

China Business Advisory

2019 Issue 12

December 2019

Time flies! Sino-Bridge is about to accomplish one more successful year of serving our clients along with their prosperity and enter into our 27th year of business operation in Hong Kong and Mainland China. We are more than thankful to our clients, our CBA readers, and our business associates especially those in our DFK International network for their trust and appreciation. We also owe a big debt of gratitude to our teams for their invaluable contributions and dedications to keep our clients satisfied and keep our firm thriving and energetic.

In the context of a slowing down Chinese economy and uncertainties caused by events including the US-China trade war, the business environment in China has managed to achieve continuous growth thanks to persistent reforms. According to report by the World Bank on “Doing Business 2020”, China ranked No. 31 in 2019, a dramatic advancement from No. 46 in 2018 and No. 78 in 2017 (Figure 1).

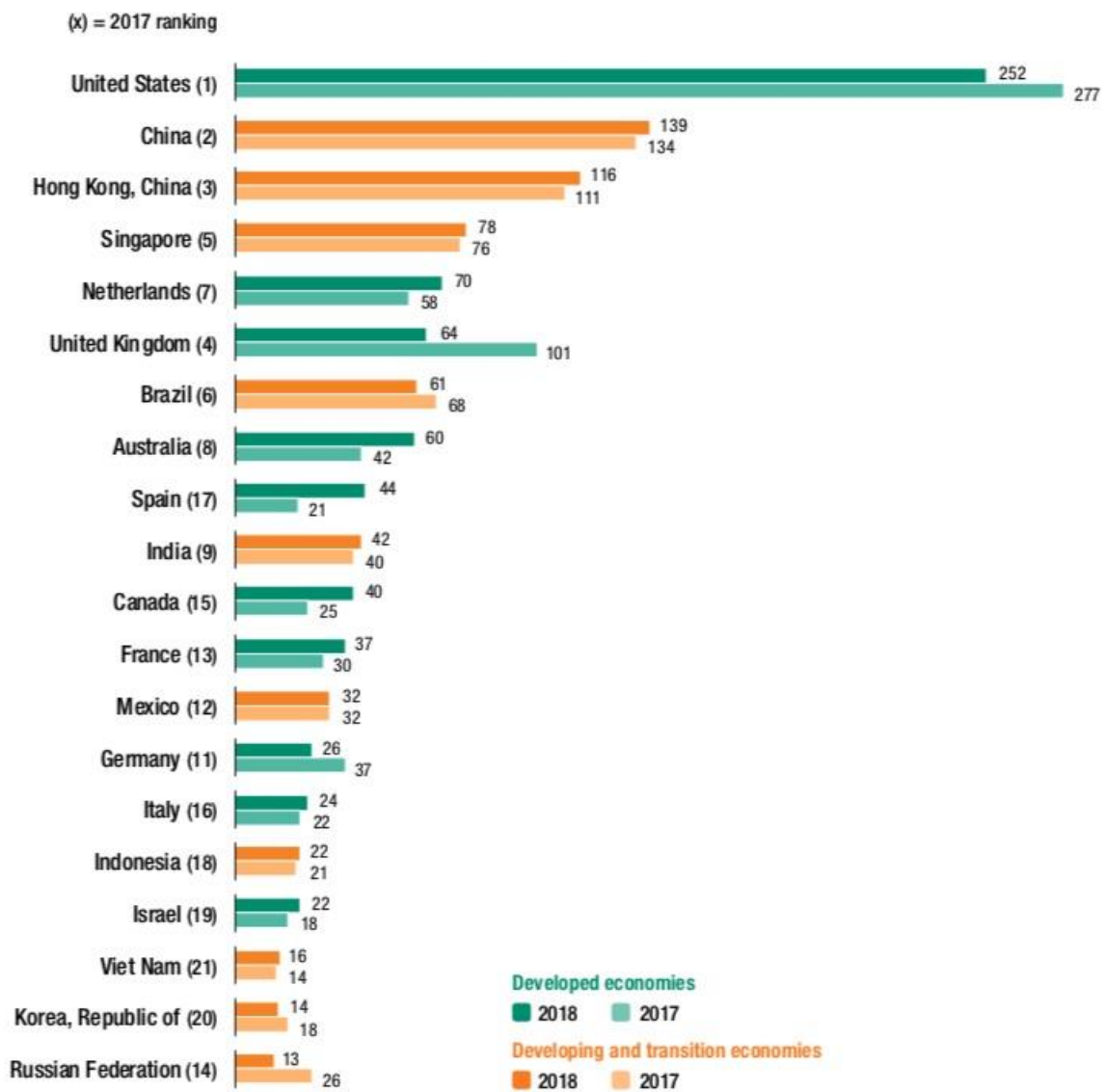


Figure 1 China Doing Business Rank and Top 20 Subnational Locations to Start a Business,

Data Source: doingbusiness.org

The foreign direct investment into China has been growing. It ranked No. 2 in the world in 2017 and 2018 according to UNCTAD’s World Investment Report 2019 (Figure 2), and it grew by 6.6% to 110.78 billion US Dollars for the first ten months of 2019 comparing to the same period in 2018 (www.fdi.gov.cn).

Figure 2 | FDI inflows, top 20 host economies, 2017 and 2018 (Billions of dollars)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Recap of Critical Regulations in 2019

We would like to wrap up some important new regulations and updates in 2019 as the table below for our readers to have a general picture and a recap for the year.

Document No.	Key Points	Effective Period/Date
Corporate Income Tax		
SAT Announcement No. 3	Amend declaration forms for the monthly/quarterly prepayment of Corporate Income Tax	1 st January 2019
Caishui No. 13	Lower tax rates for small businesses at 10% or even 5%	1 st January 2019 - 31 st December 2021
MOC/SAT Announcement No. 66	Extend the preferential policy regarding accelerated depreciation of fixed assets to cover all manufacturing industries	1 st January 2019
SC Decree No. 714	Update the stipulations regarding charity donations in the Rules for Implementation of the Corporate Income Tax Law	23 rd April 2019
MOF/SAT/OPAD Announcement No. 49	Allow 100% deduction of donations to specified depressed areas through qualified organizations	1 st January 2019 - 31 st December 2022
Value-Added Tax		
SAT Announcement No. 4	Tax exemption for small-scale taxpayers whose revenue is no more than RMB100,000/Month or RMB300,000/Quarter	1 st January 2019
MOF/SAT/GAC Announcement No. 39	<ul style="list-style-type: none"> - Reduce VAT rate 16% to 13%, 10% to 9%; - Allow 10% extra VAT input credit for certain industries; - Start a pilot program of providing partial VAT input credit refund. 	1 st April 2019
MOF/SAT Announcement No. 87	Allow 15% extra VAT input credit for life service industry	1 st October 2019 - 31 st December 2021
Individual Income Tax		
Caishui No. 31	Provide subsidy for qualified talents from Hong Kong, Macau and Taiwan in the Greater Bay Area	1 st January 2019 – 31 st December 2023

Document No.	Key Points	Effective Period/Date
MOF/SAT Announcement No. 34	Introduce the “six-year” rule and the specific method to count residence days in China	1 st January 2019
MOF/SAT Announcement No. 35	Clarify certain rules regarding non-resident taxpayers and resident taxpayers without a domicile	1 st January 2019
Others		
Guobanfa No. 13	Reduce contribution rates of various social insurances	1 st May 2019
GAC Announcement No. 58	Introduce new requirements of declaring royalties to customs for imported goods	1 st May 2019
SAT Announcement No. 17	Update the procedures and requirements regarding applying for a China Tax Resident Certificate	1 st May 2019
Guohan No. 68	Approve to set up Lingang New Area in the China (Shanghai) Pilot Free Trade Zone	27 th July 2019
Guohan No. 72	Approve to establish 6 new Free Trade Zones across the country	2 nd August 2019
SDRC/MOC Decree No. 25	Announce the 2019 Edition of Negative List for Foreign Investment	30 th July 2019
SDRC/MOC Decree No. 27	Publish 2019 Edition of the Catalogue of Industries for Encouraged Foreign Investment	30 th July 2019
SAT Announcement No. 35	Update the requirements for non-resident taxpayers to enjoy double taxation agreement benefits	1 st January 2020
MHRSS/NHSD Decree No. 41	Announce the interim measures for residents in Hong Kong, Macau and Taiwan to join the social security system in Mainland China	1 st January 2020
SAT Announcement No. 39	Promulgate the trial rules of receipt of electronic tax documents	1 st April 2020

Last but not least, we are delighted to extend our warmest season's greetings and a very happy New Year from everyone at Sino-Bridge to our CBA readers, clients and business partners. In 2019, we face different challenges in our business operating environment, however, the challenges also present exciting opportunities when you are open and ready to change. Thank you for using us as your trusted advisors in the past and we look forward to working with you in a happy and prosperous year of 2020! Please don't hesitate to contact our marketing executive, Ms. Rika Wong, (email: rikawong@sinobridge-consulting.com and direct line: (852) 3579 8745) for any assistance and support you may need.

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