

# China Business Advisory

2013 Issue 9

September 2013



## TABLE OF CONTENTS

### 1 China Updates

- ✚ China signed OECD's Multilateral Convention for Global Tax Collection
- ✚ Guidance on application of zero-rated VAT for exportation of certain services
- ✚ Impact of anti-corruption measures on multinationals

### 2 Sino-Bridge Service Highlight

## China signed OECD's Multilateral Convention for Global Tax Collection

On 27<sup>th</sup> August 2013, China became an official member of OECD's "Multilateral Convention on Mutual Administrative Assistance in Tax Matters". The Convention is a freestanding multilateral agreement

designed to promote international co-operation for a better operation of national tax laws, while respecting the fundamental rights of taxpayers. It provides for all possible forms of administrative co-operation between the members in the assessment and collection of taxes, in particular with a view to combating tax avoidance and evasion.

## Guidance on application of zero-rated VAT for exportation of certain services

On 28<sup>th</sup> August 2013, the State Administration of Taxation (SAT) released "The Announcement applicable to zero-rated VAT Administrative Measures" (Announcement 47). Announcement number 47 supersedes Announcement 13 of 2012 and applies retroactively from 1<sup>st</sup> August 2013.

Please refer to our CBA Issue 5 of 2012 for more information on Announcement 13. The new Announcement 47 retains the main provisions of Announcement 13 with the following amendments and clarifications:

- The lessee of vehicle obtained under voyage charter for international transport can apply for zero-rated VAT;
- Simplified “exempt and refund” method for trading companies eligible for zero-rated VAT;
- Confirming the tax base for “exempt and refund” method;
- Confirming method of apportioning VAT refund for companies providing zero-rated services which also exports goods and provides processing repair and replacement services to overseas;
- Abolishment of “monitoring period” for companies that start to provide zero-rated services; and
- Confirming that taxpayers can decide not to apply zero-rated treatment and elect for VAT-exempt treatment or paying VAT for the provision of zero-rated services. The decision cannot be changed within 36 months after it has been made.

## **Impact of anti-corruption measures on multinationals**

The arrest of four executives of GlaxoSmithKline, a multinational pharmaceutical giant, by the Chinese authorities, becomes overnight global news headline. Multinationals are concerned whether the Chinese government is targeting foreign firms in its anti-corruption attempts and want to drive them away. While it creates less ripples and impact on the local power structure and system by targeting anti-corruption measures against foreign firms, we also see other anti-corruption attempts by the Chinese government against domestic firms. There are no reasons to worry especially for foreign companies that are following the laws in China. As the Economist puts it: “It seems unlikely, in most cases, that they (foreign firms) will be forced out of the country. China’s model of economic development depends, and has depended for years, on inviting in the world’s best companies, and – legally or otherwise – benefiting from their intellectual property. So why would China kill the goose

that lays the golden egg?” (extracted from The Economist printed edition 24<sup>th</sup> August 2013).

## 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](mailto:yanneslam@sinobridge-consulting.com).

## Our China Investment Business Advisory Team

### Hong Kong

Room 2301-02, 23/F, Prosperity Center,  
25 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong

### Guangzhou

Room 1601D02, 16/F, Vili International, 167 Linhexilu,  
Tianhe District, Guangzhou PRC 510000

### Lyon Odiceo

115 Boulevard Stalingrad – BP52038,  
69616 Villeurbanne Cedex, France

Company Website:

[www.sinobridge-consulting.com](http://www.sinobridge-consulting.com)

### Shanghai

Room 17B, 17/F, World Plaza, No.855 South Pudong  
Road, PudongNewArea, Shanghai, PRC 200120

General:

Tel: (852) 3579 8745

E-mail: [info@sinobridge-consulting.com](mailto:info@sinobridge-consulting.com)

## Hong Kong Guangzhou Shanghai Lyon

For any enquiries, please contact Ms. Yannes Lam, Marketing Executive: [yanneslam@sinobridge-consulting.com](mailto:yanneslam@sinobridge-consulting.com) Tel: (852) 3579 8745  
[www.sinobridge-consulting.com](http://www.sinobridge-consulting.com)