

China Business Advisory

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2. Service Highlight

Administrative Provisions on E-Commerce Entities and Commodities

On 24th November 2015, the General Administration of Quality Supervision, Inspection and Quarantine (“AQSIQ”) of China issued the Announcement of Administrative Provisions on the Filing of Cross-Border E-Commerce Entities and Commodities (the “Announcement”) which took effect

from 1st January 2016. The Announcement was promulgated to substantiate the requirements of the State Council to promote the development of cross-border e-commerce.

In recent years, some pilot cities have been implementing their own standards, provisions and supervision on e-commerce which vary from city to city. The Announcement is an important step to provide guidance for e-commerce business from State level. Further regulations or implementing rules at this level are expected to be released by relevant authorities soon.

Among other entities, those that undertake the following operations are defined by the Announcement as e-commerce entities:

- ✓ Managing and warehousing of cross-border e-commerce commodities,
- ✓ Cross-border e-commerce trading platforms and related businesses.

Under the Announcement, cross-border e-commerce entities are subject to following filing arrangements:

- ✧ They will file their information with platforms stipulated by AQSIQ which will establish a unified cross-border e-commerce inspection and quarantine supervision system for the management of filed information.
- ✧ Filed information of cross-border e-commerce entities and commodities will be shared and managed on a national basis. E-commerce entities who have filed with one AQSIQ platform may conduct cross-border e-commerce businesses in other administrative regions without having to re-file. They will however need to file timely for any changes to the filed information.
- ✧ There will be a negative list of products such as certain animal and plant products, dangerous chemicals, products containing nuclear, biological or chemical elements in which e-commerce entities are prohibited to engage.
- ✧ Filing of the following information will not be allowed:
 1. Fake information;
 2. Information inconsistent with that shown in cross-border e-commerce trading platforms or having serious flaws;
 3. Information about commodities prohibited from importing through e-commerce.

Replicating the Successes of Pilot Free Trade Zones

Guo Fa [2014] No.65 was issued more than a year ago by the State Council to further promote nationwide reforms on investment administration, trade facilitation, finance industry, opening up the service industry and regulatory approaches adopted in Free Trade Zone. Yuefu [2015] No. 127 that came out towards the end of last year was intended to take the reforms further through experience learnt from the Pilot Free Trade Zones.

Currently, the four pilot Free Trade Zones in Shanghai, Gungdong, Tianjin and Fujian have acquired valuable experience and effected reforms that could be put to good use by other regions. Following the request of the State Council for replicating their successes, Yuefu [2015] No.127 introduced twenty-three measures adopted in these 4 Zones to be enacted throughout Guangdong Province, most of which are aimed at providing conveniences for investment, trade, import and export and opening up new businesses.

Relaxation of Currency Conversion of Capital Nature in SHFTZ

To further promote financial reforms within Shanghai Free Trade Zone ("SHFTZ"), Shanghai Branch of People's Bank of China issued Shanghai Huifa [2015] No.145 ("Huifa No. 145") on 16th December 2015 to provide for the following:

- ✧ Previously, companies were allowed to engage in currency conversion transactions without the need to file application with the relevant foreign exchange control authority only when they settled for valid business trading transactions. Huifa No. 145 allows non-financial enterprises within SHFTZ to freely convert funds raised from overseas debt markets into yuan though the Yuan converted must be deposited in special bank accounts and is subject to restrictions on its use. The move will make it easier for cross-border financing and investment. Further, companies are endowed with the decision-making power and the right of choice to determine when to convert such foreign currency debts in order to manage their foreign currency exposure.

- ✧ Simplified procedures for settlement of foreign currency transactions of current accounts

- ✧ Finance lease companies within SHFTZ are allowed to collect rentals in foreign currency where the asset is leased to domestic lessee and over 50% of the fund used to purchase the asset was originated from debt in foreign currency.

- ✧ Threshold of multi-national companies allowed to manage centralized funds is reduced from USD 100 million to USD 50 million.

These measures reflect the positive attitude of Chinese government towards further liberalizing the

financial area after Yuan has been admitted to the reserve basket of International Monetary Fund.

New Stamp Duty Measures for Finance Lease Industry

To promote the healthy development of the finance lease industry underlying Guobanfa [2015] No. 68, issued on 24th December 2015, State Administration of Taxation (“SAT”) came up with Caishui [2015] No.144, taking effect on the same day, to provide that:

- ✧ Finance lease agreements will be subject to Stamp Duty at the rate of 0.005% on the total rental amount.
- ✧ No Stamp Duty will be imposed on contracts for the sale and repurchase of the assets underlying these finance lease agreements.

Service Highlight

China is in the transition from pursuing speed of development to an economy of stable and healthy growth. To this direction, Chinese government has been making efforts to relax restrictions step by step to make China become easier for both foreign and domestic businesses to operate in. With more than two decades of dedicated operation in China, Sino-Bridge is in a privileged position and keen to help investors to exploit their full potentials from their business presence in China. Our Marketing Executive, Ms. Kimme Chan, would like to hear from you at (852) 3579 8745 or kimmechan@sinobridge-consulting.com to learn of what we could do for you to this end.

Our China Investment Business Advisory Team

Hong Kong

Room 2301-02, 23/F, Prosperity Center,
25 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong

Guangzhou

Room A13, 16/F, Vili International, 167 Linhexilu, Tianhe
District, Guangzhou PRC 510000

Shanghai

Room 30A, 30/F, World Plaza, No.855, South Pudong
Road, Pudong New Area, Shanghai, PRC 200120

Lyon Odiceo

115 Boulevard Stalingrad – BP52038,
69616 Villeurbanne Cedex, France

Website: www.sinobridge-consulting.com

E-mail: info@sinobridge-consulting.com

Telephone: (852) 3579 8745

Hong Kong

Guangzhou

Shanghai

Lyon

For any enquiries, please contact Ms. Kimme Chan, Marketing Executive: kimmechan@sinobridge-consulting.com Tel: (852) 3579 8745