

## China Business Advisory

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### Administrative Measures on General Anti-Avoidance Rules

China's first set of General Anti-Avoidance Rules ("GAAR") was introduced in 2008 which was directed at Corporate Income Tax Law ("CIT Law"). To help to put these GAAR into practice, the State Administration of Taxation ("SAT") recently issued Administrative Measures of the following key elements to take effect from February 2015:

- defining the scope of their application;
- setting out guidance on their enforcement by the Chinese tax authorities;
- indicating how proceedings will be initiated;
- highlighting how investigation will be conducted and decision reached; and
- providing ways to resolve disputes.

### Declaration Forms for Enterprise Income Tax Revised

The SAT has, during this month, announced that revised Annual Tax Payment Declaration Forms for Enterprise Income Tax (Category A, 2014 Edition) (the "Forms"), which consist of 41 tables, in comparison to the 17 tables currently required, will be adopted from 2015.

The current CIT declaration forms have been in use for about six years. In the wake of rapid changes to tax policy and administration to cope with the fast developing economy of China, the need for new forms to better fit the prevailing circumstances has become increasingly pressing.

There are no significant changes in the number of forms small and medium-sized enterprises need to fill in. For instance, they will need to fill in, on average, four to five forms, which is not much different from the number of forms required currently.

### **New Merit Accreditation System of the Customs**

The Customs Authority just promulgated the Administration of Enterprise Credit (Order of the General Administration of Customs of the P.R.C. No.225), (“the Interim Measures”), which became effective on 1<sup>st</sup> December, 2014. These Interim Measures are enacted to establish the credibility of enterprises engaged in import and export businesses through which they are categorized as:

1. Authorised Enterprises;
2. Credible Enterprises; and
3. Dishonest Enterprises

Under this system, Authorised Enterprises will be entitled to speedier customs clearance whereas Dishonest Enterprises will be subject stringent inspection controls the undue efforts needed to cope with which hopefully serve as sufficient incentive for them to move to at least the category of Credible Enterprises which would still have to go through a set of procedures for their custom clearance and other regulatory compliance process although far from daunting as that for the Dishonest Enterprises.

## **Green light to Foreign Investment in Non-Charitable Homes for the Elderly**

On 24<sup>th</sup> November, 2014, the Ministry of Commerce and the Ministry of Civil Affairs of the P.R.C. jointly issued the ‘Bulletin of The Ministry of Commerce and The Ministry of Civil Affairs Concerning Foreign Investment in Non-Charitable Homes for the Elderly’ ("the Bulletin") in furtherance of Guofa [2013] No. 35 to tackle the acute ageing issue in China.

The Bulletin encourages foreign investors to run non-charitable homes for the elderly in China, either on their own or jointly with Chinese enterprises. It provides guidance and outlines the initial procedures for setting up elderly homes. The following key points are extracted from the Bulletin:

- Foreign investors are allowed to participate in domestic investments in connection with businesses providing homes for the aged. They are encouraged to run these homes in chains or very large scale.
- Enterprises engaged in the business of providing non-charitable homes for the elderly, whether funded by foreign or local investments, shall enjoy preferential tax treatment and be entitled to other incentives such as exemption from administrative and institutional levies.
- While foreign investors are encouraged to participate in the transformation of not-for-profit homes for the elderly into ones for profits, they are obligated to protect the interests of existing employees, preserve the value of state-owned assets and manage with due care other issues of social implications throughout and beyond the transformation process.

## Service Highlight

This current issue speaks out the Chinese government's concern to better regulate the business practice landscape in China. In this regard, we believe we are able to help investors to cope with the said changes in their best interests. As always, we take pride in rendering all the advice that our clients need to enable them to manage their investment. Our Marketing Executive, Ms. Yannes Lam, would like to know your concerns over the phone at (852) 3579 8745; or, alternatively by email at [yanneslam@sinobridge-consulting.com](mailto:yanneslam@sinobridge-consulting.com), as to how we can deliver to you our assistance.

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