

China Business Advisory

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Economic News

China expects an economic growth rate of 8% in 2010 and will keep Yuan basically stable



During China's policy-making sessions of the National People's Congress ("NPC") and the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") held in Beijing this month, Premier Wen Jiabao said when delivering his annual report that although the environment for economic development this year may be better than 2009, China will still be faced with undue complication. 2010 will be a

crucial year for the country to fight against the financial crisis and maintain a stable and comparatively fast economic growth. China's GDP growth in 2009 reached an impressive 8.7%, higher than the original target of 8% set at the beginning of last year. The government expects the economy to grow around 8% in 2010. Wen also said the Yuan (Chinese currency) would remain "basically stable at an appropriate and balanced level" despite continued calls from some countries for faster Yuan revaluation.

Tax in China

Tax on transfer of equity interest in Chinese resident enterprises

State Administration of Taxation ("SAT") issued a circular on 15th December 2009, Guishuihan [2009] No. 698 which took effect on 1st January 2008 retrospectively, to address the tax issues regarding transfer of equity investments by foreign non-resident enterprises. Capital gain tax may be imposed on the transfer of equity interest in a Chinese resident enterprise by a foreign non-resident enterprise ("direct transfer") and, under some certain conditions, on the transfer of equity interest in an offshore intermediary holding company who owns a Chinese resident enterprise ("indirect transfer"). Equity acquired and sold on a public securities market is not subject to this regulation. This circular shows the authority's wish to strengthen tax administration on non-resident enterprises which could have significant impacts on foreign companies, especially those who invest in China via an offshore holding company. However, there are still many uncertainties to be clarified and we are

not sure about how the authority could, in practice, enforce such regulations on indirect transfers. Our professional team will closely watch the development in this area and keep you updated accordingly.

New regulations regarding nonresident enterprises and Representative Offices (“ROs”)

Further to the new regulations in respect of ROs we mentioned in our January issue, SAT released two circulars on 20th February, 2010 regarding the updated tax administration measures on ROs of foreign enterprises (Guoshuifa [2010] No.18) as well as that on non-resident enterprises stipulated in the new Corporate Income Tax (“CIT”) law (Guoshuifa [2010] No.19). These two circulars took effect on 1st January, 2010 and 20th February, 2010 respectively. They provide several alternative tax methods in different circumstances for the relevant tax payers, such as tax on actual basis and tax based on deemed profit. The circulars also stipulated deemed profit rates for different industries, ranging from 15%-50%. They may be even at the decision of the Tax Authority. Some other detailed regulations were introduced in the circulars as well. If you need further information or support, please feel free to contact our professionals.

Shanghai World Expo 2010

At the International Working Women’s Day

8th March, 2010 is the 100th International Working Women’s Day. One century ago, Clara Zetkin of Germany proposed an international day for women of the world to press for their right to full citizenship. Today in many countries including China, women’s social and legislative position improves a lot. They are making achievements no less than men in many different respects. The Shanghai World Expo reflects this through the many women contributing to it in the capacity of designers, workers, organizers, security forces and many others professions. We are pleased that some of our staff is going to be the volunteers. We take this opportunity to express our sincere respect for and best wishes to women in different industries and different countries. The picture on the right shows 2,000 women soldiers of the People’s Armed Police Corps of Shanghai stand in the shape of the Expo emblem to mark their work in the upcoming Expo and to celebrate the 100th anniversary of the International Working Women’s Day.



Traffic Guide to Shanghai Expo

Visitors are able to take shuttle buses, ferries and metros to the Expo sites. 120 shuttle buses will be traveling between Pudong and Puxi and 35 ferries will take visitors across the Huangpu River and deliver visitors directly to the Urban Best Practice Area. The most convenient way is to take the Metro from Shanghai city centre to the specific site. Stay with us and we will bring you updates for the travel details.

Need help? Just give us a call!

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