

# China Business Advisory

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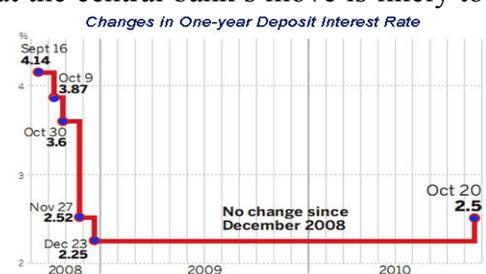
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## China's interest rates rise for the first time in nearly three years

On 19th of October 2010, the People's Bank of China, the central bank of China, raised the interest rates for the first time in nearly three years. The benchmark rates were raised by 25 basis points and are effective from 20<sup>th</sup> October 2010. The one-year deposit and lending rates rose to 2.5% and 5.56% respectively. This move is seen as a reasonable measure taken by the government to tackle problems of excessive market liquidity and inflation which reached

3.5% in August, the highest in 22 months. Some analysts said that the central bank's move is likely to lead to growing expectation on future rise in interest rates. The central bank's move also shows that policy makers of China are confident about the Chinese economy.



## Clarification on tax issues regarding sale and leaseback transactions

The State Administration of Taxation ("SAT") released an announcement in early September 2010, No. 13, to clarify several tax issues relating to sale and leaseback transactions for financing purposes. Value Added Tax ("VAT") and Business Tax ("BT") will generally not be applicable to these transactions. Corporate Income Tax ("CIT") on the other hand will be dependent on the nature of assets and financing costs involved in the transactions. This regulation will be effective from 1<sup>st</sup> October, 2010. Any taxes overpaid before the enactment of this regulation can be refunded.

### **Amendments to the Double Tax Treaty (“DTT”) between Macau and Mainland China**

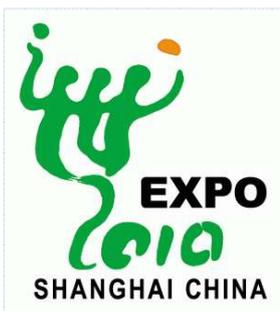
On 8<sup>th</sup> October 2010, SAT issued an announcement, No. 15, detailing the updated DTT between Macau and Mainland China. This updated treaty has made some amendments to the 2003 version with regard to the determination of tax payable on dividend based on factors including the investor’s citizenship and the investment as a proportion of his total fixed assets. The updated treaty was effective from 15<sup>th</sup> September 2010 and will be applicable to income generated after 1<sup>st</sup> January 2011.

### **Regulations on tax exemption and rebate for foreign-invested R&D centers**

Ministry of Commerce, Ministry of Finance, General Administration of Customs and SAT jointly issued a circular at the end of March 2010, Shangzifa [2010]No. 93, to give more detail on tax exemption and rebate for foreign-invested R&D centers. This circular contains information on the criteria, documentation requirements and administrative rules. It is an extension to the previously released regulations, Caishui [2009] No. 115 and joint Decree [2007] No. 44 and others relating thereto.

### **Services provided by sponsors to the 16<sup>th</sup> Asian Game in Guangzhou not subject to Business Tax (“BT”)**

On 18<sup>th</sup> October 2010, SAT issued a circular, Guoshuihan [2010] No. 485, to announce that BT will not be applicable to services provided to the 16<sup>th</sup> Asian Game by certain sponsors (8 sponsors in total from various industries including accounting, IT, education etc) as these services will be provided free of charge.



### **Post Expo 2010 in Shanghai**

Time flies, and fast. The Shanghai Expo 2010 will come to an end on 31<sup>st</sup> October. It has been a great pleasure for us to write about this magnificent event. The Expo site will be demolished and transformed to become a place for cultural exchange, high-level exhibition and leisure for the citizens at large. In addition,

a Memorial Museum will be built to house some of the innovative designs and exhibitions of the pavilions.

## Service Highlight

Sino-Bridge Group is always ready if you need a consultant for your Hong Kong and Mainland China operations. For 16 years, we have been helping small to medium enterprises (“SMEs”) fine tune their organization, solve internal and market problems and plan for their future. With our own professional team and experienced associates in Hong Kong and Mainland China, we are able to come up with a program tailored to your needs!

If you need any help or assistance, please do not hesitate to contact May Lau, our Marketing Executive at [maylau@sinobridge-consulting.com](mailto:maylau@sinobridge-consulting.com).

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