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News and comments on
doing business in the
Far East

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accounting ▪ taxation ▪ advisory

Investments
regulations and
economic trends



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Asia Report is a magazine focusing on doing business in the Far East region, on regulations of cross-border investments and economic trends.

Asia is home of the fastest-growing and largest economies: China is the first manufacturing hub, the top economy in trade and the largest market by number of consumers. South East Asian countries combined represent the fifth largest economy worldwide and the fifteen Asia-Pacific members of the Regional Comprehensive Economic Agreement created the largest free trade area in the world. Asia is projected to exceed fifty per cent of the World's GDP by 2040.

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China-BRICS Trade Growth

In the first five months of this year, trade between China and other BRICS countries rose 12.1% from the same period last year to reach 1.31 trillion yuan (about 195.96 billion dollars), the latest customs data shows.

According to the General Administration of Customs (GAC), the rate is 3.8 percentage points faster than China's overall foreign trade growth in the same period.

BRICS stands for Brazil, Russia, India, China, and South Africa, a group of emerging-market countries. Chinese exports to the other four BRICS countries rose 18.1 percent year on year from January to May, while imports increased 6.6 percent, GAC data showed.

In terms of value, Chinese exports to other BRICS countries were dominated by mechanical and electronic products and labor-intensive goods. In contrast, Chinese imports were dominated by energy and agricultural products.

The trade between China and other BRICS countries is highly beneficial, and it is expected to grow steadily as economic and trade cooperation between them becomes increasingly stable.

Malaysia and ASEAN

Malaysia is a country in Southeast Asia. It consists of thirteen states and three federal territories, separated by the South China Sea into two regions, Peninsular Malaysia and Borneo's East Malaysia. Kuala Lumpur is the capital and largest city in the country. The country has a population of over 32 million and covers an area of 330,345 square kilometres.

Malaysia's constant drive to develop and upgrade its infrastructure has resulted in one of the most well-developed infrastructures among the newly industrializing countries of Asia. The country has seven international ports, the major one being the Port Klang. It also features 200 industrial parks and specialised parks, including Technology Park Malaysia and Kulim Hi-Tech Park.

The economy has traditionally relied on its natural resources but is expanding in the sectors of science, tourism, commerce and medical tourism. The country is also a founding member of ASEAN and a member of APEC (Asia-Pacific Economic Cooperation).

The GDP was USD 372 billion in 2021, while the GDP per capita amounted to USD 11,400. The total value of Malaysia's international trade amounted to USD 443 billion in 2021, with the exports amounting to USD 238 billion, and the total value of imports to USD 205 billion. The main import and export destinations were China, Singapore and the United States.

The Association of Southeast Asian Nations (ASEAN) is a political and economic union of ten members, has 667 million people and a territory of 4.5 million Km²; is currently the third largest economy in Asia-Pacific and the fifth largest in the World. The ASEAN Economic Community (AEC) has a combined GDP of USD 3.6 trillion according to estimates for 2022.

Yuan Further Integration

China's central bank recently published a circular, effective July 21, that aims to improve policies for cross-border renminbi settlement in e-commerce and other new modes of foreign trade to enhance the real economy and facilitate foreign trade and investment.

According to the circular, all current account transactions that involve payment institutions are eligible for cross-border renminbi settlements. Banks and payment institutions are required to carry out settlement services and detailed arrangements for authentication verification and anti-money laundering.

In addition to providing more detailed rules for renminbi settlements cross-border, the circular enlarges the scope of transactions that are eligible for settlement. The move is expected to meet the growing demand for cross-border renminbi settlements from foreign trade companies due to a more flexible exchange rate for the currency.

In particular, enterprises would be able to avoid currency exchange risks by settling all current account transactions in renminbi when the expatriate salaries are paid out or when investment returns are repatriated overseas.

More policies to facilitate the cross-border usage of the renminbi are expected to come about and further cement the basis for renminbi internationalization.

Cross-border renminbi settlement has seen rapid growth in China as data shows that using the country's currency in cross-border trade amounted to 806 billion yuan (\$120.4 billion) in May, up 33.84 percent year-on-year.

As of the end of May, banks and payment institutions had settled renminbi settlements for cross-border e-commerce in Shenzhen, Guangdong province, benefiting approximately 81,000 e-commerce businesses, according to the Shenzhen branch of the People's Bank of China.

China's New Stamp Duty

The State Taxation Administration issued on 28 June the Announcement [2022] no. 14 about the "Implementation of the Stamp Duty Tax Law of the People's Republic of China and other related matters".

Starting on 1 July 2022, the new Stamp Duty Tax Law of the People's Republic of China will enter into force. The law, which the National People's Congress promulgated on 10 June 2021, will replace the Interim Regulation of the People's Republic of China on Stamp Duty Tax and regulate the application of the stamp duty on the execution and the use of specific contracts, agreements, and documents within the territory of the People's Republic of China.

The execution of written contracts related to purchasing and sales transactions, construction, and installation projects, hired works, transportation, and technology (development, transfer, consultancy and service) will be subject to a 0.03% stamp duty rate of the contractual amount, to be paid by both parties to the contract.

Contracts related to loans and financial leasing will be subject to a 0.005% stamp duty rate of the loan or leasing amount, to be paid by both parties to the contract.

Contracts related to rental, deposit, warehousing, and property insurance are subject to a 0.1% stamp duty rate on the contractual amount paid by both parties.

For documents related to the transfer of land use rights, title to buildings, equity, exclusive right to use a trademark, a copyright, a patent, and technology, and granting land use rights, the stamp duty rate is 0.05% of the amount indicated in the document, to be paid by the party that initiated the document.

Business account books are subject to 0.025% of the total amount of paid-in capital and reserve, while the other books of account shall be subject to CNY 5 per book, to be paid by the taxpayer establishing the books of account.

When the taxpayer of the stamp duty tax is an overseas company or individual, the tax shall be paid through a withholding agent to the competent tax authority at the place of the agent.

Overseas taxpayers without a withholding agent shall declare and pay the stamp duty tax on their own where the taxable transaction is carried out.

A reduction or exemption of the stamp duty, excluding that applicable to security transactions) is available for small-scale VAT taxpayers and small – low-profit enterprises from 1 January 2022 to 31 December 2024.

Singapore and ASEAN

Singapore is an island city-state in maritime Southeast Asia. The country has a population of 5.6 million and comprises 63 islands covering 710 square kilometers. Singapore ranks among the most competitive economies in the world, known for strong economic performance and government efficiency.

As one of ASEAN's leading business and trade hubs, Singapore has strong international connections. The city-state has a large, highly skilled workforce and one of the most business-friendly regulatory environments in the world. The country has signed multiple free trade agreements and double tax treaties.

Singapore is an ideal regional hub for its corporate, financial and tax system, so it is often chosen as the Asia-Pacific base for multinational groups.

In 2021, Singapore's GDP reached USD 374 billion with an increase of 7.1% compared to the previous year, while the GDP per capita was USD 72,729, an increase of 20% compared with a year earlier.

Singapore has been a very active player in international trade. The economy is heavily reliant on exports, especially IT products and pharmaceuticals, as well as tourism, retail and financial services. Its main trading partners are China, the United States, Malaysia, Indonesia and Japan.

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Light Industry Development

Recently, five authorities including the Ministry of Industry and Information Technology ("MIIT") have jointly issued the Guiding Opinions on Promoting the High-quality Development of Light Industry (the "Opinions").

The Opinions propose the following objectives to be attained by 2025: to significantly improve the comprehensive strength of light industry and ensure a stable proportion of light industry in the industry, to exert obvious functions in expanding domestic demand and promoting consumption, and to enhance the capability of serving the building of a new development pattern and promoting high-quality economic and social development. Accordingly, the Opinions have established the main tasks of strengthening the strategic support of scientific and technological innovation, of building a high-quality supply system, of improving the modernization level of the industrial chain, and of further promoting the green and low-carbon transformation. Among them, the Opinions call for efforts to accelerate making key technological breakthroughs, specifically, targeting the weak links in such industries as the papermaking, household appliances, and daily chemicals, authorities will consider formulating and releasing a number of technological innovation roadmaps in key areas, implement open competition measures, further promote technology research and development, engineering and industrialization, and accelerate the establishment of core technology system, improve the technical level of the industry. Facing the major consumer demands in the future, efforts will be made to promote the establishment of a cross-sector and cross-disciplinary communication mechanism, and to strengthen the planning for strategic frontier technologies.

Vietnam and ASEAN

Located at the eastern edge of mainland Southeast Asia, Vietnam is one of the fastest-growing countries in the world. The capital of the country is Hanoi, while Ho Chi Minh City is the largest city. With a population of over 96 million, it covers an area of 311,700 square kilometres.

Vietnam is served by three main international airports, but there are 20 civil airports in total. Tan Son Nhat is the country's largest airport handling the majority of international passenger traffic.

Vietnam has 20 civil airports, including three international gateways, and by 2025 the government has already planned to build seven more international terminals.

A large part of Vietnam's economy is based on state-owned industries like textiles, food, furniture, plastics, paper, tourism, and telecommunications. Agriculture accounts for 15% of GDP and 38% of employment. Vietnam offers

various tax incentives to attract and encourage foreign investment into key sectors that are aligned with development goals.

The GDP was USD 262 billion in 2021, while the GDP per capita amounted to USD 2,700. The total value of Vietnam's international trade amounted to USD 668 billion in 2021, with the exports amounting to USD 336 billion, and the total value of imports to USD 332 billion. The main export destinations were the United States, China and Japan, while the major origins of imports were from China, South Korea, and Japan.

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Greater Bay Area expands with Nansha port

Nansha port in Guangzhou, Guangdong Province, is undergoing active testing for the fourth phase of the port since last April, with the containers being handled automatically by intelligent guided vehicles and yard cranes.

The terminal's construction took two years and features two 100,000-ton berths, two 50,000-ton berths, 12 barge berths, and four working vessel berths.

The terminal, which features sophisticated intelligent loading and control facilities, will greatly contribute to the coordinated development of ports in the Guangdong-Hong Kong-Macao Greater Bay Area.

To facilitate cooperation in shipping and logistics, the local Customs has introduced smart innovative technologies to the whole Customs clearance process. With intelligent supervision, smart mapping review and inspection assistant robots using 5G technology have been deployed, enabling import and export enterprises to clear Customs in one stop. After the fourth phase of Nansha port is completed, the port's annual container throughput will reach 24 million twenty-foot units, ranking tops in the world for single port areas.

Accelerating construction of the port's fourth phase, along with supporting the GBA to build a joint shipping and logistics trade center, has become part of an overall plan to promote comprehensive cooperation in Guangdong and the two special administrative regions.

The State Council, China's Cabinet, recently announced a broad plan for facilitating comprehensive cooperation within the Greater Bay Area through further opening up of Nansha district.

The plan will be implemented in the whole area of Nansha, covering a total area of about 803 square kilometers, with Nanshawan, Qingsheng hub and Nansha hub in the district, which is already part of the China (Guangdong) Pilot Free Trade Zone, serving as launching areas in the first phase.

Located at the geometric center of the GBA, Nansha will undoubtedly hold excellent development potential by integrating innovative elements with Hong Kong and Macao.

Shenyang and Economic Trends

Shenyang is the capital and largest city of China's northeast Liaoning Province. The city covers an area of 12,800 km², with a total population of 9 million. It has direct jurisdiction over 10 city districts, 1 satellite city and 2 rural counties.

As a major transport hub in Northeast China, Shenyang is served by air, rail, subway system and an extensive network of streets and expressways, with bus service throughout the city. The city is served by the Shenyang Taoyuan International Airport, which is located in Hunnan District and features the largest terminal in northeast China.

Shenyang is an important industrial center in China and is the core of Shenyang Economic Zone, a New Special Reform Zone. It has been focused on heavy industry, especially aerospace, machine tools, heavy equipment and defence, and in recent years on software, automotive and electronics.

Shenyang's GDP reached 725 billion yuan in 2021, an increase of 0.8 percent over the previous year at comparable prices. The city's total import and export volume was 102 billion yuan, a decrease of 4.2 percent over the previous year.

The total import value was 75 billion yuan, down 0.4 percent, while the total export value was 27 billion yuan, down 13.2 percent.

The added value of the primary industry was 30.36 billion yuan, an increase of 2.9 percent, the added value of the secondary industry reached 216.04 billion yuan, up 2.9 percent, and the added value of the tertiary sector decreased by 0.6 percent while still achieving a value of 410.76 billion yuan.

US-China: Trade Duties and Inflation

According to the most recent data released in May 2022, the annual inflation rate in the United States reached 8.6 percent, which is the largest year-on-year increase since 1981. Several factors have led to this increase, some of these factors are of macroeconomic nature, such as the increase in aggregate demand within the country resulting from low interest rates, an expansionary monetary policy, high levels of employment, while other factors are of a geo-political nature, such as the war in Ukraine and trade tensions with China.

Economic relations between the United States and China altered course in 2018 into what is now known as a trade war between the two major economies, with the introduction of tariffs on broad categories of goods.

If we evaluate the trade trends between Washington and Beijing, the short-term impact of the American restrictive measures is evident: in 2019, the total trade between the two largest economies in the world amounted to 542 billion dollars, a reduction on a nominal basis of 14.5 percent compared to the previous year. While Chinese exports to the United States contracted by 13 percent, US to China trade plummeted by 21 percent; nevertheless, China's trade surplus from trade with the United States declined from \$323 billion in 2018 to \$296 billion in 2019.

In 2021, trade with the US exceeded the pre-trade war levels, standing at \$756 billion, a 19 percent increase since the start of the trade war. In addition, the trade imbalance, the reduction of which was one of the main objectives of the American tariffs, reached a record value of +397 billion in favor of China.

In the first five months of 2022, the balance of trade between Beijing and Washington has already reached \$314 billion, which marks an increase of 12 percent from the same period in 2021.

An analysis published in 2021 by Moody's, one of the leading rating agencies, showed that most of the increase in the costs of imports from China, arising from the application of tariffs was borne by US importers and subsequently passed on to American consumers.

With current levels of inflation, the Biden administration will have to consider the decision to ease and remove many of the tariffs. According to some analysts, a reduction in tariffs on imports of Chinese goods could lighten the supply chain in several production sectors and reduce inflation by about 1.3 percentage points.

China's Trade Trends May 2022

According to the latest data disclosed by the General Administration of Customs of China, the total international trade in the first five months of 2022 increased by 10.3% compared to the same period the previous year, despite the lockdown measures implemented in Shanghai and Beijing in April and May this year.

Total trade reached a record high of USD 2,515 billion, among which exports for USD 1,403 billion (an increase of 13.5%). Imports went up by 6.6% to USD 1,112 billion. The trade surplus in the first five months topped USD 290 billion versus USD 193 billion in 2021.

The ASEAN members, with USD 371 billion of trade, account for 14.7% of the Chinese trade in 2022. The bloc represented the first trading partner and increased its trade with China by over 10.2% this year. The members of the European Union (USD 345 billion, 13.7% of China's total trade and +8.8% vs same period previous year) and the United States (USD 314 billion, 12.5% of China's total trade, and +12.2% increase compared to a year earlier) are the second and third trading partners of China.

Monthly, Chinese trade in May 2022 increased by 11.1% compared to May 2021. Exports, one of the drivers of the Chinese economy, increased by 16.9% compared to May 2021, while the imports' growth slowed down, +4.1%

compared to the same period last year. It is interesting to note that many trading partners incurred in the decline of the exports to China, excluding Russia, Indonesia, and the United States.

In May 2022, imports from the United States increased by 21.2% after the US started to ease the tensions derived from the trade war, with imports of soya beans topping USD 1.2 billion, almost 8-fold the amount imported in May 2021.

Chinese imports from Russia grew by 79.6%, the most significant increase last month. China mainly imports from Russia raw materials, such as petroleum oils obtained from crude (+123.5% vs May 2021) and non-crude (+1,130%), coal (+88.1%), petroleum gases (+331%), and refined copper and copper alloys (+9.1%). Together, they account for almost 80% of Chinese imports from Russia.

Imports from the south-east Asian countries cooled down in May 2022, with an overall decrease of 2% over May 2021: imports from Vietnam, Thailand, and Singapore went down by two-digit figures (respectively -15%, -12.8%, and -15%), while imports from Indonesia performed better, with +43.3% compared to May last year, with larger quantities of ferroalloys, lignite and coal imported from Jakarta.

Trade figures show a decline in the imports from the neighbouring countries of Japan and South Korea, dragged by the fall of imports of electronic integrated circuits: imports from Japan were cut by 13.7%, with a 23.2% drop for integrated circuits. South Korea, the primary source of integrated circuits for Chinese companies, experienced a similar trend: exports of integrated circuits to Beijing (which account for over 40% of total Korean exports to China) fell by 3.1% to USD 6.65 billion from USD 6.87 in May 2021.

Imports from EU partners decreased as well (-9%), with a decline suffered by France (-22.5%), Germany (-6.4%), and the Netherlands (-14.5%). Imports from Italy also dropped by 19.1%, despite the significant increase in imports of pharmaceutical medicaments. Imports of other important made in Italy goods, such as leather products (trunks, suitcases, etc....) and industrial valves, went down by 46.3% and 22.9%.

Philippines and ASEAN

Located in the western Pacific Ocean, the Philippines is an archipelagic country and comprises over 7,000 islands. The capital is Manila, while the largest city is Quezon City. The country covers an area of 300,000 km² and has a population of 110 million people.

The Philippines is an emerging market and a newly industrialized country whose economy is transitioning from agriculture to services and manufacturing. The country has a variety of natural resources and is home to a globally significant level of biodiversity.

There are over 70 airports in the Philippines that handle international, domestic, and charter flights. The Manila International Airport, informally known as NAIA Airport, is the largest of all airports in the country. It is located about 12 km south of downtown Manila, between the cities of Pasay and Parañaque.

The GDP was USD 373 billion in 2021, while the GDP per capita amounted to USD 3,160. Agriculture contributed 10 percent to the Philippines' gross domestic product, while the industry and the services sector contributed 28 and 62 percent, respectively.

The total value of the Philippines's international trade amounted to USD 188 billion in 2021, with the exports amounting to USD 71 billion, and the total value of imports to USD 117 billion. The main export destinations were the United States, Japan, and China, while the major origins of imports were from China, Japan, and South Korea.

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ASEAN-Italy Enhance Partnerships

The ASEAN-Italy Development Partnership Committee (AI-DPC) held its second meeting on June 10th 2022. During the meeting, the ASEAN Secretariat covered the ASEAN-Italy Practical Areas of Cooperation (PCA) for 2022-2026, which outlines priority areas of cooperation between the two sides.

The PCA consists of a broad range of cooperation under the three pillars of the ASEAN Community and is designed to implement ASEAN-Italy's shared commitments for a stronger, deeper, and more beneficial cooperation. This meeting aims to reinforce cooperation with an emphasis on practical areas in which ASEAN and Italy have expertise and mutual interests.

ASEAN and Italy have made a number of concerted efforts to institutionalize and formalize the developmental partnership since Italy was assigned the status of Development Partner of ASEAN in September 2020.

In the process, tangible cooperative projects are identified and developed in multiple sectors, such as cultural heritage, sustainable development, cybersecurity, mechanization of agriculture, sustainable coastal and maritime development, environmental protection, geothermal, recycle fishing gear, agricultural mechanization, and space technology.

Other potential areas for cooperation discussed by the group include peace and security, digital transformation, renewable energy, international travel, public health emergencies, and telecommunications.

Mr. Satvinder Singh, Deputy Secretary-General of ASEAN for ASEAN Economic Community, co-led the meeting with Mr. Benedetto Latteri, Ambassador of the Italian Republic to ASEAN.

The meeting was also attended by members of the Committee of Permanent Representatives to ASEAN, as well as the Vice Minister for Foreign Affairs and International Cooperation of Italy, Manlio Di Stefano.

China equals 30% of world manufacturing

According to the latest industry regulator report, China contributed 30 percent of global manufacturing output in 2021, up from 22.5 percent in 2012.

In 2012, the value-added output of manufacturing was 16.98 trillion yuan (about USD 2.5 trillion), while in 2021, it was 31.4 trillion yuan.

Geopolitical conflicts and COVID-19 resurgence have added downward pressure on the industrial economy, but their impact would be temporary,

With continuous support policies, the industrial economy is expected to return to its normal pace in the near future.

Beijing increases trade with Washington

In May, the total trade between China and the world amounted to \$538 billion, an increase of more than 11 percent when compared with May 2021; this increase clearly shows Beijing's leadership in global trade and exports continues despite the impact of strict anti-pandemic measures within China.

On a cumulative basis, the total trade volume in the first five months of 2022 was \$2.515 billion, an increase of 10.3 percent when compared to the same period of the previous year according to the latest data published by the Chinese customs authorities. Exports from January to May 2022 amounted to \$1.4 trillion, up 13.5 percent, and in May alone, exports grew by about 17 percent to \$308 billion.

In relation to the import data, there are various trends can be observed; trade with Russia resulted in an 80% increase in May for imports from Moscow to Beijing, with China being one of the main buyers of Russian natural resources and agricultural products.

Sino-Russian economic relations are growing, due in part to Western measures that have prompted Russia to relocate its supply chain to Asia, where out of 48 countries only Singapore, Japan and South Korea have joined the international sanctions on Russia.

The 10 ASEAN countries of the Association of Southeast Asian Nations have maintained their role as a leading trading partner with Chinese exports increasing by 26 percent to a value of \$49.3 billion, of the group Indonesia had the fastest growth increasing trade with China by 39.4 percent.

European trade with China is that most affected by the ongoing war, with a reduction in Chinese imports from the EU of 9 percent and a decrease of 19.1 percent in the import of Italian products into China. In light of ongoing talks with the United States regarding the removal of certain tariffs, in May 2022 imports from Washington increased by 21.2 percent compared to a value of \$ 15.9 billion, marking a new trend for business relations between Beijing and the United States.

Qingdao and Economic trends

Qingdao is a major city in eastern Shandong Province. It is a key Silk Road nodal city on China's Yellow Sea coast that connects Asia with Europe. The city extends across an area of 11,228 km² and has a population of 10 million. It has jurisdiction over seven districts and three county-level cities

Qingdao is a major seaport and naval base, as well as a commercial and financial center. Qingdao hosts one of the world's busiest seaports. Cooperative relations have been established with 450 ports in 130 countries worldwide. The port of Qingdao is part of the 21st Century Maritime Silk Road.

Qingdao Jiaodong International Airport, located 39 km away from the city center, is served by 13 domestic and international airlines that operate 94 routes, 12 of which are international and regional.

Qingdao is a city renowned for marine science and technology. It is home to one fifth of China's marine research institutions, one third of the country's high-end marine R&D platforms. It boasts the country's sole center for marine technology transfer with 18 full-time Chinese academicians in the field of marine science.

Marine industries contributed over a quarter of Qingdao's GDP in 2021. The city plans to give full play to its advantages in marine industries by promoting high-quality development and exploring new driving forces.

In 2021, the GDP reached 1.4 trillion yuan, up 8.3% compared to 2020, while the per capita disposable income reached 51,223 yuan.

The total volume of imports and exports in 2021 reached 849 billion yuan, an increase of 32.4% compared to the prior year. Among them, the exports amounted to 492 billion yuan, up 27%. and the total value of imports of 357 billion yuan, up 40.7%, compared to 2020.

Beijing's GDP per capita growth

According to the Beijing Municipal Bureau of Statistics, Beijing's per capita gross domestic product (GDP) topped USD 28,000 in 2021, up 40% compared to 2017, remaining the highest among all provincial regions in China. The report highlighted the contribution of high-end industries made to Beijing's economic growth from 2017 to 2021.

Beijing's GDP reached the three trillion yuan mark in 2018 and surpassed the four trillion yuan mark three years later in 2021. Beijing has been fostering new growth drivers for high-quality development under the principle of "seeking progress while maintaining stability."

Over 80% of the city's GDP was generated from its service sector. Beijing also has an advantage as it undergoes industrial upgrading. In 2021, the city's digital economy contributed 40.4% of its GDP, up 4.1 percentage points from 2017. High-tech industries and strategic emerging industries together account for about 25% of GDP (with overlap). Beijing's cultural industries contribute more than 10% of its GDP, which ranks the highest in China.

Research and development (R&D) expenditure in Beijing's total GDP reached 6.44% in 2020, up 0.95 percentage points from 2016. More specifically, Beijing's funds for basic research account for 16.7% of its total R&D funds and 25.7% of the country's total funds for basic research.

Beijing's high-end industrial areas, such as Zhongguancun Science Park, contribute half of the city's economic output. In 2021, their added value reached 2.2 trillion yuan, representing 53.6% of Beijing's GDP, 5.3 points higher than in 2016.

Hainan FTP New Rules

Following the implementation of the Hainan free trade port law on June 10, 2021, Hainan has issued 17 related regulations, ensuring better development and wider opening of the Hainan free trade port. Construction of the Hainan FTP focuses on liberalizing and facilitating trade and investment.

Hainan has released regulations on fair competition, bankruptcy, intellectual property rights (IPR), and commercial deregistration over the past year to ensure that Hainan FTP construction adheres to international economic standards. Hainan has advanced institutional innovation and established the FTP bankruptcy system with Chinese characteristics. In December 2021, Haikou's first bankruptcy court opened for business. The court oversees all bankruptcy-related cases. As May 2022, the Haikou bankruptcy court handled 199 cases of bankruptcy and liquidation, improving the ease with which enterprises handle bankruptcy while reducing bankruptcy costs for businesses.

The Hainan government instituted cross-class protection of well-known unregistered trademarks and created regulations for the protection of registered trademark goods for parallel imports and original equipment manufacturing. These practices have facilitated the introduction of high-standard international economic and trade rules in Hainan, serving as stress tests for a higher level of opening up.

Hainan issued a regulation on optimizing the local business environment last September, which is crucial for guiding and guaranteeing the development of Hainan's business environment.

The improving business environment has attracted a growing number of foreign investors to the tropical island.

In 2021, there were 1,936 new foreign-funded firms established in the province, an increase of 92.6 percent over the previous year. In addition, the actual use of foreign investment exceeded USD 3.5 billion, up 16.2 percent year-on-year. In the first four months of the 2022, Hainan utilized USD 1.04 billion of foreign investment, up 54.8 percent from last year.

In June 2020, China released a plan to transform the island province into a high-level, globally influential free trade port by the middle of this century.

Cambodia and ASEAN

The country of Cambodia is located in Southeast Asia, in the southern part of the Indochinese Peninsula. The capital and largest city is Phnom Penh, the political, economic and cultural centre of Cambodia. The country is divided into 25 provinces including the autonomous municipality, and covers a total area of 181,035 square kilometres, with a population of over 15 million.

Cambodia is largely a land of plains and great rivers and lies amid important overland and river trade routes linking China to India and Southeast Asia

Cambodia has two rail lines, totalling about 612 kilometres that run from the capital to Sihanoukville on the southern coast. The country features three commercial airports: Phnom Penh International Airport is the busiest, Siem Reap-Angkor International Airport is the second busiest, and it handles the most international flights in and out of Cambodia, and Sihanouk International Airport is in the coastal city of Sihanoukville.

The GDP was USD 30 billion in 2021, while the GDP per capita was USD 1,647. Cambodia's economy grew at an average annual rate of 7.7 percent between 1998 and 2019, making it one of the world's fastest-growing economies.

The total value of Cambodia's international trade amounted to USD 36 billion in 2021, a 2.5 percent increase over the previous year. Cambodia largely imports the raw materials for finished textiles from China and exports the final products to many other countries.

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China's VAT Refund Extended

China expands the application of VAT refund policies to other industries to support more enterprises in resuming their operations and facing difficulties in cash flow.

The Ministry of Finance and the State Taxation Administration jointly issued Announcement [2022] no. 21 on "Expanding the Industry Scope of the VAT refund policy", according to which the policies related to the full refund of the existing VAT credit and the incremental VAT credit are expanded to other seven industries.

Currently, the VAT refund policies are limited to micro and small enterprises and enterprises operating in six industries, namely "manufacturing", "scientific research and technical services", "electricity, heating, gas and water production and supply", "software and information technology services", "ecological protection and environmental governance" and "transport, warehousing and postal", together referred to as "Manufacturing and Other Sectors".

Announcement 21 will expand VAT refund policies to include enterprises operating in the following industries:

- "wholesale and retail",
- "agriculture, forestry, animal husbandry, fishery",
- "accommodation and catering",
- "residential services, repair and other service industries",
- "education",
- "sanitation, social security, and social welfare", and
- "culture, sport, and entertainment".

Eligible enterprises can apply for the one-off refund of the existing VAT credit and the refund of the incremental VAT credit with the competent tax authorities starting from July 2022.

Employment subsidies in Shanghai

The People's Government of Shanghai published on 28 May the "Action Plan for Accelerating Economic Recovery and Revitalization in Shanghai" with a list of 50 measures and policies aimed to help enterprises greatly affected by the pandemic resume their operation and provide them relief, subsidies, and financial aids.

On 6 June, the Municipal Human Resources and Social Security Bureau of Shanghai announced the implementation of two critical measures to stabilize the employment in the Municipality through the issuance of the Notice on Giving Employment Subsidies to Relevant Employers in the Municipality-

The Notice, which was issued jointly with the Municipal Finance Bureau, the Municipal Commission of Commerce, the Municipal Education Commission, the Municipal Commission of Transportation, and the Municipal Bureau of Culture and Tourism, will provide employment subsidies to employers operating in seven industries greatly affected by the pandemic, namely catering, retail, tourism (travel agencies and management of tourist attractions), transportation, culture and entertainment, accommodation, and exhibition.

Eligible employers in the above industries, established before 1 January 2022 and paying social insurance contributions for their employees as required by the relevant regulations, can receive a one-off subsidy of CNY 600 for each employee (up to CNY 3 million each employer), provided that they didn't lay off employees or the lay-off rate is within 5.5%. The

application for the subsidy can be submitted to the local office of the Human Resource and Social Security Bureau before 31 December 2022.

A second measure included in the Notice is a one-off subsidy provided to every employer hiring unemployed individuals or new graduates from 1 March to 31 December 2022 in the Municipality. Eligible employers recruiting individuals who have been unemployed for at least three months or recent graduates from college and universities in the above period, signing a labor contract of 1 year or more, and paying social contributions as required by law, can receive a one-off subsidy of CNY 2,000 for each person.

Maintaining a proper level of employment is a crucial target of Chinese social policies; according to the government's work report published earlier this March, China aims to create over 11 million new urban jobs and keep a surveyed urban unemployment rate of no more than 5.5%.

Brunei and ASEAN

Located on the north coast of the island of Borneo in Southeast Asia, Brunei covers an area of 5,765 km² and has a population of 0.45 million.

Political stability, low inflation rates, a high standard of living, and a wealthy population of the country make it an ideal environment for long-term economic growth.

Brunei is accessible by air, sea and land. Brunei International Airport is the main entry point into the country and Royal Brunei Airlines is the national airline.

The GDP was 13 billion US dollars in 2021, and the per capita GDP of 2021 was USD 30,717. The GDP of the country is composed of 41% from services and 59% from industry. Brunei is the third-largest oil producer in Southeast Asia, and it is also the ninth-largest producer of liquefied natural gas in the world.

The economy of Brunei is a mixture of foreign and domestic entrepreneurship, government regulation and welfare measures, and village traditions. The Brunei dollar is pegged to the Singapore dollar at a one-to-one ratio.

The largest destinations for Brunei exports (mostly mineral fuels) are Japan, South Korea, Malaysia, and Thailand. The largest sources of imports to Brunei are from China, Singapore, Malaysia, and the United States. The largest export sectors by market value are mineral fuels, chemicals, and machinery and transport equipment.

The Association of Southeast Asian Nations (ASEAN) is a political and economic union of ten members, has 667 million people and a territory of 4.5 million km²; is currently the third largest economy in Asia-Pacific and the fifth largest in the World. The ASEAN Economic Community (AEC) has a combined GDP of USD 3.6 trillion according to estimates for 2022.

Comments on Encouraged Foreign Investments

The National Development and Reform Commission ("NDRC") and the Ministry of Commerce ("MOFCOM") have jointly released the Catalog of Industries for Encouraged Foreign Investment (2022 Edition) (Draft for Comment) (the "Draft for Comment") to solicit public opinions by June 10, 2022.

Compared with the 2022 edition, the Draft for Comment adds 238, revises 114 (mainly expanding the scope of the previous items) and deletes 38 items. The Draft for Comment mainly proposes the following revisions: (1) Continuously encouraging foreign investment to be made in manufacturing. Such items as components, parts, and equipment manufacturing are added or expanded in the national catalog. (2) Continuously encouraging foreign investment to be made in producer services. Such items as professional design, technical service and development are added or expanded in the national catalog. (3) Continuously encouraging foreign investment to be made in central and western region and the northeast. Relevant items are added or expanded in the catalog on central and western region according to the labor force, the characteristic resources, and other advantages as well as the need for investment in each locality.

Shanghai extends the deadline for the company's annual report

The Municipal Market Supervision Bureau of Shanghai, with the consent of the Municipal People's Government, the Municipal Commission of Commerce, the Shanghai Customs, Municipal Human Resources and Social Security Bureau, the Municipal Statistics Bureau, and the Municipal Office of the State Administration of Foreign Exchange extended the deadline of the company annual report for the year 2021 for enterprises in Shanghai from 30 June to 30 September 2022. The deadline for individual industrial and business households has been postponed to 31 December 2022.

The filing of the company annual report on time is part of the annual compliance requirements for enterprises, together with the annual audit and the annual CIT settlement, and is usually performed within the end of June of the following year, after completing the tax filing procedure.

Enterprises need to file the company annual report and provide several government departments with accurate and updated information that will be then available on the National Enterprise Credit Information Publicity System. This data set includes basic information about the company, key financial figures, investments and shareholders.

Suppose an enterprise fails to submit the annual report before the deadline. In that case, it will enter into the abnormal list of the State Administration for Market Regulation, and the business license might be revoked if the report is not submitted for three consecutive years.

China's incentives for automotive

The Ministry of Finance and the State Taxation Administration jointly issued on 31 May the Announcement about the "Reduction of the Vehicle Purchase Tax for Certain Passenger Cars" (Announcement [2022] no. 20).

Announcement 20 aims to promote the development of the automotive industry, one of the pillars of China's economy, and support the domestic demand for motor vehicles through the halving of the vehicle purchase tax that is payable at the time of purchase of a passenger car.

The vehicle purchase tax is collected as a one-off tax levied on the purchase of vehicles, such as automobiles, trams, car trailers, and motorcycles with a cylinder capacity exceeding 1.5L, at the standard rate of 10%.

According to Announcement 20, the purchase of certain eligible passenger cars will be instead subject to half of the standard vehicle purchase tax. Eligible passenger cars refer to motor vehicles for the transport of nine or fewer persons with a cylinder capacity of 2L or less, purchased between 1 June and 31 December 2022, and with a price, excluding VAT, not exceeding RMB 300,000.

In addition, local authorities in Shanghai, to accelerate the recovery of local consumption after the two months of lockdown, will further promote the demand in the automotive industry by adding 40,000 passenger car license plates within the year and by providing a financial subsidy of RMB 10,000 to individual consumers scrapping their old vehicle with a new electric vehicle before 31 December 2022.

China is the world's largest market for passenger cars, with increasing demand from the emerging middle class. The automotive industry expanded rapidly in the past years, and the high demand boosted the development of the industry and the investments in the production of new energy vehicles.

Shanghai deferred contributions

On 28 May 2022, the People's Government of Shanghai announced the Action Plan for Accelerating Economic Recovery and Revitalization in the Municipality. The action plan consists of 50 measures and policies aimed to speed up the recovery of the local economy and provide relief and support to the affected enterprises, including the phased deferred payment of the social insurance and housing fund contributions.

The Municipal Human Resources and Social Security Bureau, jointly with the Municipal Medical Insurance Bureau, the Municipal Finance Bureau, and the Municipal Taxation Bureau, issued Notice [2022] no. 15 about the "Phased

Implementation of the Deferred Payment Policy of Social Insurance Contributions for Enterprises in Hardly hit Industries”.

Notice 15 provides detailed implementing rules for enterprises, units, and employers operating in five industries: catering, retail, tourism, civil aviation and road, water, and rail transportation. Eligible entities in the above five industries can defer the payment of the employer’s part of social insurance contributions in stages from April onwards. In the specific, contributions for basic pension and basic medical insurance (including maternity insurance) payable from April to June 2022 can be postponed until the end of 2022, while the contributions for unemployment and work-related injury insurance from April 2022 to March 2023 can be deferred for up to one year.

It shall be noted that the employers are still required to withhold the employee’s part of the social insurance contributions and pay the amount according to the regulations.

The policy is also extended to individual industrial and commercial households operating in the hardly hit industries, with no late payment interests or fines.

Notice [2022] no. 5 issued by the Municipal Housing Provident Fund on the “Implementation of the Housing Provident Fund Phased Support Policy” implements the measure providing employers affected by the epidemic control and prevention measures with the possibility to defer the payment of the housing provident fund contributions. The deferred period is from April to December 2022, and employers must make the payment after this period. During the deferred period, the employees can withdraw and apply for housing provident fund loans without being affected by the deferred payment, with a monthly limit of RMB 3,000 for those withdrawing from the fund to pay rental fees.

The cash flow of eligible enterprises can significantly benefit from the deferral policies of the social insurance and housing fund contributions and postpone the actual payments to a later stage. Employers in Shanghai can also benefit from reduced contribution rates for unemployment insurance, which is paid at a 0.5% rate both for the employer and the employee’s part, and work-related injury insurance, which ranges from 0.16% to 1.52%, is reduced by 20%.

Shanghai’s plan for economic resumption

Shanghai People’s Government published on 28 May the “Notice Printing and Distributing the Action Plan for Accelerating Economic Recovery and Revitalization in Shanghai” with a list of 50 measures and policies aimed to stabilize the economy and the employment, to help market entities in resuming their operations, and to provide relief, subsidies, and financial aids.

These measures, which follow the 21 policies issued by the Shanghai Government on 28 March, mainly target micro, small and medium enterprises, along with companies operating in industries greatly affected by the pandemic, such as the catering, retail, tourism, transportation, exhibition, and others, and can be grouped in four sections:

1. To provide relief and subsidies to market entities
2. To facilitate resumption of work, production, and businesses
3. To stabilize foreign investment, promote international trade and domestic consumption, support investment projects
4. To support market entities with a focus on funds, land, talent, and business environment.

Market entities can benefit from several policies to provide relief in terms of deferral, exemption and reduction of fees, costs, and taxes. Eligible enterprises operating in catering, retail, tourism, civil aviation, and road, water, and rail transportation, can defer the payment of the social insurance contributions and housing funds, and late payment fees will be waived during this deferred payment period. Other entities, including the micro, small, and medium enterprises in other industries, can defer the social insurance payments according to the national regulations.

The deadline for the company income tax annual settlement of the year 2021 and for the filing of April, May, and June are postponed to 30 June 2022.

In addition, micro and small enterprises and individual and commercial households engaged in the production and business activities can be exempted from rental fees without submitting further documents to prove the impact of the pandemic. Private landlords are encouraged to provide exemption or reduction of the rental fee to their tenants and

receive a subsidy equal to 30% of the total rent reduction or exemption, up to a maximum of 3 million yuan, loans at reduced rates, and reduction or exemption of real estate tax and urban land use tax.

The municipality will further accelerate the refund of existing VAT credits to eligible enterprises and refund medium and large-sized enterprises in advance within 30 June 2022.

Employers operating in catering, retail, tourism, transportation, entertainment, accommodation, exhibition, and other industries severely affected by the pandemic that do not lay off employees can obtain a subsidy of 600 yuan for each employee enrolled in the social insurance system, up to maximum 3 million yuan per employer.

To facilitate the resumption of work, production, and businesses, the examination and approval will be cancelled, and the scope of the subsidies provided by local districts for expenses incurred by enterprises for the epidemic prevention and control.

Furtherly, a mutual guarantee mechanism will be established in the Yangtze River Delta region to ensure a solid supply chain and integrate domestic and international logistics and transportation channels.

Special attention will be put into establishing a service mechanism helping key foreign-funded enterprises resume their production and operations, strengthening communication through meetings, round tables, and visits, and supporting multinational groups in setting up regional HQs and R&D centers. Additionally, additional export credit insurance will support foreign trade enterprises at lower costs.

Measures to improve the internal consumption will include incentives to boost the automotive industry, with rebates for the purchase of new vehicles and the phased exemption of vehicle purchase tax, and encourage e-commerce platforms to provide vouchers and discounts to support cultural and tourism industry, and support the construction of integrated warehouses to process and ensure transportation of materials in case of emergencies.

Other measures are to ensure the resumption of projects under construction and strengthen the coordination and approval of new projects, especially in the construction of key infrastructures, integrated circuits, new energy vehicles, and real estate development.

Banks and financial institutions are encouraged to extend the repayment of loans to micro, small, and medium-sized enterprises and renew loans. Banking financial institutions are also encouraged to set up special funds for enterprises in difficulty, issue financial bonds, provide financing support in key areas, and apply preferential interest rates. In addition, guarantee institutions will continue to reduce the guarantee fees for micro, small, and medium enterprises, and the acceptance period of commercial bills will be shortened from one year to six months.

A faster online mechanism will be set up for land sold through public bidding, auction, and listing to guarantee land supply.

State-owned companies and local departments and districts are encouraged to create new jobs, especially college graduates, and recruit community and public health workers and teachers.

Training subsidies will be granted to enterprises and social organizations affected by the epidemic with a 600 yuan – subsidy per person and strengthen employment services and the self-employment and entrepreneurship of college graduates. Enterprises recruiting new graduates from colleges and universities can receive a 7,800 yuan incentive under tax reduction and exemption for each person per year for three years.

Shanghai will optimize the conditions for direct settlement, transfer of residence, and house purchase to facilitate the settlement of talents.

The two-month period lockdown in Shanghai greatly affected enterprises and businesses. The measures and policies promoted by the local government to recover and revive the economy are addressed to market entities in difficulty and help them resume production and work in an orderly manner. The new measures will be effective from 1 June to 31 December 2022 and all the involved departments, such as the Municipal Taxation Bureau, the Municipal Human Resource and Social Security Bureau, and the Municipal Finance Bureau, are expected to issue a detailed plan for implementing the measures.

Send us an email to receive an English translation of the original document with the full text of the 50 policies and measures of the Shanghai Economic Recovery Action Plan.

Foshan and Economic Trends

Foshan is a prefecture-level city located in the central southern part of Guangdong Province. The city extends across an area of 3,850 km² and has a population of 9.5 million. It's divided into five administrative districts. There are 32 township-level divisions, including 11 subdistricts and 21 towns.

Foshan is an important nodal city in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) serving as a major railway junction for routes connecting Guangzhou with Hong Kong and western Guangdong. It is connected with Hong Kong via the KCRC Guangdong Through Train service from Foshan railway station, an inter-city train service that was extended from Guangzhou to Foshan in the 1990s.

While the city is traditionally known as a manufacturing hub for electronic goods, its economy has become increasingly diverse due to efforts to expand the service sector and a shift toward high-tech industries and smart manufacturing.

Additionally, Foshan is in the heart of the Lingnan region, an area of Southern China that has its own classical culture. In this way, the city possesses its own distinctive heritage, reflected in its ceramics, Cantonese opera, martial arts, Canton silk, patent medicine, and folk arts.

In the year of 2021, the GDP reached 1.2 trillion yuan, up 8.3% compared to 2020, while the per capita disposable income reached 61,700 yuan, up 9.7% from 2020.

In 2021, the total import and export volume reached 616 billion RMB, an increase of 21.7% compared to the previous year.

Added value of primary industries reached 21 billion yuan, up 9.5% from 2020, while that of secondary industry and tertiary industry reached 680 billion yuan and 513 billion yuan respectively, up 9.3% and 7% from 2020.

Vehicle purchase tax exemption

The Ministry of Industry and Information Technology (MIIT) and the State Taxation Administration (STA) jointly issued the Announcement (2022) no. 8 on the Issuance of the Catalogue of non-Transport Special Operation Vehicles with Fixed Devices exempted from Vehicle Purchase Tax (5th Batch).

Announcement 8 provides an update catalogue of special operation vehicles that will be exempted from the vehicle purchase tax, including wreckers, spraying vehicles, rescue vehicles, and road maintenance vehicles.

According to the Vehicle Purchase Tax Law of the PRC, the vehicle purchase tax shall be paid one-off by individuals, companies, and organisations purchasing automobiles, trams, car trailers, and motorcycles with an engine displacement exceeding 150 cc at a standard rate of 10%.

Recently, Chinese authorities rolled out an additional package of measures to boost the internal demand and consumptions, including the phased reduction of the vehicle purchase tax (for a total amount of tax equal to CNY 60 billion) applied on certain categories of passenger cars. Further clarifications are expected in the next days.

China's Retail Sales April 2022

According to the latest figures released by the National Bureau of Statistics, retail sales of consumer goods, a key indicator of Chinese consumption, fell by 0.2 percent in the January-April period to RMB 13.81 trillion.

Sales of retail items in April were down 11.1% from a year earlier at RMB 2.95 trillion. The COVID-19 resurgence dragged down the growth of China's overall retail sales last month, primarily affecting non-daily necessities and catering. Catering decreased by 22.7% to RMB 261 billion in April. Retail sales fell sharply in regions severely affected by COVID-19, such as the Yangtze River Delta and northeast China.

Consumers' basic needs were met regardless of the drop in retail sales, resulting in a rise in sales of relevant products.

According to NBS data, major enterprises sold more beverages in April, while sales of grain, oil, and other food products increased by 10 percent.

The first four months of 2022 saw supermarket sales increase by 3.6 percent. Sales from groceries and convenience stores rose 2.4 percent and 6.8 percent, respectively.

Online consumption also boosted China's retail sales. The percentage of physical goods sold online reached RMB 3,288 billion, up 5.2 percent during the first four months of 2022, accounting for 23.8 percent of the total retail sales of social consumer goods.

The Chinese government has issued several consumer-friendly policies and measures to keep consumer demand growing in the country.

IMF promotes global Yuan

The IMF's decision to add the yuan to a key global reserve asset marked a step forward in the currency's internationalization, which reflects China's financial opening-up and its growing global clout.

During the latest valuation review of the Special Drawing Right, also called the SDR, the IMF raised the weight of the Chinese yuan in the basket of currencies that comprise the SDR by 1.36 percentage points to 12.28 percent.

This was the first SDR valuation review since the yuan was added to the basket in 2016, with a share of 10.92 percent. With the weight adjustment, the yuan will remain in the basket as the third largest currency behind only the US dollar and euro, but higher than both the Japanese yen and the British pound.

The weight increase reflects the yuan's steady progress towards internationalization thanks to China's strong presence in global trade, economics, and finance.

It was noted in the statement from the IMF on Saturday that the updated SDR weights were based on progress made in China's financial market reforms between 2017 and 2021.

The IMF reported that some officials called for further efforts to open and deepen the onshore yuan market, while others stressed the importance of enhanced data transparency.

As part of its commitment to opening up the Chinese financial market, the PBOC reiterated its promise on Sunday to simplify procedures for foreign investors to invest in the Chinese market, expand investable assets, improve data disclosure and the business environment, and extend trading hours of the interbank foreign exchange market.

By facilitating free capital flows and cementing global investors' preferences for yuan-denominated assets, more financial reforms and opening-up steps will help accelerate yuan internationalization.

The recent depreciation of the yuan is due to short-term shocks, such as the COVID-19 resurgence, and is unlikely to alter the country's long-term development prospects or delay its internationalization in the future.

The general manager of the Bank of Inner Mongolia expects the weight increase will help strengthen foreign organizations' willingness to hold yuan and yuan-denominated assets, strengthen market confidence in the currency, and ease the dollar pressure strong on the yuan.

In addition to raising the yuan's SDR share, the IMF increased the dollar weighting to 43.38 percent, an increase of 1.65 percentage points since the last review in 2015.

VAT Credit Refund for Large Enterprises

The Ministry of Finance ("MOF") and the State Taxation Administration ("STA") have jointly issued the Announcement on Further and Continuously Accelerating the Implementation of the End-of-Period Excess Input Value-Added Tax Credit Refund Policies (the "Announcement").

The Announcement requires refunding the existing vat credits for large enterprises in advance, adjusting the provisions "starting from the tax filing period of October 2022, an eligible large enterprise in the manufacturing and other sectors may apply to the competent tax authority for a lump-sum refund of its existing VAT credit amount" in Item 2 Article 2 of the Announcement of the Ministry of Finance and the State Taxation Administration to Further Step up the Application

of End-of-Period Excess Input Value-Added Tax Credit Refund Policies to read "starting from the tax filing period of June 2022, an eligible large enterprise in the manufacturing and other sectors may apply to the competent tax authority for a lump-sum refund of its existing VAT credit amount". By June 30, 2022, existing VAT credits of large enterprises shall be refunded to them in a centralized manner on the basis on voluntary application.

Investing in Henan

Located in South-Central China. The Province of Henan is one of the largest industrial centers in Central China and a hub for the new Silk Road. Also, known to be rich in natural resources and raw materials. Zhengzhou is the capital and major hub for the national transportation network of China. Henan province is the third most populous province in China with a population of 96.4 million inhabitants covering a surface area of 167,000 km².

Henan province accomplished 8,257 foreign investment companies with total exports of USD 54.2 billion and total imports of USD 28.3 billion. In addition to an average urban salary of USD 9,547.

In terms of GDP, the Province of Henan ranked fifth in China after Zhejiang province, reaching USD 913 billion in 2021 and USD 847 billion in 2020 with a GDP per capita of USD 9,200.

Main Economic Centers (GDP) in Henan

- Zhengzhou (USD 163 billion)
- Luoyang (USD 73 billion)
- Nanyang (USD 54 billion)
- Xuchang (USD 45 billion)
- Zhoukou (USD 44 billion)

Main Sectors in Henan

- Textile
- Industrial machinery
- Renewable
- New materials

Main Industrial Areas in Henan

- Henan Pilot Free Trade Zone
- Zhengzhou Economic and Technological Development Zone
- Luoyang Economic and Technological Development Zone
- Hebi Economic and Technological Development Zone
- Xinxiang Economic and Technological Development Zone
- Zhengzhou High-tech Industrial Development Zone
- Luoyang High-tech Industrial Development Zone
- Pingdingshan High-tech Industrial Development Zone
- Jiaozuo High-tech Industrial Development Zone
- Nanyang High-tech Industrial Development Zone
- Zhengzhou Xinzheng Comprehensive Bonded Zone

(Henan) Pilot Free Trade Zone

Established in 2017 and known as the key location along the Belt and Road, and connection with Eurasia.

With a purpose to establish an international business environment offering trade facilitation and advanced transport and logistics infrastructures along the Belt and Road.

The target industries are advanced manufacturing, artificial intelligence, high-end equipment, automotive, biomedicine, logistics, international commerce, financial services, medical and healthcare, robotics. Besides, the functional areas include Zhengzhou area (73.2 sq. km), Luoyang area (26.7 sq. km), and Kaifeng area (19.9 sq. km).

China's Manufacturing Incentive Policies

With COVID-19 resurgences causing unexpected challenges, the Chinese government has taken proactive steps to assist manufacturers in recovering from the adverse effects.

In the first quarter of 2022, China's tax authorities provided tax and fee deferrals for 333.5 billion yuan (USD 50.4 billion) to micro, small and medium-sized manufacturing firms nationwide. Tax payment deadlines have also been extended by six months.

In the meantime, the nation is planning to issue VAT credit refunds on a larger scale in 2022, with priority to be given to micro and small firms and the manufacturing sector.

As of mid-April, China's VAT credit refunds had reached 527,000 taxpayers totalling 420.2 billion yuan.

Moreover, the Chinese government has taken measures to ease supply chain congestion and help factories resume production following the COVID-19 disruption. To this end, China is creating a "white list" of key industries and supply chains, simplifying logistics for companies working in key sectors such as automobiles and integrated circuits.

China's Statistics Bureau issues May Outlook

On May 16th, China's National Bureau of Statistics released its latest economic data. The country's industrial output, an important economic indicator, slowed by 2.9 percent in April from a year earlier, after a 5 percent increase in March. The figure increased by 4 percent in the first four months of 2022 year on year, however it was 2.5 percentage points lower than that in the January-March period.

Manufacturing output increased by 3.2 percent, while production and supply of electricity, heat, gas, and water increased 5 percent. The value-added output of the high-tech manufacturing sector grew by 11.5 percent year on year. During the January-April period, mining output recorded year on year growth of 10.4 percent, the fastest among the three major industrial sectors.

The Manufacturing Purchasing Managers' Index stood at 47.4 percent and the Production and Operation Expectation Index was 53.3 percent in April.

April retail sales contracted by 11.1 percent year on year, and further shrinking after a 3.5 percent drop the previous month.

Investment in fixed assets (excluding rural households) reached RMB 15,354 billion, growing by 6.8 percent year on year, down by 2.5 percent compared to the first quarter. The investment in high-tech industry grew by 22.0 percent, of which the investment in high-tech manufacturing and high-tech services grew by 25.9 percent and 13.2 percent respectively.

Imports and exports of goods continued to grow in the first four months of 2022, the total value of imports and exports of goods was RMB 12,580 billion, up by 7.9 percent year on year. The value of exports was RMB 6,967 billion, up by 10.3 percent, and the value of imports was RMB 5,612 billion, up by 5.0 percent. The imports and exports of general trade accounted for 63.6 percent of the total value of the imports and exports, 1.9 percent points higher than the same period of the previous year.

Overall, the economic performance in April was greatly affected by COVID-19 pandemic, especially on the manufacturing sector, but investment and exports still maintained a good level.

China's Tax Administration Incentives Guide

On May 13th, State Taxation Administration (STA) published a guide providing a comprehensive list of the tax supporting measures for 2022.

The State Taxation Administration is a ministerial-level department within the government of the People's Republic of China. It is under the direction of the State Council, and is responsible for the collection of taxes and enforces the state revenue laws.

The Chinese Central Government has issued several policies and measures to fight the epidemic and to help enterprises promote development at a national level. Said policies are aimed at providing supporting measures and subsidies to enterprises and individuals greatly affected by the epidemic in 2022, with a particular focus on the Municipality of Shanghai.

Social Insurance Deferred Payment

The Ministry of Human Resources and Social Security and the State Administration of Taxation recently issued the Notice [2022] no. 16 about the Phased Implementation of the Deferral Policy of Social Insurance Premiums for Enterprises in Certain Industries.

The policy will allow eligible enterprises to defer the payment of three pillars of the social insurance system, namely the basic pension insurance, unemployment insurance, and work-related injury insurance. In the specific, enterprises, industrial and commercial households operating in catering, retail, tourism, civil aviation, and road, water, and railway transport can defer the payment of the employer's part of the three pillars according to the following:

The deferral period for the payment of basic pension insurance premiums is from April to June 2022

The deferral period for the payment of unemployment insurance and work-related injury insurance premiums is from April 2022 to March 2023

During the above terms, eligible enterprises can apply for deferral payments for different periods. Enterprises that have already paid the premiums for April 2022 can apply for a deferral from May onwards or apply for a refund of the premiums paid in April.

The policy aims to support the cash flow of enterprises in difficulties impacted by the recent COVID outbreaks by reducing the financial stress for smaller employers and stabilizing the level of employment.

Investing in Sichuan

Located in Southwest China and a hub for trade and investment. The Province of Sichuan is one of the largest suppliers of food. Also, the reference point for High-tech companies and the creation of several technological research centers. Chengdu is the capital of Sichuan province and one of the most populous cities in Western China (other two cities: Chongqing and Xi'an). Sichuan province covers a total surface area of 485,000 km² with a population of 83.7 million inhabitants.

Sichuan province accomplished 12,502 foreign investment companies with total exports of USD 56.4 billion and total imports of USD 41.7 billion. In addition to an average urban salary of USD 11,740.

In terms of GDP, the Province of Sichuan ranked sixth in China reaching USD 835 billion in 2021 and USD 748 billion in 2020 with a GDP per capita of USD 10,000.

Main Economic Centers (GDP) in Sichuan

- Chengdu (USD 244 billion)
- Mianyang (USD 41 billion)
- Yibin (USD 37 billion)

- Deyang (USD 34 billion)
- Nanchong (USD 32 billion)

Main Sectors in Sichuan

- Automotive
- Logistics
- New materials
- Electronics

Main Industrial Areas in Sichuan

- Sichuan Pilot Free Trade Zone
- Chengdu Economic and Technological Development Zone
- Deyang Economic and Technological Development Zone
- Mianyang Economic and Technological Development Zone
- Guangyuan Economic and Technological Development Zone
- Tianfu New Area
- Chengdu High-tech Industrial Development Area
- Zigong High-tech Industrial Development Area
- Deyang High-tech Industrial Development Area
- Mianyang High-tech Industrial Development Area
- Chengdu High-tech Comprehensive Bonded Zone
- Chengdu Shuangliu park
- Sichuan Mianyang Export Processing Zone

(Sichuan) Pilot Free Trade Zone

Established in 2017 and known as the Gateway for the Western regions and inland areas.

With a purpose to lead in the development of an inland open economic highland as a gateway for Western regions and the Yangtze River Economic Belt.

The target industries are high-end manufacturing, airport-related services, logistics, financial services, warehousing, and forwarding. Besides, the functional areas include the Chengdu Tianfu New area (90.3 sq. km), South Sichuan Port area (20.0 sq. km), and Chengdu Qingbaijiang Railway Port area (9.7 sq. km).

The Chinese fapiao and VAT liability

The Chinese fapiao, translated as invoice, is an official document that the government uses to monitor the Value added tax (VAT) paid on any transaction. For this reason, fapiaos are printed, distributed, and administered by the tax authorities. The limit amount that can be invoiced with each fapiao is capped according to the taxpayer's circumstances. Fapiaos shall be issued upon request as a tax receipt for sales of goods, the provision of labour services, the sales of services, and the sales of intangible assets or real estate.

Every taxpayer must apply with the competent tax authority to purchase the blank fapiaos. Newly established entities are allowed to buy blocks of fapiao with a limit amount of RMB 10,000 each. When the taxpayer can demonstrate to the tax authority the need for additional fapiaos or the possibility to issue fapiao with a higher limit amount (due, for instance, to an increase of the business), a specific application shall be submitted to reach a limit amount of RMB 100,000 for each fapiao.

Transactions with a value exceeding the limit amount of each fapiao shall be invoiced by issuing many fapiaos enough to cover the total amount.

VAT fapiaos can be sorted into two categories:

1. General VAT fapiao
2. Special VAT fapiao

Although the two are often used interchangeably, there is one significant difference: a special VAT fapiao can be used to deduct the VAT included in it, while the general VAT fapiao cannot, unless it is otherwise stipulated.

The VAT liability for sellers (and the VAT credit for buyers) arises at the time of the fapiao issuance, regardless of whether the payment has been performed.

The information to be included in the special VAT fapiao at the time of the issuance are:

1. Date
2. Buyer's information (name, tax number, address, telephone number, bank, bank account)
3. Type of goods or services (shall be selected from a list authorized and approved for each company)
4. Description (manually input)
5. Unit and quantity
6. Unit price
7. Net amount
8. VAT rate
9. VAT amount
10. Total net amount
11. Total VAT
12. Total amount of the fapiao
13. Seller's information (name, tax number, address, telephone number, bank, bank account)
14. Remarks (manually input)
15. Company invoice seal (fapiaos without the seal are not valid)

When issuing a general VAT fapiao, which is very similar to the special VAT fapiao in the form and the content, some details about the buyer might be omitted.

The VAT rate to be applied in the fapiao depends on the type of taxable transaction:

- 13% for sales of goods, provision of processing and repair services, and leasing of movable property
- 9% for transport, postal, basic communication, construction services, transfer of land use rights, sale of real estate, agricultural products, food, and edible oil, tap water, heating, utilities, books, newspapers, magazine, audio, video products, e-publications, fertilizers and pesticides
- 6% for services not included above
- 3% applicable only to the category of small-scale taxpayers

The applicable VAT rate(s) is assigned or approved upon application by the competent tax authorities to the taxpayer based on its business scope (i.e., companies engaged in the trade of goods will not be able to issue fapiao at 9% for the sale of books and newspaper).

A certain number of items are exempted from VAT, such as the sale of ancient books, second-hand goods sold by individual sellers, instruments and equipment imported for scientific research, education, and experiments.

Revenue from mixed activities (for instance the sales of goods and the provision of services that are subject to different VAT rates) shall be accounted separately in order to avoid the application of the higher VAT. However, if the service is ancillary to the sales of goods (i.e., installation services for goods), the whole amount shall be subject to 13% VAT rate. Import and sales of goods are subject to 13% VAT rate. Services that are not ancillary to the sales of goods can be subject to 6% VAT applicable to the provision of services.

The VAT liability shall be computed as the difference between output VAT and the input VAT during a reporting period. The output VAT is the VAT arising from the sales supported by the issuance of the fapiao (general or special VAT fapiao) and from sales without the issuance of the fapiao. The input VAT is allowed to be deducted by the taxpayer if the transaction is supported by a special VAT fapiao issued by the seller or by the import VAT receipt obtained from the Customs. Only input VAT from special VAT fapiao or Customs clearance documents can be claimed in deduction.

If the output VAT in the period is higher than the amount of input VAT that is allowed as a credit in the period, the taxpayer shall declare and pay the VAT payable within the filing deadline.

If the output VAT in the period is lower than the amount of input VAT that can be deducted in the period, the unutilized input VAT shall be carried forward to the next reporting period. If the taxpayer is eligible, the excess of input VAT can be refunded.

A special VAT treatment is provided to companies engaged in export sales.

New Export Rebates Rules May 2022

The State Taxation Administration ("STA") has recently issued the Announcement on Relevant Matters Concerning Further Facilitating the Handling of Export Rebate to Promote Steady Growth of Foreign Trade (the "Announcement"), in which articles one to three have initially taken effect since May 1, 2022.

The Announcement involves improving the classified administration of enterprises eligible for export tax rebate (exemption), optimizing the record-filing documentation for export tax rebate (exemption), perfecting the export rebate policy for processing trade, simplifying the materials submission for export tax rebate (exemption), and expanding the reminders for export tax rebate (exemption). Among others, the Announcement adjusts the classified administration of enterprises eligible for export tax rebate (exemption) in two aspects: (1) requiring taxation authorities to timely complete the assessment work for the administration category; (2) facilitating the re-assessment for enterprises subject to tax payment credit repair. The Announcement specifies that enterprises subject to circumstances of tax payment credit repair may timely apply to taxation authorities for re-assessment of their respective administration category, without regard to the restriction set by the Measures for the Classified Administration of Enterprises Eligible for Export Tax Rebate (Exemption), that is, "a Class 4 export enterprise shall not be assessed as another administration category within 12 months upon its assessment".

Investing in Shandong

Shandong is a coastal province located in Eastern China. An illustrious hub for the maritime economy and one of the largest producers of agricultural, livestock, and fisheries goods. Shandong province is also known as the most important production center for light and heavy industry in China. Jinan is the capital and the second-largest city in Shandong province after Qingdao. The Province of Shandong ranks as China's second most populous with a population of 100.7 million inhabitants covering a total surface area of 157,100 km².

Shandong province accomplished 30,733 foreign investment companies with a total export of USD 161.5 billion and a total import of USD 134.8 billion. In addition to an average urban salary of USD 11,122.

In terms of GDP, the Province of Shandong ranked third in China reaching USD 1,288 billion in 2021 and USD 1,126 billion in 2020 with a GDP per capita of USD 12,700.

Main Economic Centers (GDP) in Shandong

- Qingdao (USD 169 billion)
- Jinan (USD 136 billion)
- Yantai (USD 110 billion)
- Weifang (USD 82 billion)
- Linyi (USD 66 billion)

Main Sectors in Shandong

- Automotive

- Domestic appliances
- Petrochemical
- Industrial machinery

Main Industrial Areas in Shandong

- Shandong Pilot Free Trade Zone
- Qingdao Economic and Technological Development Zone
- Jiaozhou Economic and Technological Development Zone
- Dongying Economic and Technological Development Zone
- Yantai Economic and Technological Development Zone
- Weihai Economic and Technological Development Zone
- Dezhou Economic and Technological Development Zone
- Liaocheng Economic and Technological Development Zone
- Jinan High-tech Industrial Development Zone
- Qingdao High-tech Industrial Development Zone
- Yantai High-tech Industrial Development Zone
- Weifang High-tech Industrial Development Zone
- Weihai High-tech Industrial Development Zone
- Jinan Comprehensive Bonded Zone

(Shandong) Pilot Free Trade Zone

Established in 2019 known as a major hub for trading with Japan and South Korea.

Creating a strategic location to increase international trade and cooperation between China, Japan, and South Korea. The target industries are marine and maritime, financial services, artificial intelligence, medical and health care, information technology, logistics, shipping, high-end manufacturing. Besides, the functional areas include Qingdao area (52.0 sq. km), Jilin area (38.0 sq. km), and Yantai area (30.0 sq. km).

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RsA asia is a tax and corporate advisory firm assisting companies, multinational groups and institutions in Asian region and Far East. With offices in China and a network of correspondents in Asia, the firm specialized in the emerging markets of the Far East region. The firm combines a multidisciplinary vision and focus on different business sectors, providing tax and corporate finance consultancy in Asia.

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