SINO-BRIDGE
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## Revised Implementation Rules on VAT Exemption for Cross Border Services applicable to VAT Reform

On 27th August 2014, the State Administration of Taxation ("SAT") issued Announcement 49 of 2014 (ministration of to replace the implementation rules specified in Announcement 52 of 2013 governing the exemption of VAT for cross border services undergoing VAT Reform. In particular, the following amendments and adjustments have been included in the revised rules:

- Based on the progress of the VAT Reform, including and defining cross border mailing services, collection and delivery services and telecommunication services for exemption;
- Based on the operating and management needs of tax payers, confirming the circumstances for cross border telecommunication services, the different types of cross border services contracts and those income deemed as receiving from outside of China; and
- Confirming that services provided to Hong Kong, Macau and Taiwan as eligible cross border services and can enjoy the same exemption policies as services provided to other jurisdictions outside of China.

The revised implementation rules will be effective from 1st October 2014.

## The Chinese Government using Antitrust Law against Foreign Companies?

Recently, a group of Japanese firms engaged in the business of automotive parts faced antitrust penalty amounting to US$200 million, the largest ever imposed in China. Before this, Daimler, a German carmaker, was also found guilty of using its market power to inflate the price of spare parts illegally. These high profile cases provide ammunition to the critics.

It also seems that the rulings carry an aim to force firms to reduce their prices. Some argue that while lowering prices can be good for consumers, it may interfere with market operations. Other means such as demanding changes to unfair contract terms may be a more desirable way to achieve the goals of fostering a fair commercial relationship between the contracting parties.

## New Wave of Reform of State Owned Companies

Announcements in the past few months show that reform of State Owned Enterprises ("SOEs") is underway. For example, Sinopec is selling its retail unit for US$16 billion and CITIC Group is planning to inject its assets into its subsidiary listed in the Hong Kong Stock Exchange for US$37 billion. The State-Owned Assets Supervision and Administration Commission ("SASAC") has announced reform of six other companies. Guangdong Province recently held a meeting at which stakes in 50 SOEs are being offered. And the recent clamp down on corruption appears to reiterate the determination of Beijing to push for a new wave of privatization of the SOEs. Foreign investors should be on alert for ensuing changes to market conditions and opportunities that might arise from the privatization process.

# Service Highlight

China has managed to sustain stronger growth than most developed economies in the world and is still one of the most attractive markets to explore. We are pleased to be in a position to help investors to take advantage of this for their own growth and expansion. Our Marketing Executive, Ms. Yannes Lam, would like to hear from you at (852) 3579 8745 or yanneslam@sinobridge-consulting.com as to how we can assist you with your business plan for China.

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