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NEWSLETTER

LATEST NEWS FROM CHINA



Newsletter

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Issue n.2 – February 2017

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1. SAT Clarifications on Enterprise Income Tax related Documents

News Category: TAX

SAT Announcement [2016] No. 88

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 29th, 2016

Effective Date: December 29th, 2016

The SAT Announcement issued on December 2016 clarifies, among others:

- The **documentation requirements** for those enterprises changing their second-level and below branches (for example, increase or decrease their second-level branches);
- **Tax deduction** for asset losses incurred by the branches mentioned in the above point.

The first point shall take effect as of the effective date of the SAT Announcement No.25 [2011] or of the SAT Announcement No.6 respectively and in light of the matters involved.

The last point shall apply to the final settlement of enterprise income tax in 2016 and thereafter.

You can read the complete news at:

<http://www.chinatax.gov.cn/n810341/n810755/c2435446/content.html>

2. China Introduces 20 Policies to attract Foreign Investments

News Category: Corporate/Legal

Guo Fa [2017] No. 5

Title: *Circular of the State Council on Several Measures concerning the Expansion of Opening-up and the Active Use of Foreign Capital*

Promulgator: State Council

Promulgation Date: January 12th, 2017

Effective Date: January 12th, 2017

Early this year, the State Council introduced a Circular in which they layout 20 new policies to attract foreign investments. These policies are being put into place to China's economy more developed and technology driven. Chinese regulators feel that loosening regulations on foreign enterprises and creating a more fair market will quickly be able to grow to advance the Chinese economy.

Below is an outline of the four main provisions that are being made to encourage foreign investments.

Upgrading Foreign Investment in Manufacturing "China-made 2025"

Restrictions on foreign capital will be canceled in rail transportation equipment, motorcycle manufacturing, fuel ethanol production, oil processing, and other fields. De-restriction in oil shale, shale gas, petrol and natural gas. Tax deductions will be available for domestic and foreign scientific institutions carrying out work in cooperation in scientific high-tech research work.

Opening Foreign Service Industry

Relaxing regulations in banking financial institutions, securities companies, securities investment fund management companies, futures companies, insurance institutions, and insurance intermediaries. Foreign capital will also be supported to invest in energy and environmental protection.

Promoting fair competition between foreign and domestic enterprises

Domestic and foreign enterprises have same right to be listed in capital markets for financing. So they will be able to enter the Chinese stock market, enter Chinese capital market and enter main and third board markets. Banks that have started to obtain the qualification for settlement agent operations in the interbank bond market of China include Citi, HSBC, SCB, DB and BNP Paribas. The government additionally will help to promote fair trade by applying same time limit for approving license or qualification applications for domestic and foreign enterprises.

Promoting foreign investment in western and northeastern China

Local governments are allowed and encouraged to create special business and investment incentives to attract foreign investment. Investment in western and northeastern China shall receive preferential policies on enterprise income tax, land, and funds. Lastly, The Ministry of Human Resources and Social Security may handle insurance formalities for transfer to this region to ease the transition process.

You can read the complete news at:

http://www.gov.cn/zhengce/content/2017-01/17/content_5160624.htm

3. Ease and Expansion of Foreign Capital in China

News Category: Corporate/Legal

Guo Fa [2017] No. 5

Title: *Circular of the State Council on Several Measures concerning the Expansion of Opening-up and the Active Use of Foreign Capital*

Promulgator: State Council

Promulgation Date: January 12th, 2017

Effective Date: January 12th, 2017

China's State Council has recently made sweeping efforts in the Circular mentioned in the previous news (*China Introduces 20 Policies to attract Foreign Investments*) to encourage investment and consumption from abroad.

These advances have begun to make China into a more high technology, developed and diverse economy and they range from opening Chinese capital markets to foreign banks, tax incentives for foreign companies willing to move to western and northeastern China, as well as promoting fair competition for all enterprises native and non-native to China.

Of the guidelines that have been outlined in the 20-point Circular, even more easing is expected to take place. This includes a provision to revise the catalogue for the Guidance of Foreign Investment Industries from 93 restrictive measures to 62. President Xi Jinping is a large supporter of the easing tendency, stressing three very basic principles to attract foreign investment to China to great an open economy:

1. Committing to attracting foreign in investment;
2. Protecting rights and interests of foreign invested companies;
3. Providing better services to foreign investors.

There has also been a crack down on Anti-Monopolistic tendencies to promote fair competition in China. In 2016, 53% of these cases were in the industrial and manufacturing industries and 40% of these cases were from horizontal merger acquisitions.

Furthermore, there is going progress to rid minimum registered capital RMB requirements. But for now, the national laws and the State Council's administrative regulations use minimum registered capital requirements.

Below is a limited overview of the State Council's administrative regulations list.

Sector	Minimum Registered Capital (RMB)
Commercial bank	50 Million – 1 Billion (depending on the specific business scope)
Foreign invested telecommunications enterprise	1 Million – 1 Billion (depending on the specific business scope)
Insurance company	200 Million
Publishing house	300,000
Travel agency	300,000

You can read the complete news at:

http://www.gov.cn/zhengce/content/2017-01/17/content_5160624.htm

4. Postgrads Granted Easy Access to Chinese Work Visas

News Category: HR

Ren She Bu Fa [2017] No.3

Title: *Circular of the Ministry of Human Resources and Social Security, the Ministry of Foreign Affairs and the Ministry of Education on Matters relating to Permitting Outstanding Foreign College Graduates to Enter Employment in China*

Promulgator: Ministry of Education; Ministry of Human Resources and Social Security; Ministry of Foreign Affairs

Promulgation Date: January 6th, 2017

Effective Date: January 6th, 2017

The Ministries of Education and Human Resources, Foreign Affairs, and Social Security made a joint statement on January 6th announcing the following:

- Foreign college graduates who have received a masters degree or higher within the last year **can now obtain** Chinese work visas **without** prior postgraduate work experience. The degree must have been obtained in a Chinese or "well-known" foreign university.
- Work experience **requirement will be waived** so long as **all** the approval conditions are met:
 - 1) candidates must be aged 18 or above and in good health;
 - 2) have no criminal records;
 - 3) have excellent academic performance and no records of misconduct at school;
 - 4) have obtained a corresponding academic credential and degree;
 - 5) have a determined employer, with the job matching his/her area of study. The remuneration shall not be less than the local average pay of on-the-job employees of urban employers, and the specific standards shall be reasonably determined by each provincial human resources and social security department based on the actual

employment market situation and the talent recruitment need; and finally

6) hold a valid passport or other international travel documents that can be substituted for a passport.

You can read the complete news at:

http://www.mohrss.gov.cn/gkml/xxgk/201701/t20170111_264214.html

5. SAFE Announces Updated Foreign Exchange Restrictions

News Category: Treasury/Foreign Exchange

Title: *The Relevant Responsible Person on behalf of SAFE answers to Reporters' Questions on the Improvement of the Administration of Individual Foreign Exchange Information*

Promulgator: NDRC, MOFCOM, SAFE, PBOC

Promulgation Date: December 31st, 2017

New outbound investment restrictions under NDRC, MOFCOM, SAFE and PBOC have been lately announced on December 31st, 2017:

- To apply for the purchase of foreign currency, individuals are required to fill and sign a document reporting the **purpose of purchase**, the **time frame of use of currency**, and the **destination country**.
 - o Purchase **can't** be for real property, securities, life insurance, or insurance with rebates in foreign countries;
- The authenticity of certain outbound investment projects will be verified under relevant provisions;
- Close control of investments in real property, hotels, studios, entertainments and sports clubs;
- Commercial banks **need to report** to SAFE payments for outbound investments exceeding **USD 5 million**;
- From July 1st, 2017, banks must report to PBOC for any **cash transactions reaching RMB 50,000 or USD 10,000**.

You can read the complete news at:

http://www.safe.gov.cn/wps/portal/!ut/p/c4/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwMLE09nA09Pr0BXLy8PQyNPI_2CbEdFAKLWUno!/WCM_GLOBAL_CONTEXT=/wps/wcm/connect/safe_web_store/safe_web/whxw/zcfqjd/node_news_zcfqjd_store/8e304a004f8789128505ef1d332fca45

6. SAFE Advances Foreign Exchange Administration Reform

News Category: Treasury/Foreign Exchange

Hui Fa [2017] No. 3

Title: *Circular of the State Administration of Foreign Exchange on Further Advancing Reform of foreign Exchange Administration and Improving Examination of Authenticity and Compliance*

Promulgator: SAFE

Promulgation Date: January 26, 2017

Effective Date: January 26, 2017

Deepening the Reform of Foreign Exchange Administration, SAFE vows to improve Examination of Authenticity and Compliance

- Expanding the scope of foreign exchange settlement regarding the domestic foreign exchange loans;
- **Permit the transfer of funds** under onshore guarantee for offshore loans for domestic use;
- For deposits absorbed by a domestic bank via the master account of international foreign exchange funds, the portion available for domestic use is **adjusted from not more than 50%** of daily average deposit balance for the previous six months **to 100 %**.

The SAFE Circular further facilitates centralized operations and management of foreign exchange funds of MNC's:

- Permits an overseas institution in a pilot free trade zone to make foreign exchange settlement with domestic foreign exchange account;
- Unless otherwise provided by the SAFE, domestic institutions shall handle foreign exchange trade receipts and payments;
- Improves the statistics of overseas deposits of foreign exchange receipts of current account;
- Implements and improves policies on the administration of the remittance of foreign exchange profits from direct investment;

- Reinforces the review of the authenticity and compliance of foreign direct investment;
- Domestic institution handling registration and funds remittance formalities for foreign direct investment shall **make a use plan, provide the resolution of the board of directors, and prove authenticity**;
- Sum of the balance of overseas lending in RMB and that of overseas lending in foreign currencies **shall not exceed 30%** of its owner's equity in the audited financial statements for the year previous.

You can read the complete news at:

http://www.safe.gov.cn/wps/portal/!ut/p/c4/04_SB8K8xLLM9MSSzPy8xBz9CP0os3qPZxdnX293QwMLE09nA09Pr0BXLY8PQyNPI_2CbEdFAKLWUno!/PC_7_HCDCKMG108U5C0IAU3CM7730S5000000_WCM_CONTEXT=/wps/wcm/connect/safe_web_store/safe_web/zcfg/zhfg/qt/n_ode_zcfg_qt_store/06ad61004fd6d8b2b8d6b88c78fc6d27

7. Suspension of Service for Filing of Tax Return – Individuals through Etax

News Category: Hong Kong

Title: *Suspension of Service for Filing of Tax Return – Individuals Through eTAX*

Promulgator: IRD

Promulgation Date: January 27th, 2017

Effective Date: January 27th, 2017

The IRD statement issued on January 27, 2017 announced service suspension for individuals Internet filing through Etax to facilitate the system update:

- Temporary **suspension** starts from March 30, 2017;
- To avoid filing tax return in paper form, need to complete it online **on or before** March 29, 2017 - any previously saved partially completed returns will be deleted.

You can read the complete news at:

http://www.ird.gov.hk/eng/tax/efiling_20170127.htm

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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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