

# China Business Advisory

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## Chinese New Year Holiday schedule and important issues to be noted

Chinese New Year, the most important festival of China and generally known as the Spring Festival, fell on the very beginning of February this year. The entire Mainland China celebrated it with a 7-day holiday from 2<sup>nd</sup> to 8<sup>th</sup> February, during which most businesses and offices closed. To make this long holiday possible, 30<sup>th</sup> January (Sunday) and 12<sup>th</sup> February (Saturday)

was turned into normal working days. Hundreds of millions of people, particularly the migrant workers, traveled back home to celebrate the Festival with their families for a week or two before returning to work.

In view of the long holiday we put our clients on guard the need to set aside enough time for regulatory compliance in respect of the following:

- Annual statutory audit
- Annual Corporate Income Tax settlement
- Annual Individual Income Tax return
- Annual government inspection
- Annual transfer pricing contemporaneous documents submission
- Annual reporting for Representative Offices (paying special attention to the new regulations effective 1<sup>st</sup> March 2011)



### **Hainan kicks off tax refund program for overseas visitors**

In order to promote and develop Hainan, the island province in south of China, into a top international tourism destination, a tax refund program has been carved out by the government. State Administration of Taxation (“SAT”) released its Pronouncement No. 28 on 24<sup>th</sup> December 2010, in coordination with Ministry of Finance (“MOF”), Ministry of Commerce (“MOC”) and General Administration of Customs (“GAC”), to allow foreign tourists and residents of Hong Kong, Macau and Taiwan who have lived in Mainland China for no more than 183 days (probably in a calendar year although the Pronouncement is not clear on this) to apply for tax rebate for goods purchased in designated stores. It is the first time that China implements such a tax scheme.

### **Revised invoice administration measures**

The State Council announced its Decree No. 587 on Administration Measures on Invoices on 20<sup>th</sup> December 2010 to integrate various previous pronouncements on this area. This decree regulates different aspects of invoicing, including printing, purchasing and issuing of invoices, returning invoices for destruction, inspection and penalty for violation. It took effect from 1<sup>st</sup> February 2011.

### **Individual Income Tax (“IIT”) on transfer of unlisted shares**

Further to the circular, Guoshuihan [2009] No. 285, issued on 28<sup>th</sup> May 2009 to levy IIT on the transfer of unlisted shares by individuals, SAT released Pronouncement No. 27 on 14<sup>th</sup> December 2010 to clarify on the base for calculating the relevant IIT. Generally the individuals are required to declare their income on a true and fair basis. The responsible tax authority could arrive at the taxable income on a deemed basis where necessary. This Pronouncement came into effect on 14<sup>th</sup> January 2011.

### **Clarification on certain tax issues**

Caishui [2010] No. 121 was issued jointly by SAT and MOF and became effective on 21<sup>st</sup> December 2010 to clarify on the following issues:

- Enterprises which have employed a designated number of handicapped people in a tax-return year

could pay less Urban Land-use Tax or be fully exempted from it, subject to local regulations at the provincial level.

- For properties leased out with a rent-free period, the owner has to pay Real Estate Tax for that period on the basis of the cost of the property.
- Cost of land needs to be included in the taxable amount to arrive at Real Estate Tax which is levied on the full costs of the relevant property.

## Service Highlight

Sino-Bridge Hong Kong Head Office closed for Chinese New Year Holiday from 3<sup>rd</sup> to 6<sup>th</sup> February while the Mainland Chinese offices assumed the schedule mentioned above. The whole country immersed in the happy Spring Festival mood. We would like to share this happiness with readers of the CBA in China and from foreign countries and wish you all a most fruitful year of the Rabbit! Meanwhile for any assistance you need in regard to doing business in China, please do not hesitate to contact May Lau, our Marketing Executive at [maylau@sinobridge-consulting.com](mailto:maylau@sinobridge-consulting.com).

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