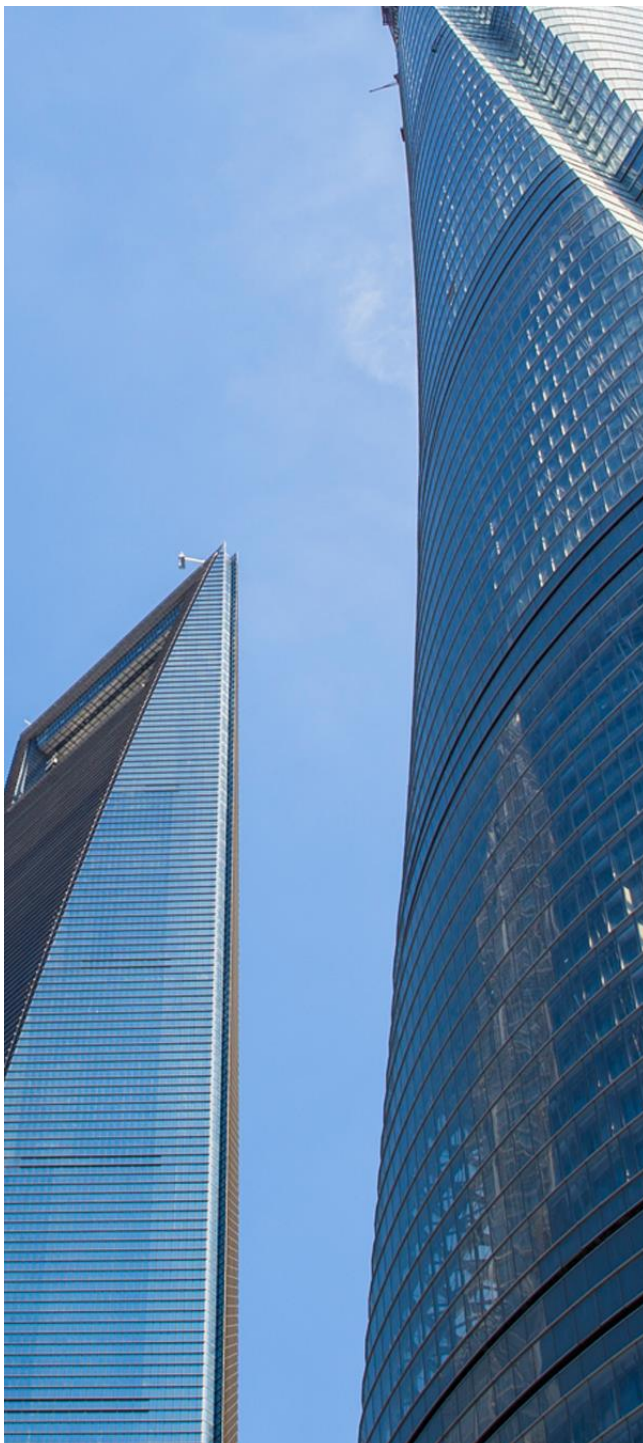

China offices

Legal flash

March 2019

This issue covers legislation published in February 2019



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Draft Catalogue of Industries for Encouraged Foreign Investment released for public comments (《鼓励类外商投资产业目录》征求意见稿发布)

On February 1, 2019, the National Development and Reform Commission (“NDRC”) and the Ministry of Commerce (“MOFCOM”) jointly published the Draft Catalogue of Industries for Encouraged Foreign Investment for public comments, which ended March 2, 2019.

The Draft Catalogue is a combination of the amended encouraged category of the 2017 Catalogue of Foreign Investment applicable nationwide and the amended 2017 Catalogue of Priority Industries for Foreign Investment in the Central and Western China applicable to selective provinces.

The Draft Catalogue, applicable nationwide, increases the number of items from 348 to 402. New items include:

- > consulting services (business, accounting, tax and construction consulting)
- > medical institutions
- > recycling of various materials
- > bio-degradable materials
- > alternative energy (e.g., hydrogen, shale gas, dioxide, nuclear power, photothermic power and brackish water)
- > 5G application
- > earthquake prevention and disaster reduction (monitoring systems)
- > sustainable development (e.g., disposal of contaminated soil, foreign disaster control, use of waste heat, residual air and excess pressure, water-saving industrial equipment, sodium-ion battery, cleaner production and green building)
- > IT (intelligent manufacturing, quantum computing, cloud computing, flexible printed circuit and AI)
- > public transportation system

We will update you when the final version is released.

Date of issue: February 1, 2019. Deadline for comments: March 2, 2019



Enterprises will no longer need approval for bank accounts by the end of 2019 (2019 年底前取消企业银行账户许可)

The People's Bank of China ("PBOC") issued Circular [2019] No. 1, under which, from the end of 2019, enterprises will no longer need approval for bank accounts.

This plan was piloted in two cities in Jiangsu Province and Zhejiang Province in 2018. It has two stages: (i) remove the requirement in the two provinces by February 25, 2019, and (ii) implement it nationwide by the end of 2019.

Approval to open, amend and cancel basic bank accounts takes approximately two weeks. A filing-record will replace the current bank account opening certificate, making it quicker process for all enterprises.

Date of issue: February 2, 2019. Effective date: February 2, 2019

Value-added tax ("VAT") rates to be further reduced (增值税税率将进一步降低)

On March 5, 2019, the Premier of the State Council Li Keqiang delivered the 2019 Chinese government report to the 2nd session of the 13th National People's Congress. In the section on tax deduction policies, the government report disclosed that the VAT rate for manufacturing industries will be reduced from 16% to 13%, and the VAT rate for transport and construction industries will be reduced from 10% to 9%, decreasing the tax burden on these major industries.

The formal regulation will be released soon. We will keep you updated on its progress.



Pilot program for VAT general taxpayer status for enterprises established in customs specially supervised areas further expanded (海关特殊监管区域企业增值税一般纳税人资格试点进一步扩大)

On January 12, 2019, the State Council released tax circular Guo Fa [2019] No. 3, further promoting the high-level opening-up and development of comprehensive bonded zones. Among the 21 main tasks proposed to build international and creative bonded zones, the first proposal is to promote gradually the pilot program for VAT general taxpayer status in comprehensive bonded zones.

On January 31, 2019, the State Administration of Taxation, the Ministry of Finance and the General Administration of Customs jointly released Announcement [2019] No. 6. This announcement extends the pilot program for VAT general taxpayer status for enterprises established in customs specially supervised areas to an additional 24 comprehensive bonded zones, effective February 1, 2019.

When the pilot program started on November 1, 2016, it applied in seven customs specially supervised areas (i.e., Announcement [2016] No. 65). On February 1, 2018, a second expansion extended it to a further 17 customs specially supervised areas (i.e., Announcement [2018] No. 5). The policies in the announcements above will apply equally to these new areas.

Date of issue: January 31, 2019. Effective date: February 1, 2019



Contact

Omar Puertas

Partner

omar.puertas@cuatrecasas.com

Cuatrecasas Shanghai office

20 F Shui On Plaza,
333 Huai Hai Middle Road
Shanghai 200021, PRC
+86 21 2327 7000
+86 21 2327 7007
shanghai@cuatrecasas.com

Pablo Cubel

Partner

pablo.cubel@cuatrecasas.com

Cuatrecasas Beijing office

15/F Parkview Green, Tower B,
9 Dong Da Qiao Road
Beijing 10002, PRC
+86 10 5651 0200
+86 10 5651 0268
beijing@cuatrecasas.com

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