

## China Business Advisory

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### Modification to the Labor Contract Law

The Standing Committee of the National People's Congress (NPC) released Order [2012] No. 73 ("Order 73") for the following modification to the Labor Contract Law, effective 1 July 2013:

- Article 57 is revised to allow an entity to conduct labor dispatch business with registered capital of not less than RMB2 Million.
- Article 63 is revised to enforce the right of equal pay for equal work under a labor dispatch arrangement.
- Article 66 is revised to clarify that a labor dispatch arrangement is meant to serve supplementary purposes which are temporary (for periods not exceeding 6 months), auxiliary (to support the core business) or substitutive (arrangement for temporary absences) in nature.

Entities with labor dispatch arrangements are suggested to have them reviewed accordingly and promptly. Revisions to the agreements will be required if the remuneration packages on the agreements do not comply with the principle of equal pay for equal work in accordance with Order 73. Labor dispatch contracts which were signed prior to Order 73 and have not expired however can still run through its term to expiration.

## **Transfer of Input VAT Credit Balance for Asset Restructuring**

The State Administration of Taxation (SAT) released SAT Announcement [2012] No. 55 dealing with certain issues on the input Value-added Tax (VAT) credit brought forward under an asset restructuring. It is a supplement to SAT Announcement [2011] No. 13, which attempted to address uncertainties over “entire asset transfer”, to allow input VAT credit balance of the transferor to be carried forward to the transferee after asset restructuring if:

- It is an entire asset transfer together with the relevant liabilities and workforces; and
- Both transferor and transferee are general VAT taxpayers.

The relevant documents for the asset restructuring and the unused input VAT credit balance prior to the transfer should be kept for verification. This Announcement became effective from 1 January 2013

## **Foreign Visitors Can Enjoy 72-Hour Visa Free Transit in Beijing and Shanghai**

Beijing and Shanghai started to implement 72-hour visa-free transit policy for visitors from 45 countries. Effective from 1 January 2013, foreign visitors having visa for another country and plane tickets for that country can apply for a transit without visa (TWOV) on entering China at Beijing International Airport, Shanghai Pudong International Airport and Hongqiao International Airport. Please be reminded that foreign visitors are only allowed to stay within the relevant city during the 72-hour period and they must leave China from the same airport through which they entered.

The 45 visa-free countries are Argentina, Austria, Australia, Belgium, Brazil, Brunei, Bulgaria, Canada, Chile, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Japan, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Mexico, Netherlands, New Zealand, Poland, Portugal, Qatar, Romania, Russia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, United Arab Emirates, Ukraine, United Kingdom, United States.

## Chinese New Year Holiday Schedule

Chinese New Year, commonly referred to as the Spring Festival in China, will begin on 10 February 2013 this year. This “Year of the Snake” will officially be celebrated with an 8-day national holiday from 9 February to 15 February 2013 during which most business and offices will be closed. To make this long holiday possible, 16 February (Saturday) and 17 February (Sunday) were turned into normal working days. Hundreds of millions of people, particularly the migrant workers, will travel back home to celebrate Spring Festival with their families for a week or two before returning to work. Traffic is expected to be extremely heavy with virtually all modes of transportation reaching their limits if not beyond. Readers of CBA who are in China or will head for China during this period are advised to plan in good time for their travel arrangements. Besides please set aside enough time for regulatory compliances in view of the long holiday.

## Service Highlight

It has always been in our mind to provide useful information to our clients who operate in China and help them in any way we could with our solid experience in China. For any assistance you may need from us, you are encouraged to contact our Marketing Executive, Ms Mary Li, on +852 3579 8745 or email her at [maryli@sinobridge-consulting.com](mailto:maryli@sinobridge-consulting.com).

## Our China Investment Business Advisory Team

### Hong Kong

Room 2301-02, 23/F, Prosperity Center,  
25 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong

### Guangzhou

Room 1601D02, 16/F Vili International, 167 Linhexilu,  
Tianhe District, Guangzhou PRC 510000

### Lyon Odiceo

115 Boulevard Stalingrad – BP52038,  
69616 Villeurbanne Cedex, France

Company Website:

[www.sinobridge-consulting.com](http://www.sinobridge-consulting.com)

### Shanghai

Room 17B, 17/F, World Plaza, No.855 South Pudong  
Road, Pudong New Area, Shanghai, PRC 200120

General:

Tel: (852) 3579 8745

E-mail: [info@sinobridge-consulting.com](mailto:info@sinobridge-consulting.com)

## Hong Kong Guangzhou Shanghai Lyon

For any enquiries, please contact Ms. Mary Li, Marketing Executive: [maryli@sinobridge-consulting.com](mailto:maryli@sinobridge-consulting.com) Tel: (852) 3579 8745  
[www.sinobridge-consulting.com](http://www.sinobridge-consulting.com)