

# China Business Advisory





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## TABLE OF CONTENTS

### 1 China Updates

-  Revised Regulation regarding Declaration and Payment of Social Insurances
-  Updated Regulation on Value Added Tax (“VAT”) of Head Offices and Branches of Approved Taxpayers
-  Further Facility for Foreign Exchange Control
-  Adjustment to Tax Refund Application Procedures

### 2 Sino-Bridge Service Highlight

## Revised Regulation regarding Declaration and Payment of Social Insurances

After the promulgation of the new Social Insurance Law in 2011, a series of relevant regulations have been released to update it or take it further. To this direction, a new regulation, MHRSS Decree [2013] No. 20, was announced

on 26<sup>th</sup> September 2013 by the Ministry of Human Resources and Social Security (“MHRSS”) for the administration details on the declaration and payment of social insurance contributions (for Retirement Insurance, Medical Insurance, Unemployment Insurance, Work Injury Insurance and Maternity Insurance), which took effect from 1<sup>st</sup> November 2013. This regulation is a revision to the old version released in 1999 and includes the following important points:

- The declaration deadline is more flexible;
- Internet declaration is permitted;
- The employers are required to declare on behalf of employees truthfully and on time. Otherwise, charges and penalties could result;
- The employers are required to register and start the declaration within 30 days from the commencement of the relevant employment;
- The employers are required to advise the status of social insurances declaration and payment to all the employees annually;

- The Social Insurance Management Institutes are required to inform the employers and employees necessary information periodically and publicize the annual report.

## **Updated Regulation on Value Added Tax (“VAT”) of Head Offices and Branches of Approved Taxpayers**

Going along with the VAT reform in China, State Administration of Taxation (“SAT”) and Ministry of Finance (“MOF”) jointly issued another circular, Caishui [2013] No. 74, on 24<sup>th</sup> October 2013 to update the administration measures on VAT calculation and payment for Head Offices and their Branches of approved pilot taxpayers. The general principle spelled out in this regulation is that the Branch will be liable to VAT locally for the business, which falls into the officially announced “Taxable Service Scope”, according to a pre-levy rate which will be set and adjusted by SAT and MOF. The Head Office is responsible for the declaration of VAT of such business on a consolidated basis to the tax authority to which it is accountable. There will be an annual settlement process to adjust for the actual VAT that should be paid by the branch for the past year. It is expected that SAT will issue more detailed rules for its implementation.

## **Further Facility for Foreign Exchange Control**

The Chinese government has been promoting the electronic means to facilitate the process of customs clearance. As one further step to this direction, General Administration of Customs (“GAC”) and State Administration of Foreign Exchange (“SAFE”) together released their Pronouncement No. 52 on 3<sup>rd</sup> September 2013 to state that paper customs declaration sheets for receipt or payment of foreign exchange in respect of trading activities are not available any more from 16<sup>th</sup> September 2013 for enterprises classified under “A Category” by SAFE. This means that the relevant enterprises can just print the customs declaration papers from the authority’s online system with their official chop for necessary works, which will no doubt save time.

## **Adjustment for VAT Refund Application Procedures**

During the implementation of VAT reform across the country, the tax authority has met a lot of practical obstacles and problems, for which new regulations are released to tackle them. One such obstacle arises from the time-consuming verification procedures involving Tax and other Authorities, such as the Customs and SAFE, to process a tax payer's periodic declaration (usually monthly) for tax refund. When the Tax Authority receives the declaration from tax payer, they need to decide whether to accept it or not within certain time to get back to that tax payer. However, they may not be able to complete the verification process based on which to make the decision within the stipulated time. For this reason, SAT released its Pronouncement No. 61 this year to set up a "pre-application" procedure before the formal declaration to get the whole process more organized and smooth. Tax refund applicants need to declare according to current requirements to the authority first, which is called "pre-application". Then the formal declaration will be done based on the feedback from the Tax Authority after completion of their verification process.

## **Service Highlight**

The Chinese government has taken a lot of effort in most recent years to improve the investment environment and reform the governmental systems including the tax, foreign exchange control and customs administration areas. Many policies and regulations have been released or revised and more are expected to come to support all the reforms and their implementation to facilitate doing business in China. We are more than pleased to provide you with necessary assistance to understand and be compliant with them to enhance your further success in China. Whenever you see any need for help, please do not hesitate to contact our Marketing Executive, Ms. Yannes Lam, on +852 35798745 or email her at: [yanneslam@sinobridge-consulting.com](mailto:yanneslam@sinobridge-consulting.com).

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