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**NEWSLETTER**

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LATEST NEWS FROM CHINA



# Newsletter

Latest news from China  
Issue n.1 – January 2017

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## 1. SAT defines the Determination and Handling of Issuance of Special VAT Invoices by Evading Enterprises

News Category: TAX

SAT Announcement [2016] No. 76

Title: *Announcement of the State Administration of Taxation on Relevant Issues concerning the Determination and Handling of Issuance of Special Value-added Tax Invoices by Evading (Unreachable) Enterprises*

Promulgator: SAT

Promulgation Date: December 1, 2016

Effective Date: December 1, 2016

Lately, SAT issued an Announcement on important topics regarding the determination and handling of issuance of special Value-added Tax invoices by evading (unreachable) enterprises, effective as of December 1<sup>st</sup>, 2016.

The Announcement is based on the definition of an evading (unreachable) enterprise and it declares that, in case it falls either of two special circumstances during the period of existence and operation, special VAT invoices issued during the related period shall be treated as the abnormal proofs for offsetting against value-added tax (the "abnormal proof"). Those circumstances are:

- 1) if the enterprise either evades or disappears directly and doesn't file a tax return;
- 2) if the enterprise files a tax return, but it fills out relevant columns on the VAT Return to prevent the tax authority from making examination and comparison and makes false declaration.

According to the Announcement, in case of receiving an abnormal proof and having not declared for VAT credits or for export tax rebate yet, a general VAT taxpayer is not allowed to offset against VAT or deal with procedures for tax rebate temporarily. In case the taxpayer has already declared for tax credits, the input VAT should be transferred out without exception.

At this stage, the enterprise can choose between avoiding to continue declaring for tax credit or handling procedures for export tax rebate until current provisions on the deduction of input VAT or export tax rebate are satisfied upon verification.

**You can read the complete news at:**

<http://www.chinatax.gov.cn/n810341/n810755/c2403367/content.html>

## 2. VAT Rules for Immovable Property's Transfer clarified by SAT

News Category: TAX

SAT Announcement [2016] No. 73

Title: *Announcement of the State Administration of Taxation on Relevant Issues concerning the Deduction of Certain Items for Value-added Tax Levied on the Transfer of Real Property by Taxpayers*

Promulgator: SAT

Promulgation Date: November 24, 2016

Effective Date: November 24, 2016

SAT recently released an Announcement clarifying VAT rules for transfers of immovable property. The document provides details on the following three matters:

- 1) if a taxpayer is subjected to VAT after deduction according to relevant provisions for its transfer of a real property and it fails to provide the invoice obtained at the time of acquisition of such property, it can provide evidence of tax payment and documentation that support the basis used for calculating the deed tax paid at original acquisition;
- 2) in case a taxpayer's deduction of certain items is based on the tax base of deed tax, the two formulas prescribed in the Announcement should be used in order to calculate the VAT. In particular, if the deed tax is paid on May 1, 2016 or thereafter, the payable VAT = [the total transaction price (VAT included) ÷ (1+5%) – taxable amount for deed tax (VAT excluded)] × 5%;
- 3) in case a taxpayer has kept both the invoice obtained at the time of acquisition of such property and the receipt for payment of the tax base on which the deed tax is collected or other similar materials, it shall deduct certain items by virtue of the said invoice.

**You can read the complete news at:**

<http://www.chinatax.gov.cn/n810341/n810755/c2394751/content.html>

## 3. SAT Administration of VAT Invoices according to Taxpayer Credit Rating

News Category: TAX

SAT Announcement [2016] No. 71

Title: *Announcement of the State Administration of Taxation on Relevant Issues concerning the Administration by Category of the Use of Value-added Tax Invoices Depending on Taxpaying Credit Grades*

Promulgator: SAT

Promulgation Date: November 17, 2016

Effective Date: December 1, 2016

The recent Announcement provides that the manner in which the tax authorities administer and verify taxpayer VAT invoices will be influenced by taxpayer's tax credit ratings grades.

Each time taxpayers request such invoices, those with class-A tax credit rating may receive, from tax authorities, VAT invoices sufficient for three months of operations, while taxpayers with class-B rating may obtain VAT invoices for two months of operations.

In case of changes of production and operations, the above mentioned taxpayers need to adjust the necessary number of VAT invoices. Once all the formalities have been completed, the amount adjustment shall be proceeded on a real-time basis according to the regulations.

VAT invoices obtained by general VAT taxpayers with class-C tax credit rating doesn't need to be scanned for authentication anymore, as previously stated for VAT invoices obtained by taxpayers with class-A or class-B credit rating.

**You can read the complete news at:**

<http://www.ahhb-l-tax.gov.cn/huaibei/nsfw/ssgg/1479916800182879.htm>

## 4. Due Diligence of Financial Account Information Related to Tax Matters of Nonresidents

News: TAX

Title: *Draft Measures on the Due Diligence of Non-resident Financial Account Information in Tax Matters*

Promulgator: SAT

Promulgation Date: October 14, 2016

Effective Date: January 1, 2017

The SAT released the measures to adopt the Automatic Exchange of Financial Account Information related to tax standard (AEOI Standard). The AEOI Standard was developed by the OECD as a similar approach to the US Foreign Account Tax Compliance Act to enhance information transparency as part of its BEPS actions.

The draft provides the requirements for domestic financial institutions to collect financial account information held by foreign individuals and entities. Domestic financial institutions must operate the due diligence and find the non-resident's accounts and accounts of enterprises, then collect and report relevant information to the SAT.

The SAT will then exchange the information with the proper foreign tax authorities regularly. The measures consist of 43 articles in 7 chapters. Including interpretations of definitions, due diligence procedures, scope of information to be collected and reported, and sanctions imposed on behalf of a breach in laws or regulations.

**You can read the complete news at:**

<http://hd.chinatax.gov.cn/hudong/noticedetail.do?noticeid=921021>

## 5. SAIC Opening up Enterprise Name Databases

News Category: CORPORATE/LEGAL

Gong Shang Qi Zhu Zi [2016] No. 203

Title: *Guiding Opinions of the SAIC on Opening up the Enterprise Name banks for Orderly Advancing the Reform of the Registration and Administration of Enterprise Names*

Promulgator: SAIC

Promulgation Date: October 18, 2016

Effective Date: October 18, 2016

The process for establishing a company or changing a company name is being reformed to facilitate the registration and improving its efficiency.

The old system required companies to pre-register their prospective name to see whether or not it was available. The State Administration for Industry and Commerce (SAIC) has now decided that this step in the process is avoidable if companies have access to the name database. The local Administration for Industry and Commerce (AIC) offices will now open their name databases to the public so that applicants can check on their own whether their proposed name is still available.

Companies will be able to search the database using names and industry descriptions so that they will find any company with a similar name. The AIC's deadline for opening their name databases to the public was settled down on December 1<sup>st</sup>, 2016.

*C&A Observations:* Because of the steps being taken to make this process more efficient, we expect the entire name pre-approval process for enterprises to be simplified, or even deleted. At the moment, this can be considered as a good step forward aimed to eliminate unneeded steps in a process that is already considered arduous and time-consuming.

**You can read the complete news at:**

[http://www.saic.gov.cn/zwgk/zyfb/zjwj/xxzx/201610/t20161021\\_171778.html](http://www.saic.gov.cn/zwgk/zyfb/zjwj/xxzx/201610/t20161021_171778.html)



## 6. Medical and Maternity Insurance up to be Fully Integrated in 2018

News Category: HR

Title: *Draft about Maternity and Medical Insurance Integration to be officially launched in 2018*

Promulgator: Ministry of Human Resources and Social Security

Promulgation Date: December 6, 2016

Effective Date: 2018

According to the reports, the Ministry of Human Resources and Social Security of PRC has already chosen 12 cities that in the next 2 years are going to bring forward a trial regarding the merging of Medical Insurance and Maternity Insurance. In 2018 this merging will be extended to the entire country.

The idea behind the trial period is to maintain "4 centralized" and "1 unvaried" system, which consist in integrating registration, insurance management, medical services' management and information systems together, while keeping the previous birth financial aid.

Experts state that, maternity insurance and medical insurance funds are generally coordinated at a local level but, as in every region the balance of cash fund is different, it's fundamental to write a report about the entire experiment before the end of the year or at least before the starting of the trials.

The Responsible of the Insurance Department at the Ministry of Human Resources and Social Security of PRC stated that the project research should grasp several major aspects: combine the national population policies, women's employment and the release of the two child birth policy.

The aim of this merging operations is to use the international experience of mixing different policies and reforms while dealing with different levels of management combinations: unify medical payment methods reform's, the payment of women's bear medical expenses and maternity financial aids standards, while refining maternity leave policies and using the data to support policy adjustments in order to protect the legitimate rights and interests of insured people.

**You can read the complete news at:**

<http://news.51labour.com/show/197049.html>

## 7. General Lowering of the Salaries Standards in China

News Category: HR

Title: *19 Provinces issued Wage Guidelines: Baselines have been lowered*

Promulgator: Zhongguo Jingji Zhoukan

Promulgation Date: November 28, 2016

Effective Date: December 6, 2016

As of November 28, 19 provinces such as Hainan, Beijing, Shandong, Shanxi, Inner Mongolia, Tianjin, Hebei, Sichuan, Yunnan, Shaanxi, Jiangxi, Xinjiang, Shanghai, Guizhou, Guangxi, Qinghai, Fujian, Gansu, Ningxia (District or Cities) announced this year's wage guidelines.

If compared with 2015, the baseline has been reduced for all the 19 provinces without exceptions. Between those, we can find a 0.9% reduction in Hainan (the smallest reduction); 1% in Tianjin; 1.5% in Beijing; 1.6% in Inner Mongolia; in some provinces like Shanghai and Shandong the reduction has been calculated to be equal to 2%; in Shanxi, Sichuan and other 3 provinces it has been calculated to be 3%; in Jiangxi and Xinjiang it reached the 4%; in Ningxia we can find the biggest one, calculated to be 5%.

Talking about the maximum salary amount, excluding Jiangxi and Ningxia (which at the moment are not planning to make it public), the other 17 provinces experienced a decreasing trend. Among them, the smallest reduction has been in Guizhou, around 0.2% and the biggest variation has been registered in Shanxi, calculated to be 7%.

Regarding the minimum salary amount, there is a general decrease, with Beijing and Guizhou classified as the only cities in which the minimum salaries are rising.

Eight provinces (Inner Mongolia, Tianjin, Yunnan, Xinjiang, Shanghai, Guanxi, Fujian and Shanxi) didn't vary their lower salary amount (compared to last year), while other provinces experienced a 1% decrease. Shaanxi e Jiangxi experienced the biggest reduction, calculated to be around 2%.

**You can read the complete news at:**

[http://www.legaldaily.com.cn/index/content/2016-12/06/content\\_6906206.htm?node=20908](http://www.legaldaily.com.cn/index/content/2016-12/06/content_6906206.htm?node=20908)

## 8. Xi Jinping Keynote Speech at the APEC CEO Summit and recent Developments on China-Peru Relations

News Category: Treasury/Foreign Exchange

Title: *Xi Jinping's Speech in APEC positions China and Asia-Pacific at the forefront of the world*

Promulgator: Xinhua News Agency

Promulgation Date: November 20, 2016

On November 20<sup>th</sup>, Chinese President Xi Jinping gave an encouraging message to the business communities of the 21 Asia-Pacific Economic Cooperation (APEC) members in attendance at the APEC CEO Summit in Lima, Peru.

The APEC was established in 1989 to promote free trade throughout the Asia-Pacific region and has become an important system to address economic issues within the region and the world. In his speech, Xi talked about China reaching out to the world with important investments and opening domestic markets up to foreign investments.

He also focused specifically on China's relationship with Latin American countries and China's plans for the upcoming years. President Xi's speech about the possibility of reenergizing the world economy through Latin America's potential and Chinese support, created a wide sense of optimism between those who attended the conference.

Moreover, in a separate meeting with the Peruvian president Kuczynski, they both agreed on promoting better and faster development of the two countries' comprehensive strategic partnership.

President Xi stressed that both countries should treat industrial capacity cooperation as a new engine for their economic ties and reinforce their cooperation in mining industry, energy and infrastructure construction, as well as in new fields such as environmental protection, clean energy and information connectivity.

Another remarkable fact is that China continues its opening towards the import of more and more Peruvian products like blueberries and avocados, serving as driving force behind the entrance of other Peruvian products in the local market.

Xi called both countries on the upgrade of their free trade agreement signed in 2009 and enforced since May 2010, in order to inject new vitality into two-way trade, he also mentioned that the Chinese government will continue to encourage capable enterprises to invest in the Latin American country.

China is ready to work with APEC member economies to implement the meeting's results, push forward the process of building a Free Trade Area in Asia-Pacific and help forging an open economy in the region.

**You can read the complete news at:**  
[http://news.xinhuanet.com/english/2016-11/21/c\\_135844692.htm](http://news.xinhuanet.com/english/2016-11/21/c_135844692.htm)



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