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Consulting Group

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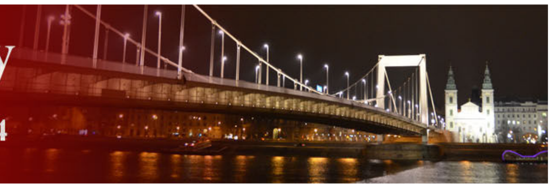

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China Says Yes to Inter-Governmental Agreement with United States

China has recently signed the Inter-Governmental Agreement ("IGA") with regard to the U.S. Foreign Account Tax Compliance Act ("FATCA") with the United States which became effective from 26th June 2014.

Targeting tax evasion, FATCA imposes on foreign financial institutions a duty to report to Internal Revenue Service ("IRS") on U.S. taxpayers who are maintaining with them balances exceeding USD50,000 or equivalent amount in other foreign currencies. The United States has developed two model IGAs to effect international exchange of the relevant data. The model that China is implementing requires all foreign financial institutions ("FFIs") to report specified information about their US or Chinese accounts, as the case may be, on an automatic basis. Compliance with the FATCA allows the FFIs to pay 30% less withholding tax.

U.S. citizens or permanent residents, who have accounts and investments in China, are recommended to evaluate the impacts of this IGA that China has signed on them and seek advice in good time on how to fulfill the requirements specified by IRS to avoid undue penalties.

Chengdu Compiles Negative List for Foreign Investments

Following Shanghai and Pingtan in Fujian, Chengdu introduced a Negative List on 17th July 2014, applicable to foreign investment, business investment, regional development and environmental protection in the three pilot areas of Tianfu New District, Chengdu Hi-tech Zone and Longgan District.

The adoption of a Negative List is aimed at reducing restrictions whereby investments by foreign entities are allowed in all sectors other than those listed as prohibited or restricted under the Negative List. This step taken by Chengdu shows that the Chinese government is eager to extend the practice to other provinces or municipalities.

China Passed Free Trade Zone Law

The 14th Shanghai Standing Committee of the National People's Congress approved The China (Shanghai) Pilot Free Trade Zone Law (the Law) on 25th July 2014. The Law is aimed at providing a legal framework for reforms and innovations in the zone, covering management systems, openness of trade, trade facilitation, financial services, tax management, consolidated supervision and legal environment, to strengthen investor confidence through less intervention and a more open economy accessible to global participants.

The Law, comprising 9 chapters and 57 articles, became enforceable on 1st August 2014.

Double Taxation Agreement between China and the Netherlands

The State Administration of Taxation announced[1] that an agreement between China and the Netherlands on avoidance of double taxation and prevention of fiscal evasion with respect to income taxes will become effective on 31st August 2014. The agreement applies to income tax, salaries tax and corporate tax in the Netherlands, and individual income tax and corporate income tax in China for income arising from 1st January 2015.

[1] SAT [2014] No. 16

Service Highlight

It is evident that the Chinese government is becoming keener on simplifying the process of official approvals to enhance the business environment for foreign investors. We are pleased to be in a position to help investors to take advantage of this to identify and explore potentially promising investment opportunities for their growth and expansion. Our Marketing Executive, Ms. Yannes Lam, would like to hear from you at (852) 3579 8745 or yanneslam@sinobridge-consulting.com as to how we can assist you with your business plan for China.

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