

## China Business Advisory

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### China's foreign exchange reserves

2006 saw China's foreign reserves reach its first \$1 trillion accumulated over a decade. The second \$1 trillion took less than 3 years and by the end of 2009 it surged to \$2.4 trillion which has remained rather stable ever since. One evident attribute for the much slower growth of the foreign exchange reserves appears to be the declining exchange rates of Euros to US\$.

### Expansion of the pilot program for RMB cross-border trade settlement

We mentioned about the RMB (China's currency) cross-border trade settlement in our CBAs in April, July and September last year. Further to these, the People's Bank of China ("PBOC"), Ministry of Finance ("MOF"), Ministry of Commerce ("MOC"), General Administration of Customs ("GAC"), State Administration of Taxation ("SAT") and China Banking Regulatory Commission ("CBRC"), jointly issued a circular, Yinfa [2010] No. 186, on 17<sup>th</sup> June, 2010 to expand the pilot program of RMB cross-border trade settlement. 20 cities (areas), instead of 5 under the pilot program, at provincial level will be allowed to undertake these transactions with overseas counterparts all over the world instead of only Hong Kong, Macao and Association of Southeast Asian Nations ("ASEAN") member countries.

### More guidance on benefits enjoyed by non-residents from Double Tax Treaty

On 21<sup>st</sup> June, SAT released a notice, Guoshuihan [2010] No.290, to complement the "Administrative Measure on Benefits Enjoyed by Non-residents from Double Tax Treaty (Trial Version)" released in August 2009. It addressed issues relating to tax-resident certificate, inconsistency between this

Administrative Measure and the previous explanation on Tax Arrangement with Hong Kong SAR, and amendments to the relevant forms previously released.

### **Further clarification on the new Business Tax (“BT”) regulations**

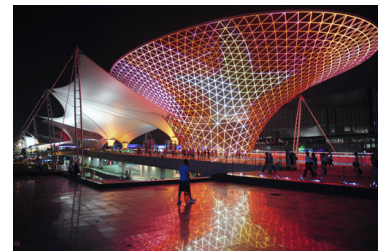
According to the amended “Rules on Implementation of Provisional Regulations on Business Tax” which was released by SAT and MOC jointly and took effect from 1<sup>st</sup> January 2009 (our CBA Oct 2009 edition referred), services rendered outside of China by non-residents could be subject to BT if the recipient of the subject services is in China. However, several circulars were issued subsequently to suggest that the Tax Authority was showing signs of being more flexible and that BT might not be levied on services rendered overseas by non-residents, at least for certain transactions and industries specified in some circulars.

### **Tax refund on export of 406 products stopped**

In accordance with Caishui [2010] No.57 issued by MOF and SAT jointly on 22<sup>nd</sup> June 2010, the export of 406 products in six categories will no longer attract any tax refund from 15<sup>th</sup> July 2010. The listed items include some steel and non-ferrous products, silver powder, alcohol, plastic, rubber and glass goods. This will have significant impacts on the relevant businesses and call different tax declaration procedures.

### **Expo Volunteers’ Day in Shanghai**

The total number of visitors was over 25 million since the opening of the Shanghai World Expo on 1<sup>st</sup> May. Many volunteers have made great contributions to it in terms of visitor services, traffic control and maintaining a clean environment at the Expo. They have also won credit



for the Expo, for the city and for the Chinese people. The government marked the 10<sup>th</sup> July as the Volunteers’ Day and organized activities to show the respect and thanks of the government to these hard-working individuals and encourage them to continue with their dedication to this worthy cause.

## Service Highlight

In the maze of the ever changing regulations alongside the continued booming Chinese economy, we reiterate to CBA readers that Sino-Bridge has a team of professionals who are highly experienced and knowledgeable in both international and Chinese business operations to provide a most comprehensive array of professional services to meet the diverse needs of our clients. If you need any assistance or help, we are just a call or email away! Please contact: [nikitayim@sinobridge-consulting.com](mailto:nikitayim@sinobridge-consulting.com)

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