

China Business Advisory

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Shanghai World Expo ticket sales Start

Shanghai World Expo's organizers launched ticket sales recently for the global gala, to be held in the Chinese economic hub from May 1 to October 31, 2010. Each visitor can enter the area of Expo 2010 Shanghai China with a benchmark price of 160 yuan (\$23) per visit during the 184-day grand show. The newly unveiled ticket carries a logo, the mascot Haibao, and the theme catch-line "Better City, Better Life".

"Shanghai is anticipating around 70 million visitors from home and abroad next year, with an estimated daily number of 400,000 visitors," says Zhong Yanqun, vice director of the executive committee of the Shanghai Expo. Five percent, or 4 million, of the tourists will be visitors from abroad. The expo organizing board said it's not going to make money, but rather make ends meet during the six month-long exposition.

185 countries and 46 international organizations have been confirmed to take part in the expo so far. In spite of the economic downturn, no participant has withdrawn from the planned exhibition. We believe 2010 Shanghai Expo is the bridge to China and Sino-Bridge will be pleased to be of assistance in this regard.

Shanghai launches plan to attract foreign talent

Shanghai plans to attract 1,000 foreigners to help the city transform into a global financial and shipping center by offering them housing and health-care allowances as well as other benefits including education for children and residence rights, the South China Morning Post reported. According to a plan issued by the city, Shanghai's government would also exempt shipping carriers, logistic firms and insurers that did businesses in the Yangshan port from paying sales taxes in order to encourage more international container lines to use the port. The plan came after the city failed to win approval from the central government to offer tax incentives as it competes for professionals with cities such as Hong Kong and Singapore.

China raises tax on tobacco products

China has increased taxes on tobacco products. Taxes went up on cigarette cartons costing 70 yuan (about \$10) or more to 56 percent from the previous 45 percent rate, the Ministry of Finance and the State Administration of Taxation (SAT) jointly said. Tax for cigarette cartons costing less than 70 yuan rose from 30 percent to 36 percent. "The move aims to moderately increase financial revenue, and perfect the taxation mechanism", said the document released on the SAT website. The tax on cigars rose to 36 percent from 25 percent.

Increasing consumption tax of tobacco can not only help government increase income, but also save millions of lives. China has the world's largest population of smokers. About 350 million of the country's 1.3 billion citizens are smokers in 2008, and about one million die of tobacco-related diseases each year.

The New Chinese Special Tax Adjustments Rule

General introduction

China's new Corporate Income Tax Law ("New CIT Law") and its Detailed Implementation Rules ("DIR"), both of which took effect from January 1st, 2008, introduced a set of anti-avoidance measures in Chapter 6 – Special Tax Adjustments. It may be the most complex chapter of the New CIT Law. In January 2009, State Administration of Taxation ("SAT") formally approved a circular (Gui Shui Fa [2009] No. 2) which states the

final version of the “Implementation Measures of Special Tax Adjustments (Trail)” for laying out detailed rules on administration of all the aspects covered by special tax adjustments.

These are deemed to be a milestone which shows China’s tax administration being in a new era. They not only introduced many important concepts, such as cost sharing, controlled foreign corporations, thin capitalization, general anti-avoidance, advanced pricing agreement, etc., but also imposed mandatory contemporaneous transfer pricing documentation requirements to taxpayers.

These will have significant and comprehensive impact on all the taxpayers and their business for certain. Thus Sino-Bridge will introduce the important aspects in more detail in the following issues so as to provide helpful information to our clients and/or readers.

Updating of tax regulations **Further raise of export tax refund rates**

Export tax refund rates were increased again for some kinds of commodities, including sewing machines, certain processed farm products, toys, furniture, ceramics, steel products, etc. These increases became effective from June 1st, 2009. (Cai Shui [2009] No. 88 dated June 3rd, 2009)

Tax rules for corporate restructuring

Ministry of Finance ("MOF") and State Administration of Taxation ("SAT") jointly issued a notice to clarify the tax rules for corporate restructuring. It provides the rules on how to calculate the taxable gain and loss on a restructuring as well as some special tax treatments. (Cai Shui [2009] No. 59 dated April 30th, 2009)

Tax risk of large business enterprises

“Guidelines on Tax Risk Management of Large Business Enterprises” was published by SAT on May 5th, 2009. It indicates the authority’s move to enhance taxpayers' tax compliance level and to minimize non-compliance through self-check and self-control pertaining to a better tax administration mode. A new department named “Large Business Taxation Department” has been established in SAT and its corresponding branches are being set up in the local level authorities. (Guo Shui Fa [2009] No. 90 dated May 5th, 2009)

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