

China Business Advisory

2019 Issue 10

October 2019

TABLE OF CONTENTS

1. China Updates

- Further Expand the Catalogue of Industries for Encouraged Foreign Investment (2019 Edition)
- New Policy to Attract Expatriate Talents
- VAT Additional Credit for Life Service Sector Clarified

2. Service Highlight

Further Expand the Catalogue of Industries for Encouraged Foreign Investment (2019 Edition)

Recently, the State Development and Reform Commission and the Ministry of Commerce jointly issued the “Catalogue of Industries for Encouraged Foreign Investment (2019 Edition)” (“Encouragement Catalogue (2019

Edition)”) in order to further promote and encourage foreign investments to help economic growth.

The General Administration of Customs (“GAC”) issued an announcement, “Issues Concerning the Implementation of the Catalogue of Industries for Encouraged Foreign Investment (2019 Edition)” (“GAC Announcement [2019] No. 125”), to further clarifies issues relating to the implementation of the Encouragement Catalogue (2019 Edition).

Both have become effective on 30th July 2019.

- **The main contents are as follows:**

The Encouragement Catalogue (2019 Edition) includes two sub-catalogues: "National Catalogue" and "Central and Western Regions Catalogue". The new industries where foreign investments are encouraged have been expanded compared with the previous editions. More

specifically, there are in total 1,108 entries in the Encouragement Catalogue (2019 Edition), among which 415 entries are in the National Catalogue with 67 entries added and 45 entries revised, while 693 entries in the Central and Western Regions Catalogue with 54 entries added and 165 entries revised. More than 80 percent of the new additions and revisions of the National Catalogue fall within the manufacturing sector, which supports and encourages foreign investment into high-end manufacturing, intelligent manufacturing, green manufacturing and related areas. The Central and Western Regions Catalogue is more focused on labor-intensive industries, advanced and applicable technology industries as well as the construction of supplementary facilities, encouraging foreign companies to invest in the central and western regions.

The new catalogue will provide continue support for industrial production, while promoting the transformation and upgrading of the service industries.

The new catalogue encourages foreign-invested businesses to invest in the central and western regions. In this way, the catalogue aims to promote foreign investment, optimize industrial structures, and better balance the allocation of foreign-invested businesses across the country's regions.

GAC Announcement (2019) No. 125 clarifies how to deal with potential customs issues relating to equipment, technology and accessories, and spare parts imported for self-use purposes during the implementation of the Encouragement Catalogue (2019 Edition).

- **Preferential policies for encouraged foreign investment projects**

According to the Encouragement Catalogue (2019 Edition), the scope of encouraged foreign investment projects has been expanded, while tax incentives remain unchanged. These policies mainly include:

- ✓ Encouraged foreign investment projects are eligible to enjoy customs duty exemption on imported self-use equipment within the total investment amount;
- ✓ Qualified enterprises investing in encouraged industries in western regions are eligible for a lower CIT rate of 15%;
- ✓ The land for encouraged foreign investment projects of intensive use can be offered preferentially.

The release of the Encouragement Catalogue (2019 Edition) demonstrates China's determination and confidence in opening-up its economy, and represents a significant stride in the country's efforts to promote foreign investment. Meanwhile, the relevant incentive policies will remain unchanged, which provides certainty and sustainability for numerous foreign-invested enterprises. The catalogue is expected to stimulate healthy development of China's economy, upgrading of traditional industries, and accelerating development of emerging industries.

New Policy to Attract Expatriate Talents

On 17th July 2019, the National Immigration Administration ("NIA") announced a policy containing 12 new administrative measures in relation to entry and exit matters for foreigners and their accompanying family, aiming to attract and retain expatriate talents. These new measures came into force on 1st August 2019.

The main contents of the new measures include the following four aspects:

- Expand the scope of foreign talents eligible to apply for Resident Permit.
- Expand the scope of expatriates eligible to apply for long-term visa.
- Expand the scope of foreign talents who are introduced to China.
- Improve the administrative services provided to the foreign talents.

The new measures include the following main aspects:

- **Work and Residence Permit with extended validity period**

The new measures allow foreigners who qualify for one of the following criteria to apply for residence permit with validity of up to 5 years:

- High-level and skilled foreign talents with in-demand skills who are invited by major higher educational institutions, research institutes and foreign expert administration authorities, or by high-tech and innovative companies approved by the Science and Technology Commission;
- Work in industries which are identified as key development areas, or guaranteed by a person in charge of enterprises specializing in innovations;
- Team members recommended by foreign talents who make significant contributions and possess in-demand skills.

- **Permanent Residence application**

According to the new immigration policy, foreigners working in China can apply for permanent residence permit if they meet one of the following criteria:

- Make significant contributions and possess in-demand skills;
- Worked in China for a minimum of 4 consecutive years and resided for at least 6 months in China for each of the calendar years, with annual employment income of not less than 6 times of the average salary of the relevant municipal in the preceding year and annual tax payment of not less than 20% of annual employment income;
- Overseas Chinese with Doctorate Degree or worked in national key development areas in China for a minimum of 4 consecutive years and resided in China for at least 6 months of each of the calendar years.

- **Easier Student Residence Permit application policy**

Foreign students are allowed to apply for 2-5 years' resident permit if they meet certain criteria under the new policy. Foreign students graduated from overseas universities can apply for 1 year's internship visa.

Companies that are planning to hire and retain foreign talents in China should proactively re-assess candidate's situation against the above preferential policy, and amend their internal application process if applicable.

Individuals including high-level foreign talents, overseas Chinese who intend to apply for China permanent resident should also review their eligibility based on the new measures and seek assistance from professionals. Foreign individuals currently working in China shall also review their current status and consider whether there is a need to seek professional advice.

VAT Additional Credit for Life Service Sector Clarified

The Ministry of Finance ("MOF") and the State Administration of Taxation ("SAT") have recently jointly issued the "Announcement on Clarifying Additional Value-added Tax ("VAT") Credit Policy for Life Service Sector" ("the Announcement").

The Announcement specify that, from 1st October 2019 till 31st December 2021, a taxpayer in the life service sector will be allowed to deduct from its payable tax the deductible amount of input VAT for the current period, plus an extra 15% deduction. The Announcement further states that a taxpayer in the life service sector refers to the taxpayer whose sales amount derived from the provision of life services accounts for over 50% of its total sales amount. For a taxpayer established before 30th September 2019, the above said 15% extra VAT deduction policy will apply from 1st October 2019, if its sales amount during the period between October 2018 and September 2019 (or the sales amount earned during the actual business period, if its business period is shorter than 12 months) satisfies the above said requirement. As for a taxpayer which is established on or after 1st October 2019, the 15% additional VAT credit policy will apply from the date when it is registered as a general taxpayer, if its sales amount achieved in 3 months from the date of establishment satisfies the aforesaid requirements.

Service Highlight

China continues to attract investors from all over the world as it is fast developing as one of the largest markets. While continuous effort is put in to improve and simplify China's domestic regulations and administrative processes, it is important that investors are up to date with the changes and can comply with them accordingly. Sino-Bridge is always well prepared and pleased to help investors to realize their full potential. Our Marketing Executive, Ms. Rika Wong, looks forward to hearing from you at (852) 3579 8745 or rikawong@sinobridge-consulting.com for any assistance and support we could provide you with.

Our China Investment Business Advisory Team

Hong Kong

Room 1318, 13/F, Austin Tower, 22-26 Austin Avenue,
Tsim Sha Tsui, Kowloon, Hong Kong

Guangzhou

Room 16A02, 16/F, Vili International, 167 Linhexilu,
Tianhe District, Guangzhou , 510620, PRC

Shanghai

Room 30A, 30/F, World Plaza, No.855, South Pudong
Road, Pudong New Area, Shanghai, PRC 200120

Website: www.sinobridge-consulting.com

E-mail: info@sinobridge-consulting.com

Telephone: (852) 3579 8745

Hong Kong

Guangzhou

Shanghai

For any enquiries, please contact Ms. Rika Wong, Marketing Executive: rikawong@sinobridge-consulting.com Tel: (852) 3579 8745