

# China Business Advisory

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## TABLE OF CONTENTS

### 1. China Updates

- Duty-free Shopping Policy for Tourists in Hainan Island
- Social Security and Housing Fund Adjustments in Shanghai
- New Tax Filing Approach in Shanghai
- Reduced Negative Lists for Foreign Investment

### 2. Service Highlight

## Duty-free Shopping Policy for Tourists in Hainan Island

In order to implement the "Hainan Free Trade Port Construction Plan", the Ministry of Finance ("MOF"), the General Administration of Customs ("GAC") and the State Administration of Taxation ("SAT") jointly

announced "Notice on Duty-free Shopping Policy for Tourists in Hainan Island" on 29<sup>th</sup> June 2020, which was numbered as MOF-GAC-SAT Announcement [2020] No. 33.

The notice became effective from 1<sup>st</sup> July 2020. The key points worth noting are shown as follows:

Item	Stipulation
Conditions for Duty-free	A. Passengers leaving the Hainan Island by air, train or ship (excluding those leaving the country)
	B. Those domestic and foreign passengers are 16 years old or above (including residents of Hainan Island) with purchased air, train or ship tickets, and holding valid ID cards/documents.
	C. Payments are made in the specified duty-free shops or approved online sales windows, and the goods are picked up at designated areas at airports, railway stations, and ports on the island.

Pertinent Taxes	Customs Duty; Import Value-added Tax and Consumption Tax
Upper Limit	RMB100,000.00 per person per year with unlimited number of trips.

Along with the establishment of the Hainan Free Trade Port and the publication of a series of supporting regulations, Hainan is expected to play comprehensive functions of a free trade area, not only developing tourism and international trade, but also expanding other modern service industries, such as modern financial services (futures, securities, equity transactions, etc.), health industry, high-tech industry and so forth. In addition, the free trade port will attract high-quality education resources at home and abroad, which will make Hainan an important place for education.

### Social Security and Housing Fund Adjustments in Shanghai

The authorities in Shanghai recently announced adjustments regarding social security and housing fund which become effective from 1<sup>st</sup> July 2020 due to the increase of annual average social wage in 2019. The major changes are as follow:

Items	Previous Monthly Lower/Upper Limit of Calculation Base	Updated Monthly Lower/Upper Limit of Calculation Base	Previous Ratio		Updated Ratio	
			Employer Contribution	Employee Contribution	Employer Contribution	Employee Contribution
Basic Pension Insurance	4,927 and 24,633	4,927 and 28,017	16%	8%	16%*	8%
Unemployment Insurance			0.5%	0.5%	0.5%*	0.5%

Medical Insurance			9.5%	2%	9%	2%
Work Injury Insurance	4,927 and 24,633	4,927 and 28,017	0.16%~ 1.52%	-	0.16%~ 1.52%*	-
Maternity Insurance			1%	-	1%	-
Housing Fund			5%~7%	5%~7%	5%~7%	5%~7%
Supplementary Housing Fund	2,420 and 24,633	2,480 and 28,017	1%~5%	1%~5%	1%~5%	1%~5%

\*Exemption or payment deferral available for application till the end of 2020 as part of COVID-19 pandemic relief measures

Although the COVID-19 pandemic has been generally contained so far, it will take time for the economy to recover. To this end enterprises who have difficulties to pay social security contributions are allowed to apply for reduction in ratios or deferral of payments. The employer contributions of basic pension insurance, unemployment insurance and work injury insurance for micro, small and medium-sized businesses could be exempt until the end of 2020.

## **New Tax Filing Approach in Shanghai**

In order to further simplify tax filing documentation and process, Shanghai Tax Bureau decided to implement a new comprehensive tax filing approach announced in “Notice on Implementation of Comprehensive Tax Declaration” dated 28<sup>th</sup> May 2020. The main contents are as follow:

- Comprehensive Tax Declaration is applicable to Corporate Income Tax (prepayment), Urban Land Use Tax, Real Estate Tax, Land Value Added Tax and Stamp Duty;
- Tax payment is due within 15 days after the end of each quarter for those who do quarterly filing;

- This notice becomes effective from 1<sup>st</sup> July 2020 and taxpayers have discretion to follow the current approach till 31<sup>st</sup> December 2020.

## **Reduced Negative Lists for Foreign Investment**

On 23<sup>rd</sup> June 2020, The National Development and Reform Commission and the Ministry of Commerce issued updated “Negative List for Foreign Investment” for the whole nation and that for Pilot Free Trade Zones, which are further reduced compared with the 2019 versions.

- ◆ Items in the national “Negative List” have been cut from 40 in the 2019 version to 33 in the 2020 version;
- ◆ As for 2020 negative list for foreign investment in pilot free trade zones, the number of prohibited industries has been reduced to 30 from 37;
- ◆ In the finance field, restrictions on foreign investment holding percentage for securities companies, securities investment fund management companies, futures companies and life insurance companies are removed;
- ◆ In the field of infrastructure sector, construction and operation of water supply and drainage networks in cities with population of over 500,000 can now be controlled by foreign investor;
- ◆ As for transportation sector, it cancels the ban on foreign investment in air traffic control;
- ◆ Access to manufacturing and agriculture sectors become easier;
- ◆ In the field of medicine, it cancels the limitation on foreign investment in prepared slices of Chinese medicine; and
- ◆ In the education field, wholly foreign owned vocational education institutions are now allowed.

The two new negative lists became effective from 23<sup>rd</sup> July 2020.

## Service highlight

The Chinese government has been continuously making efforts to improve the commercial conditions to ensure an advantageous and stable business environment for foreign investors. We are committed to providing clients and their employees with our comprehensive advice on how to take good advantage of the China globalization progress for the success of your operation in this country during this special period and in the future. For any assistance and support, please feel free to contact our marketing executive, Ms. Miumiu Chan, by email [miumiuchan@sinobridge-consulting.com](mailto:miumiuchan@sinobridge-consulting.com) or call (852) 3579 8745.

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