SINO-BRIDGE
Consulting Group

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TABLE OF CONTENTS

Updated Catalogue of Industries for Guiding Foreign Investment

The latest revision to the Catalogue of Industries for Guiding Foreign Investment ("the Catalogue") was put into effect by The National Development and Reform Commission ("NDRC") and Ministry of Commerce ("MOC") on 28th July 2017. The changes aim to make recordal procedures simpler to promote the use of the 'negative list' approach in monitoring pre-approvals for foreign investment and encourage foreign investment and investment by foreign enterprises in high-end manufacturing industry and services. This is the 7th revision to the catalogue since 1995, and the key points are as follows:

Loosening up of foreign investment restrictions

Service industries from which restrictions on foreign investments are to be removed include:

- Highway Passenger Transportation
- Cargo Handling
- Creditworthiness Investigation
- Rating Services
- Accounting and Auditing

- Construction and Operation of Agricultural Wholesale Markets
- Construction and Operation of Water Control Pivot Projects

Manufacturing industries from which restrictions on foreign investments are to be removed include:

- Railway Transportation Equipment
- Electric Bus Network Equipment
- Batteries for New Energy Vehicles
- Motorcycles
- Marine Engineering Equipment
- Diesel Engines for Vessels
- Satellites for Civil Use
- Edible Oils
- Corn Processing
- Fuel Ethanol

Mining industries from which restrictions for foreign investments are to be removed include:

- Non-Conventional Oil and Gas
- Precious Metals
- Lithium Ore
- Rare Metals

The Negative List of Foreign Investments

New prohibitions, compared to the 2015 catalogue, have been added to certain sensitive sectors including:

- Land surveying
- Editing of books, newspapers, magazines, audio & visual products and electronic publications
- Radio and TV video on demand services
- Satellite broadcasting
- Internet-based news and information services
- Internet information publication services

Moreover, sectors with the same limitations applied to both foreign and domestic investments are removed from the Catalogue, for example, construction of new golf courses, villas, and lottery and sex industries.

Value Added Tax Policy for Asset Management Products

The Ministry of Finance ("MOF") and State Administration of Taxation ("SAT") issued Caishui [2017] No. 56 ("Circular 56") on Relevant Issues concerning Value Added Tax ("VAT") for Asset Management Products. The policy will come into effect on 1st January 2018. The key points include:

- Redefinition of "manager of asset management products" and "asset management product".

- Levy of 3% VAT using a simplified calculation method on taxable income arising from the management of asset management products, compared to the previously proposed 6%.

- Except for the change mentioned above, management services on entrusted assets provided by managers under a trust arrangement with investors and other VAT taxable services should be taxed under the prevailing VAT rules.

- Managers need to keep separate accounts for VAT tax payable concerning asset management products from other businesses. Otherwise, they would not be able to enjoy the preferential rate of 3% for their asset management activities.

The Implementation of the Social Security Treaty between China and Switzerland

On 13th June 2017, the Ministry of Human Resources and Social Security ("MHRSS") issued Renshetingfa [2017] No. 69 ("Circular 69") to commence the implementation of the treaty on social security between China and Switzerland ("the Treaty").

Circular 69 clarifies the main contents and administrative measures for the exemption from relevant social insurance contributions set forth in the Treaty. According to Circular 69, the range in China of reciprocally exempted insurances under the Treaty includes the basic retirement insurance for employees and the basic retirement insurance for urban and rural residents, while such range in Switzerland includes the Old-age and survivors' insurance("OASI") and Disability insurance("DI"). According to the provisions of Switzerland laws, employees eligible for, or exempted from, Switzerland OASA and DI will automatically be eligible for, or exempted from, the Switzerland Unemployment insurance. Furthermore, the time limit for dispatched personnel to enjoy exemption from the corresponding social insurance contributions under the Treaty is no more than six years. If initially applied; an extension may be granted with consent of competent authorities of the Chinese and Switzerland governments if the dispatch lasts for over six years.

Despite the emphasized statements in Circular 69 (unemployment and basic retirement insurances), Switzerland nationals working in China are still required to participate in other types of Chinese social securities (basic medical, work-related injury, and maternity insurance) as prescribed by the Chinese Social Security Law and MHRSS Order [2011] No. 16.

Service Highlight

China continues to attract investors from all over the world as it is fast emerging as one of the largest markets. While continuous effort is put in to improve and simplify China's domestic regulations and administrative processes, it is important that investors are up to date with the changes and can adapt to them accordingly. Sino-Bridge is always well prepared and pleased to help investors to realize their full potential. Our Marketing Executive, Ms. Kimme Chan, looks forward to hearing from you at (852) 3579 8745 or kimmechan@sinobridge-consulting.com for any assistance and support we could provide you with.

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