

China Business Advisory

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Preferential Policies for Imported Exhibits in International Import Expo

On 12th October 2020, the Ministry of Finance (“MOF”), the General Administration of Customs (“GAC”) and the State Administration of Taxation (“SAT”) jointly issued

<Notice on the Preferential Policies for Imported Exhibits in China International Import Expo> (Caiguanshui [2020] No.38) to encourage China International Import Expo (“CIIE”).

The following preferential tax policies are announced:

1. Imported exhibits sold within specified limits (as shown below) will be exempted from import tariffs, import value-added tax and consumption tax (excluding goods prohibited by the state from being imported, endangered animals and plants and their products, cigarettes, alcohol and cars).

2. The tax-free limits of sales of exhibits for each exhibitor are as follow:

| No. | Category | Limit |
|------------|--|---|
| 1 | Machines, mechanical appliances, electrical equipment and instruments, meters (except medical or surgical instruments and equipment) | Each exhibitor enjoys tax incentives for no more than 12 pieces of goods. |
| 2 | Tractor trucks, tractors | Each exhibitor enjoys tax incentives for no more than 2 pieces of goods. |
| 3 | Ships and floating structures | Each exhibitor enjoys tax incentives for no more than 3 pieces of goods. |
| 4 | Medical or surgical instruments and equipment | Each exhibitor enjoys tax incentives for no more than 5 pieces of goods. |
| 5 | Artwork, collectibles and antiquities | Each exhibitor enjoys tax incentives for no more than 5 pieces of goods. |
| 6 | Exhibits other than the above categories | Each exhibitor enjoys tax incentives for total sales amount of no more than US \$20,000 |

3. Exhibits sold exceeding the above limits and those which haven't been sold and not returned after the CIIE will be taxed in accordance with relevant national regulations.

Similar concession was also given to imported exhibits for China International Fair for Trade in Services which was held in September 2020.

Pilot Test of New Management System for Export Tax Refund in Guangdong Province and Dalian City

On 31st August 2020, SAT issued <Notice on Pilot Test of New Management System for Export Tax Refund in Guangdong Province and Dalian City> (Shuizonghan [2020] No.172) to improve quality and efficiency of export tax refund (exemption) services.

A new export tax refund management system will be developed within the Golden Tax Phase III (“new system”) and will pilot test in Guangdong Province and Dalian City.

1. Program goals

The new system will introduce different application channels, streamlining tax refund documentation and handling process and expedite tax refund process:

(1) Introducing different application channels

The new system will have three declaration channels: an offline declaration tool, an electronic tax bureau and an independent platform for tax refund of export goods. Taxpayers can choose one of the methods to declare export tax refund (exemption).

(2) Streamlining tax refund documentation.

The new system will adopt sharing of tax data with other systems to reduce documentation requirements.

(3) Streamlining tax refund process

The new system will provide user friendly and time saving tax refund declaration portal, reducing paper work and integrate with other systems for retrieval and validation of purchase information.

(4) Expedite tax refund process

The new system will optimize processing of tax refund and expedite tax refund.

2. Streamlining tax refund declaration

The new system will introduce simplified, optimized and revised part of export tax refund (exempt) declaration forms, and adjusted part of export tax refund (exempt) declaration items. For VAT declaration period commencing from September 2020, taxpayers in Guangdong Province and Dalian City can declare export tax refunds (exemptions) in accordance with adjusted forms and requirements.

3. Implementation arrangements.

(1) Pilot implementation.

From 1st September 2020, the new system will be promoted in Guangdong Province and Dalian City.

(2) Step-by-step implementation

Other regions of the country will implement the new system gradually. The specific time schedule will be notified separately.

Admittance Management of Financial Holding Companies

On 11st September 2020, the State Council issued a circular, Guofa [2020] No.12, to enact admittance management of financial holding companies. This move is to enhance the supervision and management of financial institutions, which are actually controlled or primarily controlled by natural persons, non-financial companies and other entities, and regulate the behavior of financial holding companies to avoid systemic financial risks.

Non-financial companies, natural persons and recognized legal persons hold or actually control at least two different types of financial institutions in the territory of People's Republic of China ("PRC") and under situations specified in the circular, an approval from the People's Bank of China ("PBOC") to establish a financial holding company is required.

Some relevant key terms are defined by the regulation as follow:

a) Financial Holding Companies ("FHC")

FHC is referred to limited liability companies or joint-stock companies which are established according to PRC Company Law and this regulation, control or actually control at least two financial institutions of different nature of business, only carry out management of stock investments but do not directly participate in commercial business activities.

b) Financial Institutions include

- Commercial banks (excluding rural banks, the same below), finance leasing companies

- Trust companies
- Financial asset management companies
- Securities companies, public fund management companies, futures companies
- Life insurance companies, property insurance companies, reinsurance companies, insurance asset management companies
- Other institutions recognized by the financial management authority of the State Council

c) Prescribed situations under which an approval is required

| | |
|--|---|
| <p>The financial institutions (controlled or actually controlled) include commercial banks</p> | <p>(a) Total assets of the financial institutions shall be no less than RMB 500 billion; or</p> <p>(b) Total assets of the financial institutions shall be less than RMB 500 billion but</p> <ul style="list-style-type: none"> ◆ Total assets of financial institutions other than commercial banks are no less than RMB 100 billion, or ◆ Total assets entrusted for management shall be no less than RMB 500 billion |
| <p>The financial institutions (controlled or actually controlled) exclude commercial banks</p> | <p>(a) Total assets of financial institutions shall be no less than RMB 100 billion, or</p> <p>(b) Total assets entrusted for management shall be no less than RMB 500 billion</p> |
| <p>Do not meet the standards above</p> | <p>PBOC considers it necessary to establish a financial holding company in accordance with general prudent supervision requirements.</p> |

Those who meet the prescribed situations to establish a financial holding company are required to file an application within 12 months from this circular's enactment date, i.e. 1st November 2020.

Service Highlight

In recent years, China has been continuously making efforts to reform and improve the administrative system with the help of fast-developing information technology. As a customer-centric and quality-driven professional consulting firm, Sino-bridge is always pleased to update you all the most fresh changes for exploiting potential benefits for your businesses. For any questions or needs, you are more than welcome to dial the number (852) 3579 8745 or contact our marketing executive Miumiu Chan by email miumiuchan@sinobridge-consulting.com.

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