

China Business Advisory

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Central Economic Conference detailed five-year plan for economic development

Central Economic Conference took place on 10th December 2010 in Beijing. It was a meeting of the Central Committee of the Communist Party and the State Council held at the end of every year since 1994. It aims to review the country's economic conditions in the past years and make plans for future years. The conference this year set the 12th five-year plan (2011-2015) for economic development. The current "moderately loose" monetary policy would be

shifted to a more "prudent" one to tackle economic problems, such as soaring food and housing prices that resulted from inflation and speculation etc.



China's Social Security Laws revised and consolidated

On 28th October 2010, the Standing Committee of the National People's Congress passed the Social Security Law which is a consolidation of current relevant regulations and new administrative measures. The Social Security Law aims to develop a more sound and comprehensive social welfare system. The social security framework includes basic retirement insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. The new law covers all the employers and employees in China as well as foreigners who are employed in China. Enterprises are required to register with the social security authority within 30 days from the date of establishment and pay relevant contributions accordingly. Those who do not register or pay the contributions accurately and timely may

face a penalty of 1 to 3 times of the contribution due in addition to a penal interest at daily interest rate of 0.05% to be applied on the underpaid amount. The law will take effect on 1st July 2011.

Additional regulations on the unification of Urban Construction Tax (“UCT”) and Education Surcharge (“ES”)

Further to our notes on the unification of UCT and ES in the last edition of CBA, State Administration of Taxation (“SAT”) and Ministry of Finance (“MOF”) jointly issued a circular, Caishui [2010] No. 103, on 4th November 2010 to clarify that UCT and ES would only apply to payments of Value Added Tax (“VAT”), Business Tax (“BT”) and Consumption Tax (“CT”) accrued after 1st December 2010. MOF also released a circular on 7th November 2010, Caizong [2010] No. 98, which requires local authorities to come up with relevant regulations for a Local ES rate of 2% to add to the national ES rate of 3%, making up the total statutory ES rate of 5% (to be applied on VAT, BT and CT payments).

Updated regulation regarding deductible trade union expense

SAT issued its 24th pronouncement on 9th November 2010 to update the criterion on deduction of trade union expense. Since the National Trade Union updated the receipt format on 1st July 2010, trade union expense is deductible on presentation of the updated receipt. And trade union expense should be no more than 2% of the total salary expense.

Administrative rules released regarding registration of representative offices (“ROs”) of foreign enterprises

In addition to the regulations on ROs that we discussed in our January and March issues, an additional one was announced by the Chinese State Council on 10th November 2010, “Administrative Rules on Registration of Representative Offices of Foreign Enterprises”. This new regulation requires ROs of foreign enterprises to provide annual reports including statements of legal existence and operation and audited financial information etc between 1st March to 30th June every year. Failure to do so may result in a penalty of RMB10, 000 to RMB30, 000. Each RO should have one chief representative and could have 1-3 representatives. ROs are prohibited from profitable activities. More detail on setup, change,

deregistration and legal responsibilities on any violation can be found in the regulation. This regulation will be effective from 1st March 2011 onwards and will replace the previous edition released in 1983.

Service Highlight

Time runs the fast! Here come Christmas and the New Year (Chinese Year of Rabbit) again. We take this opportunity to thank all of our clients for giving us the honour of serving them in the past year. We look forward to being of further assistance and wish you all and your loved ones a prosperous and successful 2011! Merry Christmas and Happy New Year!

If you need any assistance, please do not hesitate to contact May Lau, our Marketing Executive at maylau@sinobridge-consulting.com.

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