

China Business Advisory

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Revised agreement for RMB clearing in HK signed by the Mainland and HK SAR

Soon after the expansion of the RMB cross-border settlement pilot program (highlighted in our CBA July issue), the People’s Bank of China (“PBOC”, the central bank of China) and Bank of China (HK) Limited (“BOCHK”), the RMB clearing bank in HK, signed a revised agreement on the RMB clearing business in HK. A supplementary memorandum of cooperation on the expansion of the RMB cross-border

settlement pilot program was also signed by PBOC and Hong Kong Monetary Authority (“HKMA”) on the same day. The move provides more flexibility for RMB settlement and helps with its RMB business, further strengthening its position as the financial hub in the region. The HKMA said in a statement that PBOC intends to further promote the role of Hong Kong as an RMB market platform for RMB business outside the Mainland.



Further clarification on the tax deduction for charitable donations

Ministry of Finance (“MOF”), Ministry of Civil Affairs (“MOCA”) and the State Administration of Taxation (“SAT”) issued a circular, Caishui [2008] No. 160, at the end of 2008 detailing regulations on tax deduction for charitable donations, effected through either qualified charitable organizations or governmental institutions at county level or above. Another notice, Caishui [2010] No. 45, was issued

by the three authorities on 21st July this year to provide clarification on this. The new circular states that charitable organizations which had been qualified before the issue of Caishui [2008] No. 160 are required to apply for their qualification again through all three authorities. Governmental institutions on the other hand are exempted from obtaining such qualification. An annual list of qualified charitable organizations will be released jointly by the authorities. Donations to these organizations within the stipulated ceiling (12% of the annual profit before tax) would be tax deductible.

Amendment to rules on personal articles coming into the Country

The General Administration of Customs (“GAC”) released an announcement, [2010] No. 43, on 2nd July 2010 to amend the rules, set more than 15 years ago, on personal articles coming into the Country through mails. The announcement sets thresholds for exemption of personal articles from tax and/or declaration in terms of potential taxable amounts and values of the articles. These thresholds vary according to whether the articles are from or to Hong Kong, Macao and Taiwan or they are from or to other areas or countries. This new regulation will be effective from 1st September 2010 onwards.

Further Business Tax (“BT”) exemption to certain businesses

According to the circular, Caishui [2010] No.64, which was released by SAT, MOF and Ministry of Commerce (“MOC”) jointly on 28th July 2010, BT exemption is granted from 1st July 2010 to 31st December 2013 to income earned by enterprises in China for outsourcing services rendered to off-shore operations in 21 listed cities in China of foreign companies. The approved types of businesses include information technology outsourcing (“ITO”), technical business process outsourcing (“BPO”) and technical knowledge process outsourcing (“KPO”).

The arrangement for inspection on transfer pricing contemporaneous documentation (“TPCD”)

The measures on implementation of Special Tax Adjustments (Trial) released by SAT at the beginning of 2009 provides an outline of the TPCD requirements of eligible enterprises with related-party transactions. Since the deadline for submission of TPCD for both 2008 and 2009 had already been met, SAT has issued a circular, Guoshuihan [2010] No. 323, on 21st July to arrange the relevant inspection. SAT has delegated the local inspections to provincial tax authorities. The extracted sample of enterprises for inspection by the provincial tax authorities should be no less than 10% of the total number of enterprises for each year and the inspection analysis report is to be submitted to SAT before 31st October, 2010.

New tickets to China Pavilion in the World Expo Shanghai 2010

In order to crack down a snowballing number of fake tickets to the China Pavilion, the organizer changed the previous paper tickets to the upgraded ones in the beginning of August. The new tickets have anti-counterfeiting chips similar to those in credit cards. In addition to this, the colour of the tickets varies according to time of entry. The reservation system for the China pavilion has been working more effectively since the adoption of these new tickets. which should not compromise the speed of entering the pavilion as visitors holding the new ticket could pass through the gate with newly installed scanning machines.



Service Highlight

Sino-Bridge China Consulting Group can help you identify “strategic partners” both in Hong Kong and China Mainland and formulate joint-marketing strategies to help you get the most for your marketing dollar. Want to know more? Contact Nikita Yim, our Marketing Executive at nikitayim@sinobridge-consulting.com

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