

China Business Advisory

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Economic News

China's GDP growth accelerated to 8.9% in Q3

According to China's state statistics authority, China's economic growth rate has risen to 8.9% year on year in Q3 and 7.7% year on year in the first nine months. The spokesman of the authority states that the various policies adopted by the government have resulted in significant positive effects and China will be able to achieve the annual target growth rate of 8%, which the government believes is necessary to generate enough jobs. He also said that the economic recovery is now in a critical period of stabilization and accelerating growth. The overseas demand is still weak and it is still a hard task to expand the domestic demand and adjust the economic structure. In the following months, the government plans on maintaining the continuity and stability of the macro-economic policies, while adhering to a proactive fiscal policy and moderately easy monetary policy, as well as achieving the full implementation of the previously adopted policies.

Beijing sticks to its guns on yuan (RMB) appreciation

Outside pressure has been building on Beijing to let the yuan (RMB) rise after more than a year of it being held stable against the dollar, with the latest appeal voiced by the head of the International Monetary Fund who claimed that allowing the RMB to rise would help increase the purchasing power of households and therefore domestic consumption, raise the labour share of income, and provide the right incentives to reorient investment in China. In response to these pressures, a ministry spokesman of Beijing states: "From both of the perspectives of promoting stable global economic development and recovery in Chinese exports, providing a stable and predictable environment for our enterprises ensuing from appropriate macroeconomic policies including sound currency management in China is a must."

Tax in China

Principles to determine “Beneficial Owner” (“BO”) under Double Tax Treaties (“DTT”)

A circular, Guishuihan [2009] No.601, was issued by State Administration of Taxation (“SAT”) at the end of October as a guide to understand and recognize how a “Beneficial Owner” can enjoy the tax relief under DTT in respect of dividends, interest, and royalties, etc. The rules and principles to qualify an applicant as a BO were clarified in this issue which gave a prominent stress on “substance over form”. Agents and conduit companies without any substantial business activities apparently set up for avoiding tax will not be recognized as BO. Furthermore, some examples of factors which could cause negative impact on the qualification were listed. The applicants should provide relevant documents to the tax authority to support their meeting the relevant stipulations in the circular.

Grandfathering policy for the change of Business Tax (“BT”)

Further to our introduction in last issue, we would like to give you more detailed information about the grandfathering rules that came about from the recent amendment to BT. These rules exempt services from BT if they are rendered overseas although the recipient is in China and meet the following conditions:

- ✓ The contract for these services was signed before 2009;
- ✓ The contract for these services expired or will expire before December 31st, 2009; OR
- ✓ The services were or will be rendered before December 31st, 2009

The tax rate, point of recognition of tax liability, location of tax payment, withholding agent and preferential treatments should follow the new BT regulations for cross-year contracts. Any overpaid BT prior to the release of the grandfathering rules (August 25th, 2009) could offset the BT payables in the following filings or be refundable from the authority. We recommend our readers to review their business transactions and contact the relevant tax authorities timely to minimize the tax exposures. We shall be pleased to offer any assistance with this.

Shanghai World Expo 2010

E-tickets for Shanghai World Expo

Shanghai will use “E-tickets” instead of paper ones for the Expo 2010, reported by Xinhua News Agency. The tickets, in which Radio-frequency identification (RFID) tags are embedded, will uniquely identify each holder by information such as his/her location in the Expo and even the companions’. The computer can trace each ticket easily. The Expo will see the largest deployment of RFID technology in the world in anticipation of more than 62 million tickets to be sold.

Service Highlight

Sino-Bridge is the partner you need to help you explore the Shanghai 2010 World Expo. We provide an all-inclusive visit tour package for the expo. With a team of competent professional managers, you will have a whole new exploring experience. Apart from visiting the Shanghai Expo, we will take you to the Eco-development zone in around Shanghai giving you the updates information on sustainable urban development by local experts in PRC. Please mail our Marketing Executive, Ms. Nikita Yim, for more details at nikitayim@sinobridge-consulting.com and visit http://sinobridge-consulting.com/china_consulting.htm to find out how we can help you.

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