

## China Business Advisory

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### Sino-US pledge on balanced growth

Wang Qishan, Vice Premier of China, said that the differences between China and the US on trade and foreign-exchange rates could be resolved through cooperation between the two countries which will also help to work towards a more balanced global economic growth and strengthen the stability of both economies. China will pursue more for domestic growth than depend unduly on exports which will undoubtedly increase imports into China to help address to some extent the US trade deficit. The US also promised to continue to play its important role of driving world economic growth to mitigate the effects that are brought by the financial crisis. In addition, Wang said that at its early stage of development, the financial sector of China has plenty of scope for expansion which will offer attractive business opportunities to foreign companies engaged in and incidental to this field.

### Mobile phone tickets for Shanghai World Expo

Visitors will be able to enter the venue of the Shanghai World Expo without a ticket. After paying for the tickets, visitors can store the ticket information in their SIM cards and enter the Expo venue by simply swiping their mobile phones at designated points at the entrance. This is part of an effort to save paper and improve efficiency.

### The New Chinese Special Tax Adjustments (“STA”) Rule - Advanced Pricing Arrangements (“APA”)

The Implementation Rules and the STA Rules provide considerable guidance on the APA program in China, implying a genuine desire by the Chinese tax authorities to let taxpayer utilize APAs to minimize uncertainties on tax liabilities arising from business transactions conducted among connected parties. The STA Rules describe the six phases of the APA application process including comprising pre-filing meetings, formal application, tax authority review and evaluation, negotiations, signing the agreement, and monitoring the execution. The STA Rules also clarify certain procedures at various application stages for bilateral or multilateral APAs. In practice, the experience of the officials of the relevant local tax authority and their attitude towards APAs are key to a successful conclusion of an APA.

Further to the introduction of STA mentioned in our previous issue, the State Administration of Taxation (“SAT”) released a new circular in July, Guoshuihan [2009] No. 363, to expand the contemporaneous documentation requirements on certain kind of companies to minimize the scope for companies shifting losses from overseas related companies to companies operating in China.

### Potential tax risks on non-residents

Various local tax authorities have been requiring certain foreign-invested enterprises (in particular, auto and auto parts manufacturers) to provide documentation and information on services provided to them by foreign entities sending employees to China. We have learned that the targets of the tax inspection are on non-resident enterprises that receive income from domestic entities under service agreements for the provision of management or technical services to these entities by employees assigned to work in China. These audits will focus on the manufacturing and service industries, with auto manufacturers as the first target group.

The tax audit is designed to determine whether there is a permanent establishment (“PE”) the income attributed to which will be subject to tax in China. Affected taxpayers should immediately begin reviewing existing models and evaluate the tax risk so that appropriate action plans can be developed to deal with any challenges that may arise from the tax authorities. Sino-Bridge will be glad to offer assistance to this end.

### **New measures on foreign exchange (“FX”) control to promote foreign trade in Guangdong province**

Some new measures from the Guangdong Branch of the State Administration of Foreign Exchange (“SAFE”) were released to promote foreign trade and encourage domestic sales of export goods by extending the deadlines for registering FX collection and applying for VAT refunds, relaxing controls on cross-city FX payments, and simplifying registration procedures for FX collections that exceed the thresholds.

### **Service Highlight**

Sino Bridge provides Accounting and Operational Support to help your business runs better under the global economy turmoil. And Sino-Bridge can enable your business set up costs under control from the economic and efficient point of view throughout this financial crisis.

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