

China Business Advisory

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2. Service Highlight

Further Taxation System Reforms

Following the instructions in Guofa [2016] No.30 issued by the State Council on 24th May 2016, the State Administration of Taxation (“SAT”) issued Shuizongfa [2017] No.101

(“Circular No.101”) on further reforms of the taxation system on 14th September 2017. Circular No.101 aims to reduce the administrative burden for tax payers and enhance the efficiency of the tax filing process. The key objectives of the reform are highlighted below:

- Simplification of tax administrative approvals
 - Reducing and optimizing the approval process
 - Promoting the approach of listing the authorizations and responsibilities of taxation departments
 - Simplifying the registration, removal and deregistration procedures for taxpayers
 - Improving the record filing procedures for tax preferential treatments and contracts
 - Cutting down the number of required documents for tax reporting

- Innovation in supervision approach
 - Reforming the taxation administration system
 - Fully implementing real-ID collection
 - Implementing cross-regional risk control
 - Establishing dynamic supervision methods on granting taxation credit
 - Optimizing the allocation of tax administration resources
 - Increasing collaboration with other governmental departments

- Constant improvement in taxation services
 - Implementing “Non-threshold” taxation services for new taxpayers
 - Easing the procedures related to invoicing
 - Simplifying tax filing forms
 - Promoting online and proximate taxation services
 - Tightening the cooperation between state and local administrations of taxation
 - Increasing the transparency of policies and services
 - Enhancing the taxpayer evaluation mechanism

In addition, the Administration of Taxation issued Shuizongfa [2017] No.102, No.103, Shuizonghan [2017] No.403 and SAT Announcement [2017] No.33 in succession after Circular No.101 to detail the updates of regulations on cross-regional taxation issues, required information for tax reporting and simplified administrative penalty. It is expected that several other updates regarding Circular No. 101 would be made in the coming future.

Upcoming Revision of the Measures for the Examination of Undertaking Concentration

The Ministry of Commerce (“MOC”) released a notice for public comments on the revision of the Measures for the Examination of Undertaking Concentration (the “Draft”) on 8th September 2017. The Draft has combined and revised the measurements in MOC Order [2009] No.11 and No.12 and will eventually replace these two orders when its official version comes into force. The updates in the Draft are highlighted as follows:

- It would be considered as concentration of undertakings if one undertaking acquires properties, businesses, rights, etc. of which other undertakings are capable to make use for operating and generating revenues in the markets.
- When evaluating the control power or determinative effect of one undertaking on others, the followings should be taken into account,
 - Voting power and similar rights of other undertakings held by one undertaking, impact of one undertaking on the decisions and management of appointing and dismissing senior managers, financial budgeting and operation plans of other undertakings
- Behavior that one undertaking simultaneously or continuously acquires the control power of or makes determinative effect on one or more undertakings through transactions which are mutual conditions in laws or in fact should be deemed as a conduct of concentration
- Different types of participants of concentration are listed in detail

- Motivation and purpose of concentration should be explained in the process of concentration declaration
- Apart from a full Chinese translation of information in foreign languages, a Chinese abstract may be acceptable for files with massive text in foreign languages during concentration declaration

Agreement on Mutual Recognition of Customs AEO Enterprises between China and Switzerland

The Agreement on Mutual Recognition of Customs Authorized Economic Operation (“AEO”) Enterprises between China and Switzerland (the “Agreement”) signed in January 2017 has been implemented since 1st September 2017 according to the Customs Announcement [2017] No.40 dated 31st August 2017. The key points and benefits in the Agreement are highlighted as follows:

- Certified China enterprises at AA Tier will be recognized as Customs AEO Enterprises by Swiss Customs
- Swiss AEO enterprises will be recognized as Customs AEO Enterprises by China Customs
- Customs AEO Enterprises from one country can enjoy the benefits below in the other country:
 - Less inspection and supervision for goods during risk assessment and safety administration procedures
 - In the evaluation of business partners of Customs AEO Enterprises, a business partner will be deemed as a safe trading partner if it has an AEO qualification
 - Priority will be given to the goods from Customs AEO Enterprises in processing procedures

- Assistance for Customs AEO Enterprises on declaration issues will be provided by designated customs officers

To date, China has signed similar agreements with 32 countries and regions, including the European Union. The China Customs is also in the process of achieving mutual recognition with the US, Japan, Russia, Israel, Malaysia, Australia, Canada, Brazil, South Africa and other countries and regions.

Further Abolishment of Administrative Approvals

On 22nd September 2017, the State Council issued Guofa [2017] No.46 to announce the abolishment of 52 administrative approvals. The abolishment could potentially benefit foreign-invested enterprises, foreign enterprises and individuals. The key points are detailed below:

- Cancellation of approval for importing and/or exporting goods for business and/or private uses by permanent institutions and long-term non-resident travelers
- Cancellation of approval of goods for travelers to settle down with approval of immigrated residence
 - Alternative procedure for the two cancellations above: Relevant goods will be checked during Customs declaration with post-supervision by telephone call or physical inspection.
- Cancellation of approval for foreign-invested enterprises using overseas encryption products
- Cancellation of approval for overseas organizations and individuals using encryption products or devices with encryption technology in China
 - Alternative procedures for the two cancellations above:

- i. The approval procedure for importing encryption products and products with encryption technology will be enhanced
- ii. The ultimate users and the purposes will be examined through random inspection
- iii. A credit system with a “blacklist” will be implemented for supervision

Service Highlight

The Chinese government is dedicated to improve the commercial environment by refining policies and systems. More positive changes in policies and regulations are expected to follow. We are more than pleased to discuss with you on ways to leverage on these changes to enhance the competitive advantage of your business. For more information on how Sino-Bridge can be of assistance to you, please contact our Marketing Executive, Ms. Kimme Chan, via landline (852) 3579 8745 or email kimmechan@sinobridge-consulting.com.

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