

China Business Advisory

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China Extends VAT Reform to the Telecommunication Sector

On 29th April 2014, China's Ministry of Finance and State Administration of Taxation jointly issued a circular, Caishui [2014] No. 43 ("the Circular"), which extends the Value Added Tax ("VAT") reform to the telecommunication sector.

The Circular will take effect on 1st June 2014, under which basic telecommunication services such as voice calls and bandwidth leasing or sales will be subject to 11% VAT rate while that of value-added services such as messaging, data transfer and internet access will be 6%. Telecommunication services for overseas clients will be exempt. Furthermore, the discontinuance of a number of concessions which existed under the Business Tax ("BT") system means that the scope of these reforms now affect a broader group of taxpayers, including foreign telecommunication providers, as well as new forms of telecommunication service providers such as the digitized service industry.

Virtually, every enterprise incurs telecommunication expenses, whether they are from fixed lines, mobile phones or internet services. Under the general VAT rules, businesses which are general VAT taxpayers are eligible to claim VAT input credits from expenditures they have incurred. It may therefore be expected that the real costs of communication services may be less. Please note that companies will need to obtain VAT Special Invoices in a proper manner for their telecommunication costs in order to claim for such VAT credits. The Circular is relatively light on details. We believe that implementation or interpretational rules will be issued over time.

A New Trademark Law in China

A new revised trademark law came into effect in China on 1st May 2014. The revisions were made in a move to further strengthen the legal protection of intellectual property.

Key points in the new Trademark Law are:

- **Examination Periods**

In response to complaints of an overly-long procedure for trademark proceedings, the new Trademark Law specifies the time periods for completing a trademark registration, review and objection procedure. Under the new law, the trademark bureau should complete examination of trademark registration applications within nine months from the date of receipt of the relevant application documents.

- **Inclusion of Audio Trademarks**

The new law stipulates that any mark, including text, graphics, three-dimensional marks, color combinations and sound, etc., that is capable of differentiating the commodities of a natural person, legal person or any other organization from that of others, can be registered as a trademark. A combination of these elements may also be registered as a trademark. This is the first time that sounds have been permitted to be registered for trademark in China. Sounds can include mobile phone ring tones, and can be musical or non-musical (e.g., natural, human or animal sounds), or a combination of both.

Negative List of Shanghai FTZ

China (Shanghai) Pilot Free Trade Zone (“FTZ”) plans to shorten the negative list this year to attract more foreign investments.

At the end of April 2014, about 17,000 enterprises have been registered in FTZ. As a new attempt by the government to facilitate setting up of businesses in FTZ, the adoption of a negative list has been in force since September last year. It is said a new shortened one is to be released which will include new favorable policies regarding some industries including architecture design, logistics, accounting service, e-commerce, inspection and test assurance. The restricted industries in the new

negative list are expected to be reduced from 190 to 130 this year to further boost foreign investment and lift the FTZ standard to the global level.

Service Highlight

The laws and regulations in China have been changing and being updated dynamically to accommodate the fast changing economy and business environment. This absolutely brings challenges to foreign investors to maintain adequate compliance and protect their business effectively.

Sino-Bridge has been helping foreign clients to this regard to facilitate their success in China with tens of years of professional experience. Whenever you need any assistance from us, please do not hesitate to contact our Marketing Executive, Ms. Yannes Lam, who can be reached at (852) 3579 8745 or yanneslam@sinobridge-consulting.com. We look forward to hearing from you.

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