*

Promulgator: SAT

Promulgation Date: September 19th, 2016

Effective Date: October 1st, 2016

The SAT has announced measures on optimizing tax rebates on exported good for Integrated Foreign Trade Service Enterprises (ITEs). The rebates aim to promote increased foreign trade and help the ISE pilot program. The program will administer ISEs in a targeted manner and adjust the category of ISEs eligible for export tax rebates.

Given that all information and amounts submitted to tax authorities are correct, state tax authorities will complete export tax rebate formalities for Class 1 ISEs within five working days from the date the application is accepted, for class 2 ISEs within 10 working days, for class 3 ISEs within 15 working days, and for class 4 ISEs within 20 working days.

For goods exported by foreign trade service enterprises for small and medium enterprises under entrustment arrangements, foreign trade service enterprises should fill in their application form for the Certification with the identifier prescribed in Announcement 61 when applying for the issuance of the Certification. State tax authorities will no longer issue paper Certification; electronic data shall be transmitted to the state tax authorities in charge of the small and medium enterprises instead.

You can read the complete news at:

<http://www.chinatax.gov.cn/n810341/n810755/c2277292/content.html>

4. China is switching to a new 'Five-in-One' Business License

News: Corporate/Legal

Guo Ban Fa [2016] No.53

Title: *Circular of the General Office of the State Council on Accelerating the Registration System Reform of Five Certificates into One with a Unified Credit Code*

Promulgator: General Office of the State Council

Promulgation Date: June 30th, 2016

Effective Date: October 1st, 2016

The State Council has announced that the 'Five-in-One' business license will be implemented across China as of October 1, 2016. The new license provides a national credit number, which will cover the old 'Three-in-One' business license as well as social security registration certificate and the statistical registration certificate. The new license will also have a QR code which can be scanned to show all of the company's most relevant information.

The registration system reform requires each applicant to offer only one essential business certificate to one business administration office, largely improving efficiency. Only customs, foreign exchange and foreign trade operation registrations will be carried out separately.

The State Council will also establish an online management system for business registration and a platform where all related departments can share information. This means companies which have registered under the 'Three-in-One' system won't need to submit new applications for the 'Five-in-One' system and their information will be sent to the correct departments, automatically be issuing a new license.

You can read the complete news at:

http://www.gov.cn/zhengce/content/2016-07/05/content_5088351.htm

5. Changes in China's Foreign Investment Administration Reform

News: Corporate/Legal

Order of the Ministry of Commerce of the People's Republic of China [2016] No.3

Title: *Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises*

Promulgator: Ministry of Commerce

Promulgation Date: October 8th, 2016

Effective Date: October 8th, 2016

Foreign-invested enterprises (FIEs) in China can now register and report information changes through a filing process rather than the case-by-case approval process that was previously enforced. Any FIE that doesn't require special administrative measures for market access will be allowed to take advantage of this reform. This country-wide reform comes at the end of a four pilot reform which took place in Shanghai, Tianjin, Guangdong, and Fujian Free Trade Zones.

A few key points of the reform are:

1. The reform applies to wholly foreign owned enterprises, Sino-foreign equity joint ventures, cooperative joint ventures, and enterprises invested by foreign-funded investment enterprises in China.
2. The change from approval to filing applies to only green field investment. For establishment and change of FIEs through M&A, original approval from the Ministry of Commerce is required.
3. No negative list has been issued for the extension of the reform to categorize the industries subject to special administrative measures for market access.

The specific changes in information in an FIE which may now be reported through the filing process are:

- Changes to the basic information of the FIE;
- Changes to the basic information of investors of the FIE;

- Changes to equity as well as right and interest in cooperation;
- Merger, division, and termination;
- Pledge and transfer of property right and interests of a wholly foreign owned enterprise;
- Advance recovery of investment by foreign co-investors of a cooperative Sino-foreign joint venture;
- Entrusted operations administration of Sino-foreign cooperative joint ventures.

You can read the complete news at:

http://www1.www.gov.cn/xinwen/2016-10/09/content_5116164.htm

6. Crossing the Border is easier with the E-Channel System

News: HR

Title: *E-Channel available for Foreign Passports at Chinese Border*

Promulgation Date: August 19th, 2016

Effective Date: August 19th, 2016

The border crossing experience has gotten smoother for foreigners holding a working or residence permit in China. The e-channel passport clearance service has been made available for foreigners with biometric passports as of August 19th of the current year. The new service has been used before in Hong Kong and Macau since 2002 but only with locals and mainland China residents who frequently crossed the borders. This service now allows all foreigners who register to go through Chinese borders faster thanks to a much simpler process. The requirements you must meet in order to apply for this service are:

1. Be seven years of age or older;
2. Have a biometric passport with a pre-installed contactless smart chip;
3. Have a Chinese Residence Permit of more than six months.

Registering with an e-Channel Register Office is free of charge and includes presenting your valid e-passport, filling in and signing a Registered Travel Service notice, and having your photograph and fingerprints taken.

After registration, the process of entering the country through an e-channel can take as little as 10-seconds. First a traveler must scan the photo page of his/her passport which will open a door to the e-channel. Once inside, a face scan and finger print scan are required to successfully identify the traveler as the person in possession of the passport. Once completed, the door will open and the traveler will be free to enter.

You can read the complete news at:

http://www.gd.gov.cn/wsbs/bmts/201608/t20160822_234092.htm

7. Integration of Foreign Employees Work Permits

News: HR

Title: *Dual Work Permits for Foreign Employees Integrated*

Promulgator: State Administration of Foreign Experts Affairs

Promulgation Date: September 9th, 2016

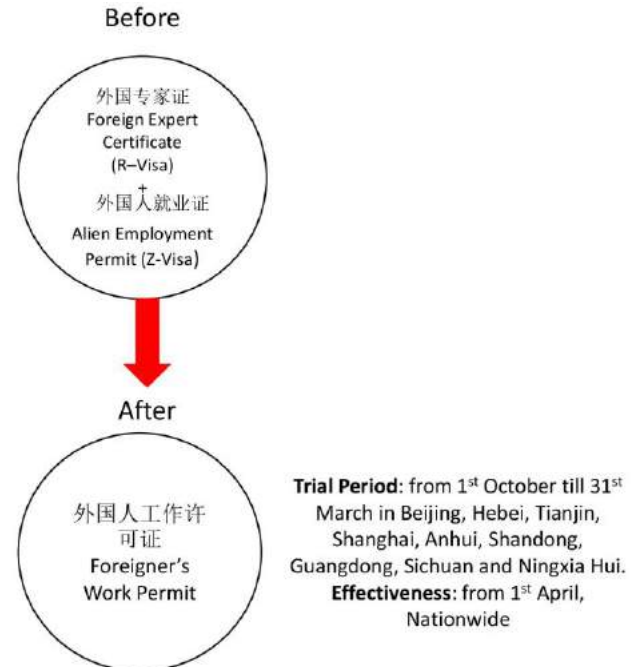
Effective Date: October 1st, 2016 (in Beijing, Hebei, Tianjin, Shanghai, Anhui, Shandong, Guangdong, Sichuan, and Ningxia Hui), April 1st 2017 (nationwide)

The State Council and State Administration of Foreign Experts Affairs are starting a trial period in which the Alien Employment Permit and the Foreign Expert Certificate for overseas employees in China will be streamlined into one unique system named the **Foreigner's Work Permit**. Trials are being officially launched in Beijing, Hebei, Tianjin, Shanghai, Anhui, Shandong, Guangdong, Sichuan and Ningxia Hui Autonomous Region. The full implementation of this system throughout China is planned to occur on April 1st, 2017.

The new system allows applicants to download and submit their forms online and will give them a lifetime individual code for the storage of relevant personal information. All the applications are expected to be finished within 5 working days. The new work permit cards will also have RFID chips in them which will contain information about the card holders' name, photo, visa number, place of work, and duration of stay.

The integrated work permit will be widely recognized by the government authorities across the country where the information is expected to be shared. According to the administration, work permits that were issued previously and are within the expiry dates are still valid. Applications for extensions, change or cancellation of the old permits should stick to the old system.

Categorized into A, B and C groups, the new work permits will identify also the status of the holders. Check more about the new categories in the following HR news.



You can read the complete news at:

<http://www.safea.gov.cn/content.shtml?id=12749114>

8. Easy as A,B,C – China's New Foreign Worker Classifications

News Category: HR

Title: *Dual Work Permits for Foreign Employees Integrated*

Promulgator: State Administration of Foreign Experts Affairs

Promulgation Date: September 9th, 2016

Effective Date: October 1st, 2016 (in Beijing, Hebei, Shanghai, Tianjin, Anhui, Shandong, Guangdong, Sichuan, and Ningxia Hui), April 1st, 2017 (nationwide)

With the introduction of the new integrated work permit, foreign workers will be categorized into A, B and C classes based on: age, educational background, past work experience and length, salary level, Chinese language ability and other factors. The detailed scoring system has not been defined nor officially released yet.

The categories are as follows:

A) Leading Foreign Experts – Outstanding professionals leading their fields, regardless of age, demonstrating extraordinary skills and abilities. For example: outstanding professors, scientists, certain multinational executives and managers. This category requires 80 points.

B) Foreign Professionals – General staff of professionals working in management and technical areas with a minimum two years work experience in the specific field. For example: educators, accountants, engineers. There will be limits in international trade, sports, culture and education. This category shall be limited to "market demand" and it is expected that most of foreigners will fall into it. This category requires 60 points.

C) Restricted Foreign Nationals – Workers under this category are seasonal or temporary and will be subject to annual quotas. This category is for applicants with fewer than 60 points.

The previous system divided foreign workers into two categories, foreign workers were either issued a foreign employment license or a foreign expert work permit. The new system will help to standardize and more accurately classify foreign workers.

Another aspect of the new system is the improved organization, every foreign worker will be entered into a single system, along with an identification photograph and a designated number.

You can read the complete news at:

<http://www.safea.gov.cn/content.shtml?id=12749114>

C&A's Observation:

As Chinese state news media reported, the new system aims to "encourage the top, control the middle and limit the bottom" of foreign workers. The new system shall help China to identify and better serve the type of foreign talent that China really needs to build an "innovation-driven society".

9. Guangdong Increases Maternity Leave and Clarifies New Population Reforms

News Category: HR

General Assembly 12th People's Congress Standing Committee of Guangdong Province Bulletin No. 66

Title: *Decision of the Standing Committee of the People's Congress of Guangdong Province on Amending the "Population and Family Planning Law of the People's Republic of China"*

Promulgator: Standing Committee of Guangdong Provincial People's Congress

Promulgation Date: September 29th, 2016

Effective Date: September 29th, 2016

On September 29th 2016, at the 28th Conference of the Guangdong People's Congress Standing Committee amendments were adopted to the "Guangdong Provincial Regulations for Population and Family Planning", allowing 50 additional days for maternity leave and clarifying the policy's special situations, including re-marriages and children with disabilities.

Set just at the end of last year and effective as of January 1, 2016, mothers were rewarded 30 additional days of Maternity leave in addition to the 98 days of basic maternity leave up to the second child, with a total of 128 days of leave.

With the new reforms, the reward leave for planned birth will increase from 30 up to 80 days, with a new total maternity leave of 178 days.

Those who gave birth and are still on maternity leave by Sept. 29 are eligible to enjoy the extended days.

Among other details, seven reforms were also made regarding special circumstances for additional children, focusing on complicated marriage situations.

You can read the complete news at:

http://www.rd.gd.cn/rdhy/cwhhy/1228/jyjd/201609/t20160929_154392.html

10. Chinese Yuan becomes IMF World Reserve Currency

News Category: Treasury/Foreign Exchange

Title: *IMF Adds Chinese Renminbi to Special Drawing Rights Basket*

Promulgator: IMF

Promulgation Date: September 30th, 2016

Effective Date: October 1st, 2016

On October 1st, 2016 the Chinese Yuan was entered into the International Money Fund (IMF) as a world reserve currency. The Yuan joins the US Dollar, the Euro, the British Pound and the Yen, as one of the official lending currencies for emergency economic bailouts.

By joining the IMF, China places itself on a direct path towards international economic improvement and finally, an increased validity of the Yuan. Even though there is still a strong control from Beijing over the exchange rate and the cross-border capital movements, the inclusion of the Chinese Yuan is an official recognition from IMF of the progress made by China in developing into an international economic authority.

As said by Christine Lagarde, IMF Managing Director: "the Executive Board's decision to include the Renminbi in the SDR basket is an important milestone in the integration of the Chinese economy into the global financial system."

You can read the complete news at:

<http://www.imf.org/en/News/Articles/2016/09/29/AM16-NA093016IMF-Adds-Chinese-Renminbi-to-Special-Drawing-Rights-Basket>

11. ICBC new E-commerce Platform encourages the Sale of Italian Products

News Category: Treasury/Foreign Exchange
Promulgator: ICBC Industrial and Commercial Bank of China
Promulgation Date: September 30th, 2016
Effective Date: August 31st, 2016

ICBC (Industrial and Commercial Bank of China) has recently launched an e-commerce platform (<http://mall.icbc.com.cn/>), which provides various specialized international e-commerce shops dedicated to the sale of imported goods. This ICBC service provides a common way of displaying goods, for both foreign companies and purchasers of their products.

In order to encourage the commerce of Italian products as well as establishing a dedicated Italian e-shop, the Chongqing ICBC's branch is offering a series of favorable terms for Italian companies are willing to develop their business through this new channel. Here some details about the advantages offered by ICBC:

1. More than 450 million already existing customers, with a national and international coverage;
2. an e-commerce platform with a 100 billion RMB turnover, being ranked third among all the e-commerce platforms operating in China (only after Tmall and Jindong);
3. the possibility of establishment for companies which are registered in China as well as those which are based in Italy (cross-border e-commerce);
4. no leasing costs for retail and/or advertising space;
5. 5% bank fees commission percentage, based only on the goods that are sold;

6. immediate payments through ICBC bank account (not as others competitors who provide monthly payment);

7. graphics implementation by a specialized expert team.

You can read the complete news at:

http://www.laziointernational.it/news/cina_piattaforma_e_commerce_per_prodotti_italiani-2013/

The information provided by this newsletter does not purport to be comprehensive and is for general information only. The newsletter is not intended to convey or constitute professional advice. You should not act upon any such information without first seeking qualified professional counsel on your specific matter.

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