

## China Business Advisory

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### Small- and Micro-sized Enterprises Enjoy Tax Exemptions

On 29<sup>th</sup> July 2013, to further support the development of small and micro businesses, the State Administration of Taxation (“SAT”) and the Ministry of Finance (“MOF”) jointly released Caishui [2013] No.52 “Announce-

ment on the temporary exemption from Value Added Tax (“VAT”) and Business Tax (“BT”) for eligible small and micro businesses” (“Announcement 52”). Announcement 52 allows small-scale VAT and BT taxpayers to be temporarily exempted from VAT and BT beginning 1<sup>st</sup> August if their total monthly sales are less than RMB20, 000. Although the policy may only be temporary, it will in the meantime benefit more than 6 million small and micro-sized enterprises.

### Breakthrough of FIE Approval in Shanghai Free Trade Zone

At the State Council meeting chaired by Chinese Premier, Li Keqiang, on 16<sup>th</sup> August 2013, it was decided to submit a draft document to the Standing Committee of the National People's Congress (“NPC”), China's top legislature, for deliberation. According to this draft document the State Council will be authorized to suspend some laws concerning the establishment of foreign-invested enterprises (“FIE”) operating in the free trade zone (“FTZ”) in Waigaoqiao and other similar zones in Shanghai. The decision is meant to facilitate the incorporation of operation of FIE through changes to the function of the designated economic zones to further the opening up of China. To this end, the State

Council has approved the FTZ to become the first special customs surveillance zone to conform to international practices.

## **Labor Dispatching Regulations Seek Comments**

On 7<sup>th</sup> August 2013, the Ministry of Human Resource and Social Security released a document to solicit comments on “Several Regulations on Labor Dispatch (Draft for Comments)” (“the Document”) from the public. The Document clarifies several issues regarding labor dispatching services in China including: the definition of labor dispatch, the definition of Temporary, auxiliary and back-up position, the applicable scope of labor dispatch, and the signing or termination of labor contract. In line with the newly modified Labor Contract Law, the Document stresses again that labor dispatching arrangements are only applicable to the following three types of positions:

- Temporary position - A position for no more than six months.
- Auxiliary position - A non-core businesses position which provides services to the main business position. It should be proposed by the employer based on the business and industrial character, confirmed with the trade union or employees and publicized to and monitored by the employees.
- Back-up position - A position becoming temporarily vacant due to the absence of an employee from work for study, vacation or other reasons.

The Document also makes it clear that the number of dispatched employees engaged by an employer for the auxiliary positions shall not exceed 10 percent of its total number of employees. Any comments or feedback on the Document should be submitted before 7<sup>th</sup> September 2013.

## **Issues Regarding Vehicle and Vessel Tax Collection Clarified**

On 26<sup>th</sup> July 2013, The State Administration of Taxation (“SAT”) released the “Announcement Concerning Issues Regarding Vehicle and Vessel Tax Collection” (“Announcement 42”). Announcement 42 clarifies several issues regarding Vehicle and Vessel Tax Collection that were unclear in the Vehicle and Vessel Tax Law, including:

- Definition of special operation vehicles.
- Collection issues regarding vehicle for dual purposes.

- Calculation of Vehicle and Vessel Tax Payable.
- Refund of Vehicle and Vessel Tax paid when the Vehicle or Vessel are returned to the manufacturer or dealer because of quality defects.
- Collection issues when domestic organizations or individuals rent foreign vessels or rent vessels outbound.

Announcement 42 will take effect on 1<sup>st</sup> September, 2013.

## Service Highlight

It has always been a challenging job for us to provide useful information to our clients who have operations in China but we derive huge sense of satisfaction from being an integral part of their success through our efforts. Should you need any help from us, please do not hesitate to contact our Marketing Executive, Ms Yannes Lam, on +852 3579 8745 or email her at [yanneslam@sinobridge-consulting.com](mailto:yanneslam@sinobridge-consulting.com).

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