

China Business Advisory

2013 Issue 10

October 2013



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Opening of China (Shanghai) Pilot Free Trade Zone

On 29th September 2013, Mr. Gao Hucheng, China's Minister of Commerce unveiled the establishment of China (Shanghai) Pilot Free Trade Zone (the FTZ). The project, approved by Premier Li on 3rd July 2013, aims to provide a relatively regulation free environment

and a test run for companies who want to invest in China. It is an initiative from the Chinese Government to put the city, and eventually the Country, in line with global business practices to this end, the zone is finding ways of reducing government intervention and opening the Chinese economy wider to global investors. Among them are:

1. The release of the Special Administrative Measures on the Entry of Foreign Investment into the FTZ which in a nutshell is a "negative list" implicates that foreign investment in all sectors should be allowed unless listed as prohibited or restricted under the Negative List.
2. Specific policies to support the development of the capital market and financial industries such as the banking and insurance sectors in the FTZ.

Implementation of Value Added Tax (VAT) Exemptions for Exported Services

We touched on the topic of VAT exemption for certain exported services. Businesses providing qualified services to either third parties or related entities outside of China will see significant tax saving. All taxpayers satisfying the conditions for this VAT exemption will be required to submit necessary documentation for review by the tax authorities. Understandably compliance with the VAT exemption conditions will be monitored closely by the tax authorities. To help taxpayers in this regard, China's State Administration of Taxation (SAT) issued Announcement 52 of 2013 ("Announcement") on 13th September, 2013 to clarify the procedural requirements for claiming VAT exemptions as regards self-assessment or need for review by tax authorities for the exemption. Some practical issues such as those listed below are yet to be clarified:

- Possibility for partial exemption
- Retrospective arrangements for services provided before Announcement 52

Development of China E-commerce Industry

Transactions in China made on the e-market are increasing over time. In 2012, online retail sales experienced a 67.5% increase to reach RMB1.3 trillion. The Chinese government would like to push further for this growth over the next few years. To pave the way for this, China's Ministry of Commerce released a draft of the "Administrative Measures for Transaction Rules of Online Retailing Conducted on Third-Party Platform" to solicit public opinions on the subject. This draft is expected to bring guidelines for those conducting online business transactions through third-party platforms about prospective tax rules on their income so generated. Pertaining to this hopefully all relevant parties can be fully aware of the new rules and changes to the old rules before their implementation.

Service Highlight

It has always been a challenging job for us to provide useful information to our clients who have operations in China but we derive huge sense of satisfaction from being an integral part of their success through our efforts. Should you need any help from us, please do not hesitate to contact our Marketing Executive, Ms. Yannes Lam, on +852 35798745 or email her at: yanneslam@sinobridge-consulting.com.

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