

# China Business Advisory

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## Reform of the Business Registration Process

### ■ Former process

Formerly, the Administration of Industry & Commerce, the Administration of Quality Supervision and the Tax Authority issue business license, organization code certificate and tax certificate respectively to the same entity. There was little

collaboration among these 3 different authorities resulting in excessive administrative costs and inefficiency.

### ■ New Process

On 29<sup>th</sup> June 2015, the State Council of the PRC promulgated Guobanfa [2015] No. 50, “Opinions of the General Office of the State Council on Accelerating the Reform of the Registration System to ‘Combine Three Certificates into One’ (the Opinion)” which is to be fully implemented nationwide by the end of 2015. This has the following implications:

- Convenience and less time and financial costs to establish an enterprise and start business operation in China;
- Interaction and information exchange among different authorities provide a more comprehensive way of monitoring enterprises;
- Reduced administrative costs for the government;

- More effective administration and supervision;
- More comprehensive and coordinated information gathered by different authorities could help the government the gain a better overall picture of the economy with potentially significant implications in breadth and depth for the development of the Country.

In the longer term view, the reform will not be limited to just combining the 3 certificates. The Opinion gave clear direction to all regions and relevant authorities to be watchful and supportive of further scope for reform to these ends and take the necessary action for their implementation.

### **Relaxing foreign ownership of companies operating data processing and transaction processing business**

On 19<sup>th</sup> June 2015, the Ministry of Industry and Information Technology ("MIIT") issued Gong Xin Bu Tong [2015] No.196 to allow foreign ownership of online data processing and transaction processing business (by and large e-commerce business) up to 100 percent. The principal points of this pronouncement are:

- Online data processing and transaction processing business includes:
  - ✓ Online bank services
  - ✓ Online stock trading+
  - ✓ Online sales and purchases of tickets
  - ✓ Online trading of auction goods
  - ✓ Online fund settlement
- This is a significant part of the series of regulations issued by Chinese government to stimulate healthy development of e-commerce
- It could obviate the need to use VIE ("Variable Interest Entities") to get around the previous restrictions on foreign invested enterprises operating data processing and transaction processing businesses

## Procedures to Attract Foreign Talents to stay in China Introduced

The Entry-Exit Administration Bureau of Shanghai introduced new rules to take effect from 1<sup>st</sup> July 2015 to simplify the procedures for overseas talents to work and settle in China. We set out below some of the key measures:

- Transition to permanent residence
  - ✓ Foreign talents of strong demand are eligible to apply for permanent residence if:
    - Their salaries exceed RMB600,000 per annum;
    - Their individual income tax paid exceeds RMB120,000 per annum;
    - They have been working in Shanghai for 4 consecutive years (more than 6 consecutive months in each year); and
    - Their employers are prepared to nominate them.
  - ✓ Foreign talents the demand for whom is recognized by governmental authorities are also eligible to apply for permanent residence if they have
    - Obtained work permit valid for 5 years under the category of “talents”;
    - Worked in Shanghai for over 3 years; and
    - Been nominated by their employers
- Issue of residence permit to students starting a business in China

Foreign students intending to start a business in Shanghai are eligible to apply for residence permit which has to be accompanied by:

- graduation certificate issued by the academic institution in their home country; and
- business/innovation plan.

- Facilitation of application for entry-exit services

- ✓ Online pre-application services

Pre-approval could be granted for online applications with which it will generally take less than 2 hours to complete the final application at the port of entry.

- ✓ New service centers established for entry-exit services

In locations including Zhangjiang, Lujiazui, Pudong Airport and Hongqiao Airport, more centers for entry-exit services have been and will be opened to better serve foreigners coming to China.

- ✓ Online payment & bank card payment made available

The Deputy Director of Shanghai Public Security Bureau said these initiatives are aimed at attracting overseas talents to stay in Shanghai.

## **Administrative Procedures for Tax Reduction and Exemption**

On 8<sup>th</sup> June 2015, State Administration of Taxation (“SAT”) issued Announcement [2015] No.43 (the “Announcement”), which further clarifies the position of the tax authority on regulating tax reduction and exemption and will take effect from 1<sup>st</sup> August 2015.

The key point of the Announcement is to stipulate which of these reliefs are subject to:

- Prior approval; or
- Recordal filing without the need for prior approval.

The recordal filing process brings convenience to taxpayers and so improves efficiency on tax administration. However, taxpayers should not take it to mean that they can claim for any amounts of reliefs at their own wish under this process. Should the Tax Authority during subsequent review

procedures find them unreasonable, penalties and charges on late payment of tax may still be imposed by them.

## Service Highlight

With its huge potential market, China is capturing the world's attention. It is undergoing structural reform to lead the country to sound and sustainable development which will bring benefits and conveniences in many ways to those having business operation in China.

Our Marketing Executive, Ms. Yannes Lam, would like to hear how we could help you to this end. Please call upon her at (852) 3579 8745 or [yanneslam@sinobridge-consulting.com](mailto:yanneslam@sinobridge-consulting.com) as to what we could do for you to this end.

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