Rödl & Partner

# NEWSLETTER CHINA

# BROADENING HORIZONS

Issue: February 2021

Latest news on law, tax and business in China

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# Rödl & Partner

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Read in this issue:

# → Transfer Pricing

## New Challenges for Year-end Adjustments Ahead

With the approach of the year-end, many multinational groups have begun to evaluate and review their implementation results of the group Transfer Pricing mechanism and intend to conduct year-end adjustments so as to meet the compliance requirements when the actual performance of the local entities has been deviated from the original forecasts. Such an adjustment may be of more importance in Fiscal Year 2020 due to the impact of Covid-19 which leads the transfer price previously set at the beginning of the year significantly deviated from the forecasted result.

Year-end adjustments in China, on the other hand, are somehow difficult due to the foreign exchange control requirement, especially for trade-related items since it involves the monitoring from various authorities such as tax authority, Customs as well as State Administration of Foreign Exchange ("SAFE") bureau. And the focus of these three authorities are not always the same, i.e. the tax authority may focus on whether the transfer price set is in line with the arm's-length principle; the Customs usually focusing on whether the imported price is deviated from the market price of similar goods imported while the SAFE bureau/bank's focus is the authenticity of the transactions. This therefore leads to the difficulties to implement an appropriate and reasonable year-end adjustments in China.

It is worth to note that with the increasing needs from multinational groups for year-end adjustments, the introduction of the year-end adjustments in OECD Transfer Pricing Guidelines as well as Customs Valuation and Transfer Pricing Guidelines issued by the World Trade Organization ("WTO), the Chinese SAFE bureau and the Chinese Customs have accepted certain commercial reasons for the year-end adjustments and also provide some mechanism on a case by case consultation basis. For example, Chinese Customs has introduced the Advanced Ruling Mechanism which includes the advanced ruling for the reasonableness of the transfer prices between related parties. According to the detailed guidance in relation to the application of the advanced Ruling Mechanism, transfer prices set according to the subtractive method and the computed method could be also recognized by the Customs by submission of the relevant TP Documentation. However, this may require an advanced discussion with the Customs for details how the entire mechanism shall be adopted and monitored instead of simply being implemented before the year-end. The SAFE bureau also recognizes the incoming payments as compensation for TP adjustments under certain circumstances if relevant supporting documents such as TP study could be provided.

Overall speaking, currently there are no stipulated regulations issued by either the SAFE bureau or the Customs regarding the year-end adjustments yet. Therefore, it is still recommended multinational groups to closely monitor the deviations of the transfer price set in a continuously basis and conduct periodical adjustments such as quarterly adjustments instead of a one-off year-end adjustments in China. Compared to the upwards adjustments for the Chinese entity, the one-off downwards adjustments is more difficult to be implemented in practice. It requires the advanced negotiations with both the tax authority and Customs which may even hold completely different views. Therefore, for downwards adjustments, the commercial reasons of the adjustments usually requires to be well analyzed and to see whether the adjustment could be justified and whether any location specific factors (including also the different impacts caused by Covid-19) have already been fully considered so as to avoid any potential risks.

We will provide more update regarding the development of the Chinese authorities in the future. In general in case of any significant deviations from the Transfer Pricing mechanism, which may lead to significant Transfer Pricing risks in China, discussions with the relevant authorities might be considered as a possible solution if relevant supporting documents could be provided to justify the adjustments.

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# → Individual Income Tax

## Approaching Again! Annual IIT Filing in China

As year 2020 is coming to an end, it is time to get prepared for the 2020 annual individual income tax ("IIT") filing again. Obviously Covid-19 has changed many foreign expatriates' working status in China, we hereby summarize the important issues which might be helpful to proceed the annual IIT filing in this year.

1. Are the IIT-exempted benefits for foreign expatriates still valid in China this year?
   Currently the IIT-exempted benefit items, which include allowances for housing, meal, laundry, children's education, home trip, relocation and Chinese language training , are still valid for foreign expatiates who are IIT liable for salary income in China. The declaration of IIT-exempted benefits could be made by the Chinese employers of foreign expatriates during the monthly IIT withholding process. If there exist IIT-exempted benefits that are not fully considered during the monthly declarations, foreign expatriates could still retroactively declare them during the annual IIT filing. In practice tax authorities may request the taxpayers to present the supporting documents of the IIT-exempted benefits declared during the annual filing, therefore it is recommended that both employer and foreign employees should well keep the full package of supporting documents, including but not limited to company policy, employment contracts, contracts for rental and schooling fee, invoices, expense reimbursement forms, etc..

2. Any news updates regarding the valid period of IIT-exempted benefits?
   It is officially announced that the IIT-exempted benefit items for foreign expatriates in China will be no longer valid since 1 January 2022. However, It is so far not clear whether any replacement policy will be released to provide equivalent tax relief for foreign expatriates. We will provide an update for new development.

3. What if the IIT calculation method needs to be switched between resident and non-resident taxpayers?
   Annual IIT filing is a good opportunity for foreign employees to make adjustments on the monthly filings made by their employers, including switching the calculation method between resident and non-resident taxpayers. But such a "switch" is not always perfectly smooth in practice. When the monthly IIT filings are made as non-resident taxpayers, it is usually easy to switch to the one for resident taxpayers via the annual reconciliation system, which is in theory only applicable for resident taxpayers. Nevertheless, a switch in the opposite way may lead to difficulties, due to lack of reconciliation system for non-resident taxpayers. Therefore, it could be considered to make the monthly IIT calculation based on non-resident assumption, if the residing days for foreign employees in China cannot be estimated accurately, i.e., more or less than 183 days in a calendar year, which is set as the criteria for tax residency assessment for most foreign expatriates. Please note such assumption is not suitable for expatriates who work in China on project basis under a foreign labor contract, where the assessment may be even more complicated and needs to be analyzed case by case.

4. Is the IIT preferential calculation method for annual bonus still valid?
   For annual bonus that is paid out during the calendar year 2020, the IIT preferential calculation method is still valid for both resident and non-resident taxpayers. The preferential method for non-resident taxpayers has not been set with a restricted valid period. While it

is officially announced that the annual bonus preferential treatment for resident taxpayers will be no longer valid since 1 January 2022, which means any bonus to be paid out to a resident taxpayer in 2022, even if it is related to the employee's performance of 2021, will not be applicable to the prevailing preferential method, but should be treated as a part of regular salary income for taxation. This would lead to significant impact on tax burden of resident taxpayers including Chinese citizens and resident foreign expatriates. If no replacement policy would be granted, the IIT burden of most resident taxpayers would become even higher than that prior to the IIT law reform in China since 2019. We therefore would closely watch the development status and any update regulation in FY 2021.

It is worth to note that due to the travel restriction set by Chinese government in FY 2020, many foreign employees were blocked outside China but had to work under a Chinese employment contract with Chinese salary payments. The Chinese employer of those expatriates have to continuing declare and settle Chinese IIT for the salaries they paid out on withholding basis, while from German tax perspective, those expatriates are also obliged to declare income tax in Germany after 183 days are reached in most cases.

Recently, we have been in contact with Shanghai tax authority and German tax authority as a follow up for such double taxation status of certain foreign expatriates, unfortunately there is so far no solution for such a situation to avoid double taxation in China and Germany. Therefore, expatriates under such employment arrangement could make an upfront travelling plan with consideration of possible travelling restriction that might come up in the next year, and make possible adjustments in terms of employment and work arrangement where necessary, in order to avoid such double taxation situation in 2021.

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# → Social Security

## New Duty for China's Tax Authorities

Starting from November 2020, the collection of Chinese mandatory social security contributions is being taken over by tax authority (hereinafter referred to as "the collection handover"), as officially announced by the major cities and provinces including Beijing, Shanghai, Shenzhen, Shandong, Shanxi, Hunan and Sichuan, at the end of October.

The collection handover was scheduled to be implemented in 2019 and finally hit the ground before the end of 2020. Since handover, it is still the social security administration center who takes the responsibility of verifying and determining the contribution level but shall forward the information to tax authority for collection purpose. Employers should then transfer the verified contribution amounts, including the employee's portion to be withheld from the employees' monthly salaries and the employer's portion to be matched by the employer, to the tax payment bank account for settlement.

According to the relevant regulation regarding social security calculation, the social security contribution amounts should be determined with stipulated contribution ratios and a calculation basis, which should be the average monthly salary income of the last calendar year. The upper limit and the lower limit of the calculation basis are updated once a year, which shall be adopted to employees whose actual average salaries are above the upper limit or below the lower limit.

With automatic information exchange to be realized by the upgraded system, the tax authority will have access to the verified social security contribution amounts at any time, which would further facilitate the data comparison between the social security calculation basis and the taxation base of employees' monthly salaries of the last year. When significant gap is spotted in the data comparison, the tax authority could receive an immediate alert which may lead to a further investigation into the social security contribution or tax declaration.

Before the collection handover, it was noticed that some companies calculated and made social security contributions by referring to the lower limit of the local calculation basis, instead of based on employees' actual salary income, out of cost saving consideration. Although with compliance flaw, such practice usually did not trigger a direct investigation from the social security administration center, probably due to the fact that the administration center usually did not have the first-hand salary information.

While after the collection handover and the upcoming data comparison, the former practical tolerance may not exist anymore. It is recommended that companies should calculate their social security contributions in full accordance with the relevant regulation since handover. As for the formerly underpaid social security contributions if any, we do not see a significant risk that tax authorities will trace a backward settlement, in view of the extensive coverage of companies with such problem.

In the collection handover notice, punishment rules are not mentioned. From legal perspective, it is unlikely that underpayment of social security would be subject to punishment by referring to tax evasion. Especially, in view that the social security administration center is still responsible for verifying and determining the contribution amounts for each company, tax authorities are simply taking over the payment collection and information exchange functions at the current stage. The local social security administration centers might still be in charge of the administration issues including disputes solving and punishment imposing.

In practice there exist companies who make tax declaration in-house but outsource social security payments to qualified HR agents such as FESCO. When the collection handover is implemented, it is still to be observed how such practice will be influenced when social security and tax payments of one company are settled by two separate parties.

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# → Business Environment

## China Accelerates the Digitization of RMB

Recently, China officially launched a pilot project to digitize the Chinese yuan (RMB) in some cities. Digital RMB (DCEP, Digital Currency Electronic Payment) has the same legal effect as banknotes. It is issued by the People's Bank of China with state credit endorsement, and applies block chain technology. At present, citizens in the pilot districts, such as Shenzhen, can obtain and store DCEP with official e-wallets and use it at over 3,400 selected and licensed merchants. In order to obtain the new payment method and the corresponding digital currency, China raffled around 50,000 so-called hóng bāo (red envelope) with a unit value of 200 RMB, the equivalent of around 25 €. In addition, the winners of the Hong Bao had the opportunity to deposit additional money into their e-wallets, which many of the participants made use of.

Hong Bao have a long tradition in China and are given away to relatives and friends, especially for the Chinese New Year. The previously physical red envelopes have already been almost completely replaced by virtual versions in recent years. In 2019, around 800 million people sent virtual Hong Bao via tech giant Tencent and its app WeChat alone.

Compared to traditional banknotes, the most significant advantages of DCEP are its traceability, anti-falsification, and directional circulation. These advantages make it uniquely well suited for fiscal policy implementation, financial and tax regulation, as well as cross-border trade. For example, when the government provides subsidies with DCEP, it can easily monitor the actual flow of the subsidies to ensure accurate delivery and ex-post supervision; as for money laundering, corruption, and tax evasion, if DCEP is used as the settlement method, the flow of money can be accurately tracked, thus effectively inhibiting illegal and criminal acts.

In terms of companies, the introduction of DCEP very likely means stricter supervision, but it can also bring convenience for business.

With the implementation of DCEP, tax evasion by cash payment will not be feasible in the future. At the same time, due to the characteristics of DCEP, discrepancies between cash flow and accounting records will be easily detected, and the scope for enterprises to manage financial statements will be reduced; no matter enterprises pay their own taxes or fulfill their withholding obligations, the compliance requirements for tax compliance will be higher. However, the use of DCEP helps to save time on accounting procedure, enhance the efficiency of cross-border trade and improve internal risk management.

Of course, DCEP is still in the pilot phase and the scope of the pilot is limited to daily personal consumption. It is unclear whether and how it will be applied to B2B business scenarios. There is also uncertainty as to how China's current administrative systems, such as financial system, tax reporting system, foreign exchange control, etc., will be integrated with DCEP. However, it is foreseeable that the implementation of DCEP is an irresistible trend and will have far-reaching effects.

Enterprises are suggested to pay attention to the policy changes in time and make prompt response.

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→ Business Environment

# China Adopts New Export Control Law

On 17 October 2020, the Standing Committee of the National People's Congress passed the Export Control Law, which will already come into force on 1 December 2020. This is the first law in China concerning export control. Previously, there were already export control regulations, which, however, had no statutory status.

## Scope of export control

Export controls apply to goods, technologies and services as well as related technical data, documentation, etc. in the areas of military and nuclear products and dual-use goods.

It should be noted that export control not only applies to the transfer of goods subject to control from China to foreign countries, but already when such goods are provided within China by Chinese persons, legal entities and other organizations to foreign persons or organizations, i.e. without a cross-border transfer having taken place. The competent authority for export control is the State Administration of Export Control ("Supervisory Authority").

## Listing of goods affected

The Supervisory Authority will release a list of all goods and services affected by export controls. In addition, the Supervisory Authority will be authorized to temporarily impose export controls on non-listed goods and technologies, however, only for a period not exceeding two years.

In order to export goods and services subject to export control, a corresponding application must be submitted to the Supervisory Authority. The Supervisory Authority may prohibit the export in general or for certain countries and regions or certain foreign persons or organizations.

## Listing of organizations and persons

In addition to the list of goods and services affected, the Supervisory Authority will also draw up a list of persons and organizations in respect of which the Supervisory Authority may take specific measures, such as prohibition and/or restriction on trade of goods under control or suspension of exports of goods under control.

## Prohibitions and penal regulations

The law prohibits any person or organization to provide agency, freight and delivery services, financial services, services related to customs declaration as well as e-commerce trading platform -services to exporters who conduct illegal exports.

Further, the law reserves the right for China to take appropriate countermeasures against any country or region that violates export control regulations in a way that threatens national security and China's interests.

The law provides for criminal sanctions for violations of the law, e.g. by exporting prohibited goods or exporting without the appropriate permit.

In addition, the law is also applicable extraterritorially, i.e. if an organization or individual outside China violates the provisions of this law and thereby endangers China's national security and interests and obstructs the fulfillment of international obligations, this person or organization may be held legally liable in China.

### Legal implications

Exporters should thoroughly check the list of goods subject to export controls to verify whether their own goods are included. If this is the case, an appropriate export permit should be obtained immediately. This also applies to third parties who provide services to exporters in the course of export. In any case, such service providers should always obtain confirmation from the exporter that the export of the goods in question is not subject to export controls or permitted.

The implementation of the law in practice and the concrete effects and associated recommendations for action remain to be seen.

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# → Globalization

## RCEP: Another Step Closer to Globalization

On 15 November 2020, the negotiation on Regional Comprehensive Economic Partnership (RCEP) was finally concluded. RCEP's member states include 10 ASEAN member states, as well as China, Japan, South Korea, Australia and New Zealand. In terms of population and economic aggregate, it will be the world's largest free trade area. The new international order that RCEP will bring about is bound to drive regional economic development in many ways and promote the movement of goods in the region:

### Facilitating Trade

RCEP integrates and upgrades various existing free trade agreements between member states. Once RCEP enters into force, more than 90 percent of goods trade in the region will eventually no longer be subject to tariffs. At the same time, provisions on rules of origin will become more flexible, resulting in more frequent use of the preferential tax rate provided by RCEP. Customs procedures will be simplified through management methods such as information technology, and the movement of investors and business people within the region will become more convenient.

### Investment Openness

All 15 member states have committed to high-level openness to investment in non-services sectors with the introduction of a negative list. This is also the first time China has committed to investment sectors openness in the form of a negative list under an Free Trade Agreement. RCEP has made clear in an attachment its comprehensive and high-level commitment to opening up the financial and telecommunications sectors.

### Focus on Hot Sectors

In addition to the financial and telecommunications industries, RCEP has also taken into account some fast-developing industries and hot issues, and issued relevant regulations related to e-commerce, intellectual property law, anti-monopoly, government procurement, as well as development of small and medium-sized enterprise. This provides more opportunities for the development of emerging industry in the region and ensures that the overall business environment is fair and transparent.

### Integration of Industrial Chain

RCEP member countries include developed, developing and underdeveloped countries, which cover the areas where each link of an industrial chain could be distributed. On the basis of the conveniences generated by RCEP in terms of tariffs, trade, investment and personnel mobility, member states can fully realize their potential in the industrial chain, which can promote the economic development of these countries while establishing stable and mutually beneficial regional cooperation relations.

### Our Observation

China's 14th Five-Year Plan envisions the domestic and international dual cycle as the new pattern of economic development. Joining RCEP will help promote the export of domestic enterprises, attract foreign investment in the region, upgrade the domestic manufacturing industry, and lay a good foundation for the internationalization of Renminbi. Of course, it is foreseeable that due to the reduction of tariffs and the improvement of trade convenience, the import costs of products will be significantly reduced, which is a challenge for some domestic enterprises. At the same time, the attractiveness of investment and products from companies outside the region will also be affected. Also, as the RCEP agreement requires 90 percent of goods to be reduced to zero tariff within 10 years, it can be seen that the implementation of the agreement could only stimulate China's domestic consumption to a limited extent in the short term.

Globally, an investment in an RCEP member state means a regional passport for products and services. This increases the attractiveness of RCEP member states for investment from outside the region. Of course, as a regional trade agreement, it may become more difficult for countries outside the region to participate in the industrial chain as the level of integration increases. It is also worth noting that RECP is currently the only agreement that simultaneously includes the three major East Asian economies, i.e. China, Japan, and South Korea. This is a far-reaching step that lays the groundwork for future free trade area negotiations between the three countries. RCEP can only enter into force after member states have completed their domestic legal approval processes. The fact that the negotiation and signing of RCEP achieved significant breakthroughs despite the epidemic indicates the hope of all member states to use RCEP to stimulate economic development and dispel the haze of the epidemic rapidly. It is foreseeable that the implementation of RCEP will have a profound impact on China's economic environment. Whether for domestic enterprises, foreign enterprises in China, or foreign enterprises interested in entering the Chinese market, opportunities and challenges will coexist. Read more »

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→ Globalization

## EU-CN Comprehensive Agreement on Investment

After about seven years in the making, China and the European Commission announced on 30 December 2020 that they finished talks on a "Comprehensive Agreement on Investment" ("CAI"), which the European Commission in its press release called "the most ambitious agreement that China has ever concluded with a third country." The preliminary text of the CAI has been available since 22 January 2021. The in terms of content rather important remaining annexes (except Annex I which is already available) are supposed to be published in February 2021. Based on the preliminary text and contrary to previous expectations, the CAI will not replace all 25 existing bilateral investment treaties (BITs) of the EU members states currently in place with China. However, the CAI is still a draft and needs to undergo legal review and translation as well as ratification by the European Parliament on the EU side to become effective, while approval of Member State legislatures will most likely not be required, depending on the final content of the CAI.

These procedures will take some time and their precise timing is unclear at this stage. They might presumably take at least until the second half of 2021 or even longer.

Core elements of the CAI on the Chinese side are rules against the forced transfer of technologies, obligations for the behavior of state-owned enterprises (SOEs), comprehensive transparency rules for subsidies and commitments related to sustainable development as well as further and new market access openings and commitments such as the elimination of quantitative restrictions, equity caps or joint venture requirements in a number of sectors.

### Facilitated market access

China has undertaken to remove certain barriers to foreign direct investment in sectors such as manufacturing, financial services, R&D (biological resources), computer services, air transport-related services, construction services, healthcare (private hospitals) etc.

In the automotive sector China has agreed to remove and phase out joint venture requirements and would commit market access for vehicles with alternative drive systems (electric, hydrogen etc.).

For telecommunication/cloud services China has agreed to lift the investment ban for cloud services. They would now be open to EU investors subject to a 50 percent equity cap.

In the sector international maritime transport China would allow investment in the relevant land-based auxiliary activities, enabling EU companies to invest without restriction in cargo-handling, container depots and stations, maritime agencies, etc.

China would also eliminate joint venture requirements in real estate services, rental and leasing services, repair and maintenance for transport, advertising, market research, management consulting and translation services, etc.

With regards to environmental services China would remove joint venture requirements in environmental services such as sewage, noise abatement, solid waste disposal, cleaning of exhaust gases, nature and landscape protection, sanitations and others.

## Rules to create a level playing field

- SOEs: The CAI would discipline the behavior of SOEs by requiring them to act in accordance with commercial considerations and non-discrimination in their purchases and sales of goods or services. China would also, upon request, provide specific information to allow for the assessment of whether the behavior of a specific enterprise complies with the agreed obligations.
- Transparency in subsidies: The CAI would impose transparency obligations on subsidies in the services sectors. Also, the CAI would oblige China to engage in consultations in order to provide additional information on subsidies that could have a negative effect on the investment interests of the EU.
- Forced technology transfers: The CAI would lay very clear rules against compulsory transfer of technology, including the prohibition of several types of investment requirements that compel transfer of technology, such as requirements to transfer technology to a joint venture partner, as well as prohibitions to interfere in contractual freedom in technology licensing. These rules would also include disciplines on the protection of confidential business information collected by administrative bodies (for instance in the process of certification of a good or a service) from unauthorized disclosure.

## Sustainable development

The CAI would contain certain commitments relating to labor, environmental protection, climate change, and corporate social responsibility. However, the relevant provisions are subject to a specifically tailored implementation mechanism to address differences with a high degree of transparency and participation of civil society. China would also commit to working towards the ratification of the outstanding ILO (International Labor Organization) fundamental Conventions and takes specific commitments in relation to the two ILO fundamental Conventions on forced labor that it has not ratified yet.

## Implementation and dispute settlement

Any bilateral disputes under the CAI would be subject to a State-to-State dispute resolution, coupled with a monitoring mechanism at pre-litigation phase established at political level.

## Criticism

In contrast to China, where the CAI was praised and perceived as a milestone, there was much criticism from the EU and the U.S. side. On the one hand, there was criticism that China´ s commitments were too vague. In addition, there was abrasive criticism regarding the timing of the conclusion. In this context, it was also controversially discussed whether the EU should have coordinated more with the U.S. and waited for Joe Biden´ s inauguration.

By all means, one has to bear in mind that the CAI is no free trade agreement. It is not designed to address highly sensitive political issues, but is rather a market access deal. Currently, there are in fact no plans to negotiate a comprehensive EU-China Free Trade Agreement in the foreseeable future. Compared to the existing BITs with EU member states, the CAI can be seen as an improvement, as it contains more detailed regulations and is in general more sophisticated.

However, from a mere legal perspective, compared to the current legal framework for foreign investment in China, an improvement is not always visible at first glance.

## Comparison to current legal framework

If we look at the commitments in the automotive sector, joint venture requirements have already been removed in the Negative List 2020 and the Free Trade Zones (FTZ) Negative List 2020 for the production of special purpose motor vehicles and commercial vehicles. As the negative lists are usually renewed annually or semi-annually, until the CAI comes into effect, there could even be less restrictions (e.g. production of passenger cars in 2022) merely with the negative lists, which tend to be more and more favorable for foreign investment with each renewal.

According to the Negative List 2020 and the FTZ Negative List 2020 all restrictions on the shareholding ratio of foreign investors in the finance sector have been removed.

Furthermore, the two concepts of national treatment for foreign investors in China and protection against forced technology transfer have both already been mentioned in the new Foreign Investment Law, effective since 1 January 2021.

### Outlook

In the past few years, China has made selective reforms (e.g. removal of ownership limits in the financial sector) and sector-specific market openings, by shortening the restricted and prohibited sectors on the negative lists applicable to foreign and domestic investors in China. Nevertheless, on the downside China has also enacted a series of security-related laws (e.g the Cyber Security Law) and other regulations, as the very recent foreign investment review and merger control rules, that may hamper the operation and freedom of foreign investment, potentially offsetting past gradual steps towards liberalization.

At least for China, the CAI is seen as a major breakthrough. At a late-night press conference on 30 December 2020, a China Ministry of Commerce spokesman told reporters that China hopes for deals with other countries (e.g. Japan, South Korea, Singapore, New Zealand, Chile) to diversify its trading partners and to prepare for a new U.S. approach under Biden. The signing of the Regional Comprehensive Economic Partnership (RCEP) between China and 14 other countries — not including the United States — on 15 November 2020 can be seen as another strategic approach by China.

As the details of the CAI are not certain yet, it is difficult to predict at this stage what impact the CAI will have on future trade between the EU and China, and possibly also in relation to third countries. In any case, the two agreements concluded shortly after each other, CAI and RCEP, can be seen as a strong signal to the global free trade and as a counterbalance to the protectionism of some of the largest economies. Whether the CAI can be a basis for further discussions remains to be seen.

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# → Highlights

## Recent Important Regulation Highlight

### New Administrative Measures for Reduction and Exemption for Import and Export Duties

Recently, the Chinese General Administration of Customs (GACC) has announced a new version of the Administrative Measures of the Customs for the Tax Reduction and Exemption of Goods Import and Export, and will come into effect on 1 March 2021. Compared with the previous version, the procedure of filing and approval for tax reduction and exemption will be streamlined into the procedure of confirmation on the applicant's and the goods' entitlement to tax preference policy.

### China suspends Entry into China by some foreign nationals

Recently, several Chinese embassies have issued notice suspending entry of foreigners holding Chinese visas, residence permits, and certain other valid visas, including foreigners holding valid Chinese visas and residence permits for working, private affairs and reunion that were issued on or before 3 November 2020 and currently located in the United Kingdom, France, Belgium, Italy, Philippines, Bangladesh, India, Russia, etc.. In addition, foreigners who are holding diplomatic, service, courtesy and crew member visas, as well as visas issued after 3 November 2020, are still admitted to the country.

### Hainan Free Trade Port releases negative list for foreign investment

Recently, China released the Negative List for foreign investment in Hainan Free Trade Port. Compared to the Negative List of the National Pilot Free Trade Zone, Hainan Free Trade Port will fully open up the automotive manufacturing and mining industries. Furthermore, the restrictions on foreign investment in telecommunications, education, market and society research and legal services will be relaxed.

### Shanghai Extends the Duration of the Real Estate Tax Pilot

Recently, the Shanghai Municipal Bureau of Finance, the Shanghai Municipal Taxation Bureau of the SAT and the Shanghai Municipal Housing Administration jointly released the Notice on Certain Issues Concerning the Shanghai Real Estate Tax Pilot on Certain Individual Properties with effect from 28 January 2021. The Notice clarifies again that real estate tax shall be levied on a residential house newly purchased by a resident family in Shanghai and which is the second house or above of the family (for the part of the building area per person above 80 sq.) and on a residential house newly purchased by a non-resident family in Shanghai.

# → Events

### Webinar - RCEP and CAI

Topic:
RCEP and CAI – New Perspectives for European Investors in ASEAN and China?

When:
3 March 2021: 10:00-11:00 am (CET)

Where:
via GoToWebinar

Who:
Christina Gigler, LL.M., Rödl & Partner Beijing
Markus Schlüter, Rödl & Partner Cologne

Registration to the live webinar.
The webinar is free of charge.

### Webinar - International Expert Roundtables

Topic:
Support programs | How does the state support businesses suffering the consequences of Covid-19?

When:
11 March 2021, 2:45 pm - 3:30 pm (CET)

Where:
The International Expert Roundtables take place purely virtually via GoToWebinar.

Who:
Rödl & Partner Experts from China, Germany, Poland, Russia, USA

Details and registration to the live webinar.
The webinar is free of charge.

### Webinar - Individual Income Tax China

Topic:
Need to Know – Individual Income Tax for Expatriates in China

When:
18 March 2021, 9.00 am CET

Where:
via GoToWebinar.

Who:
Monica Chen, Rödl & Partner Shanghai
Vivian Yao, Rödl & Partner Shanghai

Registration to the live webinar.
The webinar is free of charge.

## Event Review

Topic: Asia 2025 – The Global Powerhouse?


Who: Rödl & Partner Experts from China, India, ASEAN as well as excellent guest speakers.

Here you will find the recording.

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