

ASIA REPORT MAGAZINE

ISSUE NO. 3

MAY - JUNE

2022

News and comments on
doing business in the
Far East

RsA asia

accounting ▪ taxation ▪ advisory

Investments
regulations and
economic trends



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Issue n. 3

May – June 2022

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 City Tier System

The Chinese City Tier System consists of a system of tiers, used by analysts to classify Chinese cities and rank them in a hierarchy.

Although not officially recognized by the Chinese government, this system is frequently used in various sectors, such as marketing, commerce, education, tourism and transport.

It is a tool that plays an important role in identifying business opportunities in the various Chinese cities; it is also essential to take into account the presence of local policies to encourage industrialization.

Cities in different tiers reflect differences in consumer behaviour, income level, population size, consumer sophistication, infrastructure, talent pool, and business opportunity. The tier system typically includes cities in mainland China only.

Therefore, the most populous, developed, and influential cities generally occupy the first ranks, while the most rural cities, but with great potential for growth, belong to the last ranks.

In 2021, Yicai Global, one of the major financial news outlets in China, ranked 337 Chinese cities in six tiers: First-tier, New first-tier, Second-tier, Third-tier, Fourth-tier, and Fifth-tier.

First-tier cities:

- Beijing: Beijing
- Guangdong: Guangzhou, Shenzhen
- Shanghai: Shanghai
- New first-tier cities:
- Anhui: Hefei
- Chongqing: Chongqing
- Guangdong: Dongguan, Foshan
- Henan: Zhengzhou
- Hubei: Wuhan
- Hunan: Changsha
- Jiangsu: Nanjing, Suzhou
- Liaoning: Shenyang
- Shaanxi: Xi'an
- Shandong: Qingdao
- Sichuan: Chengdu
- Tianjin: Tianjin
- Zhejiang: Hangzhou

Second-tier cities:

- Fujian: Fuzhou, Quanzhou, Xiamen
- Gansu: Lanzhou
- Guangdong: Huizhou, Zhongshan, Zhuhai
- Guangxi: Nanning
- Guizhou: Guiyang
- Hebei: Baoding, Langfang, Shijiazhuang
- Heilongjiang: Harbin
- Jiangsu: Changzhou, Nantong, Wuxi, Xuzhou
- Jiangxi: Nanchang
- Jilin: Changchun

- Liaoning: Dalian
- Shandong: Jinan, Yantai
- Shanxi: Taiyuan
- Yunnan: Kunming
- Zhejiang: Jiaxing, Jinhua, Ningbo, Shaoxing, Taizhou, Wenzhou

The **Third-tier** includes 70 cities, the **Fourth-tier** has 90 cities while the **Fifth-tier** 128 cities.

Changsha and Economic Trends

Changsha City is the capital and largest city of Hunan province. It is the province's political, economic, scientific, educational, cultural, and business centre. With a history of 3,500 years, it is situated on the western margin of the Chang-Liu Basin adjacent to the Xiangjiang River. With an area of 11,819 km² and a population of more than eight million, the city has jurisdiction over six districts, one county, and two county-level cities.

In addition to being an important city within the Yangtze River Economic Belt and the Belt and Road Initiative, Changsha is also a pioneering area of China-Africa economic and trade cooperation. As the "Construction Machinery Capital of the World", the city has an industrial chain based on construction machinery and new materials. It is also a hub for automobiles, information technology, household appliances, and biomedical research.

In 2021, Changsha 'GDP reached 1.3 trillion RMB with an increase of 7.5% compared to the previous year. In 2021, the per capita disposable income of urban residents in Changsha came to 55,587 RMB, an increase of 7.9% compare to the previous year.

Changsha's total import and export volume reached 278 billion RMB in 2021, with an increase of 18.2% from the previous year. Among them, the exports amounted to 198 billion yuan, up 27.7%. and the total value of imports of 80 billion RMB.

In 2021, Changsha's top three trading partners were ASEAN, the United States, and the European Union, with trade values of 97.7 billion yuan, 81.59 billion yuan, and 61.84 billion yuan, respectively. Furthermore, Changsha's trade with other members of RCEP and countries along the Belt and Road had continued to grow steadily.

Main Sectors in Changsha:

- Automotive
- Steel industry
- Industrial machinery
- Raw materials

Main Industrial Areas in Changsha:

- Changsha Economic and Technological Development Zone
- Changsha High-tech Industrial Development Zone
- Changsha Huanghua Comprehensive Bonded Zone

Development of Social Credit System

The General Office of the Central Committee of the Communist Party of China and the General Office of the State Council have recently distributed the Opinions on Promoting the High-quality Development of Social Credit System to Form A New Pattern for Development (the "Opinions").

The Opinions propose the following main measure: (1) smoothing domestic circulation by building a sound credit mechanism; (2) promoting domestic and international dual circulation by building a sound credit environment; (3) driving

the financial sector to serve the real economy by replying on a solid credit foundation; and (4) improving social integrity by means of effective credit regulation and credit services. Among others, the Opinions call for strengthening credit building for two-way international investment and foreign cooperation; thoroughly implementing the Foreign Investment Law and its implementing regulations, improving the pre-entry national treatment plus negative list management system for foreign investment, protecting the legitimate rights and interests of foreign investors, enhancing international cooperation in intellectual property protection, and maintaining and raising the attractiveness of foreign investment. Efforts shall also be made to strengthen credit building in outbound investment and overseas contracted projects, strengthen the collection, sharing, and application of credit information, promote the application of electronic licenses, improve incentives for honest acts and punishment against dishonest acts, and regulate market order.

China's GDP by Province 2021

In 2021, China's gross domestic product (GDP) reached 17.7 trillion USD, which is an 8.1 percent increase from the previous year, according to data collected from the National Bureau of Statistics (NBS). Guangdong (USD 1,928 billion), Jiangsu (USD 1,804 billion) and Shandong (USD 1,288 billion) each take place as the top provinces by GDP. The top performers of the country which showed the highest growth percentage were Hubei (12.9%), Hainan (11.2%), and Shanxi (9.1%).

Top Provinces

Guangdong, located in the Southern part of China, remains the highest GDP among all the provinces in China for 33 consecutive years. In 2021, Guangdong recorded an 8 percent GDP growth and is the country's first and only province to exceed 1,900 billion U.S dollars.

Dongguan in Guangdong province, often called the "factory of the world", recorded over 157 billion U.S dollars and became the 24th Chinese city to surpass this milestone. The city passing the 157 billion USD threshold continues to showcase the country's economic resilience during this pandemic. In 2021, its industrial investment increased by 25.3 percent year on year, which demonstrates entrepreneurs' confidence in the future. Overseas investment also continues to show support in the city with foreign investment of nearly 3.75 billion U.S dollars in 2021.

Meanwhile, the remaining of the top 5 provinces also saw new highs in 2021. Jiangsu recorded a GDP of 1,804 billion USD which is the first time the province has exceeded the 1,000 billion-mark, with a 2.1 billion USD increase compared to the previous year. Shandong also hit a new record for the province as it ranked 3rd in China with a GDP of 1,288 billion USD. Zhejiang exceeded 1,000 billion USD for the first time, recording 1,140 billion USD which puts them in 4th place overall. Finally, Henan completes the top 5 provinces of the country with a GDP of 913 billion USD.

Notable Economic Growth Performers

In 2021, Hubei was the driving force for China's recovery with a 12.9 percent GDP growth rate compared to the previous year. This notable growth indicated Hubei's strive and determination to return to situations prior to the disruption of the COVID-19 pandemic. Hainan came at 2nd ranked with a growth rate of 11.2 percent which was driven by tourism, advanced technology, modern services, and agriculture. According to the Hainan Provincial Bureau of Statistics, more than 81 million domestic and overseas tourists visited Hainan in 2021, which increased by 25.5 percent year on year. Shanxi completes the top 3 performers with a 9.1 percent growth rate. Shanxi recorded that its agriculture, forestry, husbandry, and fisheries increased by 11.9 percent in the second half of 2021.

Economic performance of Southern China prevails against the North

In terms of region, Shandong (1,288 billion USD) and Henan (913 billion USD) was the only northern provinces among the top 10 provinces by GDP in 2021, while the rest were all located in the southern parts of China. In the north, the next top performing provinces were Hebei (626 billion USD), Beijing (624 billion USD), and Shaanxi (462 billion USD) which ranked 12th to 15th in the country, respectively. Increasing energy-related prices allowed Shanxi to record the fastest northern province to have economic growth (9.1%), which is ranked 3rd overall by Real growth in 2021.

Zhengzhou and Economic Trends

Zhengzhou is the capital and largest city of Henan Province in the central part of the of China, and it serves as the province's political, economic, cultural, financial, scientific and educational center. The city covers 7,446 km² and has a population of 12.6 million. Zhengzhou has jurisdiction over 6 urban districts, 5 county-level cities and 1 county.

Zhengzhou has grown into a trade and logistics center in Central China and made it to the list of National Central Cities. It holds a prominent position among China's integrated transportation hubs and is one of inland China's main cities along the Belt and Road.

It is one of the few cities in China that are located at the junction of many national highways and expressways. it is the largest railway container center in China and has the largest train fleet in Asia.

Zhengzhou is attracting more and more domestic and international investments due to its strategic location along China's rail, road, and aviation transport networks, transforming the city into one of the largest economic centers in China. Zhengzhou's GDP reached 1,269 billion RMB in 2021 with an increase over previous year of 4.7%. The city's overall per capita disposable income increased in 2021 to 25,301 RMB.

In 2021, the total import and export volume reached 589 billion RMB, an increase of 19.1% compared to the previous year.

Main Sectors in Zhengzhou:

- New materials
- Biology and Medicine
- Automotive
- Equipment Manufacturing

Main Industrial Areas in Zhengzhou:

- Zhengzhou Economic and Technological Development Zone
- Zhengzhou High-tech Industrial Development Zone
- Zhengzhou Xinzheng Comprehensive Bonded Zone

2022 Tax Policies in Shenzhen Qianhai

In 2022, China issued several tax circulars and fiscal rules that granted incentives and benefits for companies and individuals.

Circular 30 grants to eligible enterprises engaged in encouraged business activities in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone to enjoy a reduced CIT rate of 15 percent.

Shenzhen Qianhai encourages businesses in 30 industries grouped into five broad categories: modern logistics, information services, technology services, cultural and creative industries, and commercial services.

Wuhan and Economic Trends

Wuhan is the capital of Hubei Province located in South Central China. It is the largest city in Hubei and the most populous city in Central China, with a population of 12 million covers an area of 8,579 km², and comprises 13 districts, which are subdivided into 160 townships, including 156 sub-districts, 3 cities, and 1 township.

As a "high-growth city", Wuhan enjoys a reputation as central China's major transportation and trading hub with solid economic foundations and is set to benefit even more from China's Belt and Road Initiative. The city is prioritizing the development of world class industrial clusters in optoelectronic information, automobiles and parts, biomedicine and medical equipment and environmental protection. Alongside its plans to develop itself as a global logistics hub, it has plans to strengthen the supply chain cooperation and create a business-friendly environment.

In 2021, Wuhan's GDP reached 1.7 trillion RMB, with an increase of 12.2% compared to the previous year. In 2021, the per capita disposable income of urban residents in Wuhan came to 55,297 RMB, an increase of 9.8% over the previous year.

In 2021, the added value of Wuhan's primary, secondary and tertiary industries reached over 44.4 billion RMB, 620.8 billion RMB and 1.1 trillion RMB, respectively, up 8.7%, 12.1% and 12.3% year on year.

The city's total imports and exports reached 336 billion RMB in 2021, an increase of 24% over the previous year.

Main Sectors in Wuhan:

- Manufacturing
- Automobile
- Pharmaceutical
- Biotechnology

Main Industrial Areas in Wuhan:

- Wuhan Economic and Technological Development Zone
- Wuhan Airport Economic and Technological Development Zone
- Wuhan Donghu New Technology Development Zone
- Wuhan Donghu Comprehensive Bonded Zone
- Wuhan Xingang Airport Comprehensive Bonded Zone
- Hubei Wuhan Export Processing Zone

Faster VAT Refund Policy

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

The Announcement stipulates that, tax authorities should, according to the Announcement to Further Step up the Application of End-of-Period Excess Input Value-Added Tax Credit Refund Policies, expedite the handling of excess input VAT credit refund for small and micro enterprises, accelerate the progress of tax refund based on applications of taxpayers, and implement the tax refund policies requiring collective refund of existing excess input VAT credits to micro enterprise by April 30, 2022, and to small-sized enterprises by June 30, 2022, respectively. The Announcement also clarifies that the existing VAT credits of medium-sized enterprises will be refunded in advance, and that Item 2 of Article 2 of the Announcement [2022] No. 14 is revised to read: "Eligible medium-sized enterprises in the manufacturing and other industries may, from the tax filing period of May 2022, apply to the competent tax authorities for a one-time refund of the existing VAT credits." The existing VAT credits of medium-sized enterprises will be refunded, based on voluntary applications of taxpayers, by June 30 in a centralized manner.

Nanjing and Economic Trends

Nanjing is the capital city of Jiangsu Province in East China. Nanjing, which is located in southwestern Jiangsu, covers a total area of 6,958 km² with a population of 9 million, it's a sub-provincial city divided into 11 districts and 100 township.

A dense network of train and road routes link Nanjing to cities and towns in the densely populated Yangtze River Delta. Logistics and distribution companies also make use of the warehouses and industrial properties adjacent to the Port of Nanjing, which is the largest inland-river petrochemical transfer port in China and the third-largest inland river port in China. The Nanjing Lukou International Airport is a bustling domestic and international hub and the 11th-busiest cargo airport in China.

The city of Nanjing is a key regional business hub with a growing number of domestic and international enterprises. A large portion of the city's GDP comes from service industries, including financial services, culture, and tourism. Nanjing is an industrial technology research and development hub, hosting many R&D centers and institutions, especially in areas of electronics technology, information technology, computer software, biotechnology and pharmaceutical technology and new material technology.

In 2021, Nanjing's GDP reached 1.6 trillion RMB, with an increase of 7.5% compared to the previous year. In 2021, the per capita disposable income of urban residents in Nanjing came to 66,140 RMB, an increase of 9.1% over the previous year.

The added value of Nanjing's primary industry was 31 billion RMB, a year-on-year increase of 0.8%; the added value of the secondary industry was 590 billion RMB, a year-on-year increase of 7.6%; the added value of the tertiary industry was 1,015 billion RMB, a year-on-year increase of 7.6%.

Main Sectors in Nanjing:

- Automobiles
- Petrochemicals
- Biopharmaceuticals
- Retail/Consumer Market

Main Industrial Areas in Nanjing:

- Nanjing Baixia Hi-Tech Industrial Zone
- Nanjing Economic and Technological Development Zone
- Nanjing Export Processing Zone
- Nanjing New and High-Tech Industry Development Zone

IMF Forecast Emerging Asia +5.4% 2022

The International Monetary Fund's most recent estimates released in April 2022 projects global growth at 3.6 percent in 2022 and 2023, 0.8 and 0.2 points lower than in the January forecast, respectively.

The recovery will be driven by the Emerging and Developing Asia region, with an aggregate growth of 5.4 percent in 2022 and 5.6 percent in 2023.

In China, the growth forecast for 2022 has changed from January by 0.4 points to 4.4 percent, and by 0.1 point to 5.1 percent in 2023. As for India, growth is expected to be 8.2 percent in 2022, downward 0.8 points, and 6.9 percent in 2023, previously 7.1 percent.

The IMF lowered the GDP growth projection for largest five ASEAN economies by 0.3 points to 5.3 percent for this year and by 0.1 point to 5.9 percent for next year. Based on the latest IMF estimates, the Philippines' GDP expansion in 2022 of 6.5 percent, is faster than the average of the ASEAN-5: Vietnam's 6 percent, Malaysia's 5.6 percent, Indonesia's 5.4 percent and Thailand's 3.3 percent.

Among advanced economies on the Asian continent, Singapore leads with an expected growth of 4 percent and 2.9 percent, in 2022 and 2023 respectively, Japan will see GDP increase by about 2.4 percent in 2022 and 2.8 percent in 2023, with South Korea's expected 2.5 percent growth in 2022 and 2.9 percent in 2023.

China's GDP +4.8% Q1 2022

Based on the latest data disclosed by the National Bureau of Statistics on 18 April, the first quarter GDP rose by 4.8% to 27,018 billion RMB, topping expectations for a 4.4% gain and picking up from 4% in the fourth quarter.

The economy was boosted by a strong performance in January and February, with several indicators for those two months exceeding analysts' predictions. January-March GDP increased by 1.3% in quarter-on-quarter terms, compared with expectations for a 0.6% rise and a revised 1.5% gain in the previous quarter.

Industrial production, which measures activity in manufacturing, mining, and utilities, went up 6.5% year on year in the first three months. In March alone, industrial output rose 5% year on year and 0.39% from the previous month.

The output of the manufacturing sector increased 6.2%, while the production and supply of electricity, heat, gas and water rose 6.1%.

The high-tech manufacturing and equipment manufacturing industries saw marked growth by expanding 14.2% and 8.1%, respectively.

Fixed asset investment, a gauge of expenditure on items including infrastructure, property, machinery and equipment, rose by 9.3% to 10,866 billion RMB year-on-year in the first quarter, compared with an expected 8.5% increase.

China's retail sales of consumer goods, a major indicator of the country's consumption strength, went up 3.3% year on year in the first quarter. The country's retail sales of consumer goods totaled around 10.87 trillion RMB during this period. However, in March alone, retail sales decreased by 3.5% year on year.

Total import and export of goods for the first quarter rose by 10.7% to 10,487 billion RMB. Among them, the export amount was 5,226 billion RMB, rose by 13.4%. The import amount was 4,189 billion RMB, rose by 7.5%.

China's Electronic VAT Invoices

Electronic special invoices are special VAT invoices, and their legal effect, basic purpose, and basic usage regulations are the same as those of the paper special VAT invoices.

Electronic special invoices were initially introduced for newly established taxpayers in 11 regions throughout China since the 21st of December 2020, namely Anhui, Chongqing, Guangdong, Hebei, Jiangsu, Ningbo, Shanghai, Shenzhen, Sichuan, Tianjin, and Zhejiang while the scope of invoice recipients covered the whole country.

From the 21st of January 2021, electronic special invoices were further expanded and are now applicable for newly established taxpayers in 25 additional regions, namely Beijing, Dalian, Fujian, Gansu, Guangxi, Guizhou, Hainan, Heilongjiang, Henan, Hubei, Hunan, Inner Mongolia, Jiangxi, Jilin, Liaoning, Ningxia, Qingdao, Qinghai, Shaanxi, Shandong, Shanxi, Tibet, Xiamen, Xinjiang, and Yunnan, with the scope of recipients covering the whole country.

How can a new taxpayer apply for an electronic special VAT Invoice?

The tax bureau will issue tax U-Keys to new taxpayers free of charge, and provide free online system to public for electronic special invoice issuance, invoice status query and information batch download services upon registration of the new company with the tax authorities.

How to ensure the validity of the electronic special VAT Invoices?

The "Announcement" clarifies that electronic signatures replace the special invoice seal on paper invoices with electronic signatures, and its legal effect, basic purposes, and basic usage regulations shall be considered to be same as those of paper invoices. Businesses and individuals can check the information of electronic special invoices through the national VAT invoice inspection platform, or download the format document reader of VAT electronic invoices through the e-tax platform to check the electronic special invoice and verify the validity of the electronic signature.

Can paper VAT Invoices still be issued?

The "Announcement" emphasizes that after the implementation of electronic special VAT Invoices, new taxpayers can issue electronic special VAT Invoices or paper special VAT Invoices. If the VAT Invoice receiver asks for a paper invoice, the issuer shall issue a paper VAT invoice. If the taxpayer uses electronic invoices for reimbursement and filing, it shall be implemented in accordance with the "Notice of the State Archives and Administration of the Ministry of Finance on Regulating the Filing of Electronic Accounting Vouchers for Reimbursement and Filing" (Cai Kuai [2020] No. 6).

Can companies registered before the new policy issue electronic Special VAT Invoices?

At present, old taxpayers (tax payer established before the above date in various places) can only apply for electronic ordinary VAT invoices , and cannot apply for electronic special VAT invoices. For special VAT invoices, old taxpayers can only issue paper ones.

China-Asia Trade and GDP Update

In April, several reports published on estimates for global trade and economic growth, from the World Trade Organization to the World Bank all estimates predict a slowdown caused by the conflict in Europe, the pandemic and pandemic containment measures.

Chinese customs confirmed on April 13 the data of Beijing's international trade for March 2022 with a reduced growth in exports of 14.5 percent compared to the first two months that had aggregate growth of 16.3 percent and imports in contraction -0.1 percent compared to the first two months (15.5 percent). This confirms the impact of the lockdown of Shanghai; the commercial capital of China represents not only the economic development of China but of the whole world; the lockdown of the municipality, also freezes Shanghai port, which manages the largest volume of trade globally.

The Asian Development Bank (ADB) updated its estimates in April to forecast growth for Asia of 5.3 percent in 2022 down from 6.9 percent in 2021 and an estimated 5.3 percent in 2023, according to the latest ADB report that predicts an impact from the war in Ukraine. the increase in commodity prices, the Covid-19 variants that are widespread in the region and the increase in American interest rates.

Asian Development Bank forecasts that China, the region's largest economy, will grow by 5 percent in 2022 and 4.8 percent in 2023, while India is expected to grow by 7.5 percent in 2022.

The report predicts different performances in sub-regional areas, with the highest growth for South Asia with 7 percent, followed by Southeast Asia with 4.9 percent and East Asia with 4.7 percent.

The World Bank in its April outlook forecasts 2022 growth for East Asia and the Pacific, including China, at 5 percent in the baseline scenario but considers a slowdown to 4 percent possible if conditions weaken further.

In Southeast Asia, the countries in the region that will see the most growth in 2022 are the Philippines, Malaysia, Vietnam and Indonesia.

China Trade +13% in Q1 2022

In the first quarter of this year, the total amount of Chinese international trade rose 13% compared to Q1 2021. According to the trade figures disclosed by the General Administration of Customs of China, the total flow of goods between China and its trading partners reached USD 1,479 billion, a 13% increase compared to USD 1,309 billion last year.

Exports grew by 15.8% over a year earlier to USD 821 billion, while the growth of imports slowed to 9.6%, for a total amount of USD 658 billion.

The ASEAN trading bloc surpassed the European Union as the first trading partner of China, with USD 212 billion of total trade, derived from the important rise of Chinese imports from South-East Asia. ASEAN members are also part of the RCEP, the largest free trade zone by aggregated GDP of its members. RCEP partners account for 30.4% of total Chinese trade (USD 450 billion), receiving 26.4% of Chinese exports (USD 217 billion) and sourcing 35.4% of Chinese imports (USD 233 billion).

The European Union is the second partner of China, with over USD 206 billion in trade flows. In the first quarter of the year, total trade with the EU rose by 12.2%; however, despite the 23.3% increase in Chinese exports, it shall be highlighted that Chinese imports from the EU declined by 4.5% over the previous year.

The United States are the third trading partner and the leading destination of Chinese exports: in the first quarter of the year, China exported to the USA over USD 139 billion (16.9% of total Chinese exports, +16.7%), while imports from the US in the same period were USD 47 billion, +0.8% over a year earlier.

It is also interesting to note that trade between China and Russia jumped by 28.7% in USD terms over the previous year, with USD 38 billion of goods traded, boosted by Chinese imports from Russia (+31% over the Q1 2021).

R&D Deduction for Sci-tech SME

Three departments, including the Ministry of Finance ("MOF"), have jointly released the Announcement on Further Increasing the Proportion of the Pre-tax Additional Deduction for Research and Development Expenses for Small and Medium Sci-tech Enterprises (the "Announcement"), with effect from January 1, 2022.

The Announcement specifies that, regarding the actual research and development ("R&D") expenses incurred by a small and medium sci-tech enterprise its R&D activities, starting from January 1, 2022, an additional 100% of the actually incurred costs may be deducted before tax, on the basis of actual deductions as required, provided that no intangible asset has been formed and then balanced into its current gains and losses; where any intangible asset has been formed, starting from January 1, 2022, such costs may be amortized at the rate of 200% of the intangible asset's costs before tax. The Announcement further clarifies that the conditions for identifying and the administrative measures for the small and medium sci-tech enterprises shall be subject to the Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Taxation Administration on Issuing the Measures for Evaluating Small and Medium Sci-tech Enterprises.

Ningbo and Economic Trends

Ningbo is a large sub-provincial city located in the northeastern part of Zhejiang Province in East China. The city covers 9,816 km² and has a population of 9.4 million. Ningbo governs six districts, two counties, and two county-level cities.

The port of Ningbo-Zhoushan is one of China's major ports for international cargo and container transport, which is also assured by good shipping and airline services. The Ningbo-Zhoushan International Airport ensures a steady flow of passengers and convenient logistics and transport.

The city is a dynamic business hub. A highly developed private sector is the most distinctive feature of Ningbo, as well as the main force behind the city's dynamic socioeconomic development. Ningbo's GDP reached 1,241 billion RMB in 2020 with an increase over previous year of 3.3%. The city's overall per capita disposable income increased in 2020 to 77,758 RMB.

In 2020, the total import and export volume reached 978 billion RMB, with an increase of 6.2% compared to the previous year, with the total value of exports of 640 billion RMB and the total value of imports of 338 billion RMB, up 7.3% and 5.6% percent respectively.

Taking full advantage of its port and favorable opening-up policies, Ningbo has become a nationwide economic center of advanced manufacturing. The project involves the establishment of a modern manufacturing system with a full range of industries. Ningbo has provincial-level autonomy in making economic and financial policies.

Main Sectors in Ningbo:

- Petrochemicals and equipment manufacturing
- Automotive
- Energy efficiency and environmental protection
- Electronics and IT manufacturing

Main Industrial Areas in Ningbo:

- Ningbo National High-tech Zone
- Ningbo Economic & Technical Development Zone
- Ningbo Hangzhou Bay New Area

Ningbo Free Trade Zone:

Authorized by the State Council in 2002, the Ningbo Free Trade Zone covers a total area of 3 km² together with the Zhejiang Ningbo Export Processing Zone. Enjoying the national preferential policy of "certificate exemption, tax exemption and free trade" and operating in the mode of "inside the border and outside the customs", the NFTZ has the functions of import and export production, international trade, bonded storage and product exhibition.

The NFTZ has established itself as a high-tech development base and an important import and export logistics distribution center in East China with its industrial clusters of computer, optoelectronic semiconductor, precision machinery and software, and clusters of international trade and warehousing logistics enterprises.

Digital Yuan New Phase

Chinese experts affirm that the orderly expansion of digital renminbi trials, is expected to advance its research and development and wide-range applications as the nation works to build a robust ecosystem to support its digital currency (e-CNY).

The third set of regions that will be involved in the e-CNY trials are Tianjin and Chongqing municipalities, and Guangdong Province.

Chinese central bank, the People's Bank of China, released its list of new regions for e-CNY including Fuzhou and Xiamen in Fujian Province, as well as six cities (Hangzhou, Ningbo, Wenzhou, Huzhou, Shaoxing and Jinhua) related to the 19th Asian Games, which will be held in Zhejiang province.

The digital yuan is expected to be used beyond retail payment scenarios in the near future after more tests are conducted in China's banking system. A key focus of current tests is on the digital renminbi's ability to process consumer payments and has been progressing steadily. The central and commercial banks will need to conduct a large number of tests before the digital renminbi is ready for wide usage.

China has steadily advanced e-CNY research and development in recent years. The outlines of the 14th Five-Year Plan (2021-25) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 have included that task, and more than 10 provincial regions have declared their ambition to pilot digital renminbi services.

China made the digital yuan available in 10 pilot regions as well as the Olympic stadiums in Beijing 2022 before the third wave of pilot regions. Those 10 regions included Shenzhen, Shanghai, Suzhou in Jiangsu province. Hainan was the only provincial-level trial region.

People's Bank of China data shows that by the end of 2021, 261 million digital yuan wallets had been opened and transactions amounted to nearly 87.57 billion yuan (13.78 billion U.S. dollars) .

Guangzhou and Economic Trends

Guangzhou is the capital and the largest city of Guangdong province located in South Central China. The city lies on the northern edge of the Pearl River Delta, on the edge of the South China Sea and it is adjacent to Hong Kong and Macau. Guangzhou has 11 districts under its jurisdiction, with a total area of 7,434 km², 136 sub-district offices and 34 towns. At the end of 2020, the resident population was 18 million.

As a well-known transportation and communication hub Guangzhou is the birthplace of ancient China's "Maritime Silk Road". The city's port has a cargo handling capacity of 636 million tons and a throughput capacity of 23 million standard containers. Baiyun International Airport is mainland China's busiest airport, serving 44 million passengers in 2020. Economic development has promoted the continuous improvement of Guangzhou as a junction center of the Beijing-Guangzhou, Guangzhou-Shenzhen, Guangzhou-Wuhan railways, and civil aviation transportation.

In 2020, Guangzhou's GDP reached 2.5 trillion RMB with an increase of 2.7% compared to the previous year. In 2020, the per capita disposable income of urban permanent residents in the city has been 68,304 RMB, an increase of 5.0%.

In 2020, the city's total foreign trade import and export value was 953 billion RMB, with the total value of exports of 543 billion RMB and the total value of imports of 410 billion RMB. The actual use of foreign capital in the whole year was 49,372 billion RMB, a year-on-year increase of 7.5%.

The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area advocates Guangzhou as a major driver of regional development. The city has strengthened its functions as an international trade and an integrated transportation hub, developing into a global metropolis.

Main Sectors in Guangzhou:

- High tech industry
- Advanced manufacturing industries
- Information technology, smart equipment and robots
- Biomedicine

Main Industrial Areas in Guangzhou:

- Guangzhou-Hong Kong Scientific and Technological Cooperation Park
- Guangzhou Yunpu Industrial Park

- Guangzhou Development District Xiqu Industrial Park
- Guangzhou International Biotech Island
- Huangpu Lingang Economic Development Zone

Nansha Area of Guangzhou in Guangdong Pilot Free Trade Zone

China (Guangdong) Pilot Free Trade Zone was approved by the State Council on 2014. The zone covers 116 km² and three areas: Nansha Area of Guangzhou, Qianhai & Shekou Area of Shenzhen and Hengqin Area of Zhuhai.

Nansha Area in Guangzhou gives priority to maritime logistics, special finance, international trade, high-end manufacturing and other industries. The Area is one of the country's three shipbuilding bases, a domestic auto manufacturing and export base, as well as a nuclear power equipment production base in the Pearl River Delta region.

Nansha has maintained a high-quality economic development with its gross regional domestic product achieving an annual growth of 10.4% year-on-year on average from 2014 to 2019. The annual average growth for fixed-asset investment has amounted to 13.3% during the same period, while the growth rate for total revenue was 13.2%. The foreign direct investment utilization grew by 13.2% on average on a yearly basis.

China's new measures for government procurement

The Ministry of Finance ("MOF") has recently released the Interim Administrative Measures for Procurement under the Government Procurement Framework Agreement (the "Measures"), with effect from March 1, 2022.

Learning from international experience, the Measures specify the administrative system for the procurement under the framework agreement, with a view to fundamentally and systematically addressing relevant problems and building a long-term mechanism. The Measures clarify that, in case of any of several circumstances, such as "centralized procurement is made for items under the catalog and their supporting essential consumables and parts, which constitutes small-scale or sporadic procurement", procurement under the framework agreement can be adopted. The Measures make clear that procurement under the framework agreement can be divided into close-end procurement and open-end procurement under the framework agreement, with the former being the main form. The framework agreement is mainly concluded between centralized procurement entity and competent budget entity.

The Measures also point out that, in two phases of the procurement under the framework agreement, suppliers can raise their doubts and complaints in accordance with the law; measures to deal with relevant violations are also given.

Tax Deferral for Manufacturing

The Ministry of Finance and the State Administration of Taxation jointly released the Announcement [2022] no. 2 on "Relevant Matters concerning Extending the Deferral of Some Taxes for Medium, Small and Micro Manufacturing Enterprises", effective from the date of issuance.

The Announcement clarifies that, the deferral of some taxes for medium, small, and micro manufacturing enterprises for the fourth quarter of 2021 will be extended, and some taxes may be deferred in the first and second quarters of 2022. According to the Announcement, the policy for the deferral of some taxes for medium, small, and micro manufacturing enterprises for the fourth quarter of 2021, as introduced in the Announcement on "Relevant Matters concerning the Deferral of Some Taxes for Medium, Small and Micro Manufacturing Enterprises for the Fourth Quarter of 2021", will be extended for six months. The Announcement stipulates that, of the medium, small and micro manufacturing enterprises that meet the conditions as specified in the Announcement, medium-sized manufacturing enterprises may defer 50 percent while small and micro manufacturing enterprises may fully defer all taxes specified in the Announcement, after filing their tax returns in accordance with the law, and the term of such deferral will be six months.

According to the Notice of the National Bureau of Statistics on the “Latest Measures for the Classification of Enterprises into Micro, Small, Medium and Large-sized ones for Statistical Purposes” (2017), an enterprise is classified in one of the categories based on the industry, the number of employees and the yearly turnover. For enterprises engaged in the manufacturing business, the thresholds to be classified as SME are:

- Number of employees lower than 1,000 persons; and
- Annual turnover lower than RMB 400 million.

Suzhou and Economic Trends

Suzhou is a major prefecture level city in Jiangsu Province of East China. Suzhou is bordering Shanghai to the east, Zhejiang to the south, embracing Taihu Lake towards its west and nestled by the Yangtze River to the north. It is home to a population of 13 million on a total area of 8,657 km².

Under Suzhou City there are four county-level cities, including Zhangjiagang, Changshu, Taicang and Kunshan, and six districts, including Wujiang, Wuzhong, Xiangcheng, Gusu, Suzhou Industrial Park and Suzhou Hi-tech Zone.

Famous in the past for its flourishing silk industry, today Suzhou is one of the most visited cities in China because of its pagodas and canals, which it is known as “the Venice of the East”. 9 Classical Gardens of Suzhou and the Suzhou section of the Grand Canal are listed into the Directory of World Cultural Heritage Sites. The Kunqu Opera, the Suzhou Tapestry Method and the custom of the Suzhou Dragon Boat Festival are also included in the representative list of the UNESCO Intangible Cultural Heritage List.

Suzhou is one of the cities with the highest economic development in China. In 2020, Suzhou’s GDP reached 2,017 billion RMB, ranking sixth in the country and first in Jiangsu province.

Suzhou implements a reform for the business by separating permits from licenses and adopts reform for construction project approval through “more plans and a review”. The total exports hit 1,295 billion RMB and the total imports of 938 billion RMB. In 2020, 2,829 enterprises with foreign investment were registered in the prefecture.

In 2018, “The Yangtze River Delta Integrated development” was upgraded to a national strategy and consists of the construction of a green and integrated development demonstration zone.

Main Sectors in Suzhou:

- Heavy Industry
- Textile Industry
- Raw Chemical Materials and Chemical Products
- General Equipment Manufacture

Main Industrial Areas in Suzhou:

- Suzhou Industrial Park
- Suzhou New District (SND) and the SND Integrated Free Trade Zone
- China Suzhou Innovation Park
- Suzhou High-tech Industrial Development Zone

Suzhou Free Trade Zone

Located in Suzhou Industrial Park, the Suzhou Free Trade Zone (SFTZ) covers 60 km² and is composed of the High-end Manufacturing and International Trade Zone, Dushu Lake Science and Education Innovation Zone.

The SFTZ will aim to build the world's first-class high-tech industrial park, firmly grasp the critical national opportunities of the Belt and Road Initiative, the Yangtze River Economic Belt, the integrated development of the Yangtze River Delta and fully play its advantages as a state-level development zone.

China's IIT Childcare Deductions

In 2021 China unveiled the Three-Child Policy to increase the birth rate, maximize the role of the population in driving social and economic growth, and reduce the long-term demographic imbalances. Moreover, measures were announced to support couples to have children and ease the tax and financial burden (primarily educational and housing costs) of raising them. On 5 March 2022, the Government Work Report discussed during the National People's Congress suggested that the expenses for the care of infants and young children under the age of 3 shall be included among the special additional deductions for individual income tax purposes.

The State Council subsequently issued on 19 March 2022 the Circular Guofa [2022] no. 8 on "Establishing Special Additional Deductions for Individual Income Tax for the Care of Infants and Young Children Under 3 Years of Age", followed by the Announcement of the State Administration of Taxation [2022] No. 7 "on Amending and Promulgating the Operational Measures for Special Additional Deductions for Individual Income Tax (Trial Implementation)".

According to Circular Guofa no. 8, individual taxpayers can deduct, when computing their individual income tax, the expenses related to the care of infants and children under the age of 3 at a fixed rate of RMB 1,000 per month for each child or infant, from the month of birth to the month before the child turns 3 years old .

The deduction can be enjoyed 100% by one of the parents, or both parents can deduct 50% each. Taxpayers can require employers to include the deduction at the monthly withholding of the individual income tax or during the annual settlement.

The special additional deduction related to expenses for caring for infants and children, which is applicable from 1 January 2022, is the latest deduction for individual taxpayers after the six types of special additional deductions introduced at the end of 2018 (Circular Guofa [2018] no. 41).

The special additional deductions, that were implemented starting from the tax year 2019, include deductions for expenses related to children's education, continuing education, medical treatment for critical illness, interest on the loan for house purchasing (or the rental), and elderly support.

Shenzhen and Economic Trends

Shenzhen is a municipality under the jurisdiction of Guangdong Province situated on the coast of the South China Sea and adjacent to Hong Kong and Macau. The city covers an area of 1,997 km², traversed by 362 rivers and 12 major river basins. Shenzhen has 9 administrative districts and the Dapeng New District. As of the end of 2020, the permanent resident population stood at around 18 million.

Shenzhen is located on the eastern shore of the Pearl River Estuary, with Daya Bay and Dapeng Bay to the east; the Pearl River Estuary and Lingdingyang to the west; the Shenzhen River to the south is connected to Hong Kong; and Dongguan and Huizhou are to the north. The vast sea connects the South China Sea and the Pacific Ocean. It is the central engine of the Guangdong-Hong Kong-Macao Greater Bay Area.

Shenzhen has a world-class container hub port, the most continental port in Asia, and the fifth largest airport in China. By the end of 2019, Shenzhen Port had 15 container berths with a berthing capacity of 200,000 tons, making it the preferred port for super-large container ships in South China. There are 8 railway stations including the Guangzhou-Shenzhen-Hong Kong high-speed railway. Shenzhen Bao'an International Airport is an international hub airport. In

2008, Shenzhen was recognized by UNESCO as China's first "design capital", marking the transition from a manufacturing economy to a creative service economy through design.

In 2020, the city's GDP was 2,767,024 billion RMB, with a growth rate of 3.1%. The annual salary of on-the-job employees was 139,436 RMB. The total value of foreign trade jumped to 3.3 trillion RMB. The value of exports was RMB 1,697 billion, up 1.5% year-on-year, accounting for 39% of Guangdong's total exports and 9.5% of China's exports. The value of imports was 1,353 billion RMB, a year-on-year decrease of 3.6%. The actual use of foreign capital in the whole year was 8.7 billion USD, a year-on-year increase of 11.2 %.

The number of international patent applications reached 17,500, accounting for 30.6% of the national total, becoming the first national innovation-oriented city.

Main Sectors in Shenzhen:

- Hi-tech Industries
- Electronic information systems
- Advanced manufacturing and automation
- Biotechnology and new pharmaceuticals
- New energy and energy conservation

Main Industrial Areas in Shenzhen:

- Shenzhen High-tech Zone North District
- Qianhai Area (Shenzhen-Hong Kong Free Trade Cooperation)
- Shekou Area (China Merchants Bloodline Shekou Gene)
- Shenzhen Bay Super Headquarters Base
- Houhai Financial Business Headquarters Economic Zone

Shenzhen Free Trade Zone

In 1980, Shenzhen was designated China's first Special Economic Zone, serving as a pioneer and test zone for the country's subsequent reform, opening-up and contemporary re-development. Since 1 July 2010, the Shenzhen Special Economic Zone has been extended to the entire city.

The Shenzhen FTZ is a special economic zone where companies registered there can benefit from advantageous trade policies, such as exemption from paying tax duties, a lower corporate tax rate of 15%, simplified and streamlined customs procedures, 0% exchange rate.

Shenzhen is a national economic center, a center of technological innovation and a major trade and logistics hub and is considered the hardware capital of the world.

In the first three quarters of 2021, the added value of registered companies increased by 7.4%, with an average growth of 8.3% over two years.

SMEs' New Equipment Deductions

The Ministry of Finance and the State Administration of Taxation jointly issued Announcement [2022] no. 12 about the Relevant Policies for Pre-tax Deduction of Equipment and Appliances for Small and Medium-sized Enterprises.

Announcement no. 12 aims to promote the equipment renewal and the technological upgrading of micro, small, and medium enterprises, providing that newly purchased equipment and appliances (i.e., fixed assets other than housing and buildings) by small and medium enterprises from 1 January 2022 to 31 December 2022 with a unit value of more

than 5 million RMB, can be deducted when computing CIT according to a certain percentage of the unit value based on the minimum depreciation period stipulated in the Implementing Rules of the Company Income Tax:

- For equipment and appliances with a minimum depreciation period of 3 years, the amount that can be deducted for CIT purposes is 100% of the unit value;
- For equipment and appliances with a minimum depreciation period of 4, 5, and 10 years, the amount that can be deducted for CIT purposes is 50% of the unit value. The remaining value can be deducted according to the remaining depreciation years.

According to the Implementing Rules of the Company Income Tax, the minimum depreciation period provided for fixed assets other than housing and buildings is:

- Ten years for aircraft, trains, vessels, machinery, mechanical apparatuses and other equipment used in manufacturing;
- Five years for appliances, tools, furnishings used in connection with manufacturing and business operations;
- Four years for vehicles other than airplanes, trains, and ships; and
- Three years for electronic equipment.

If the enterprise chooses to apply the policy mentioned above, the loss resulting from the deduction in the year can be carried forward for the next five years.

For the Announcement purpose, the category of micro, small, and medium-sized enterprises include taxpayers operating in non-restricted industries with a number of employees not exceeding 1,000 persons and operating revenue not exceeding RMB 400 million. For the IT, construction, leasing and business service industries, the threshold is 2,000 employees, operating revenue not exceeding RMB 1 billion or total assets not exceeding RMB 1.2 billion, while for real estate enterprises, the threshold consists of operating revenue not exceeding RMB 2 billion, or total assets not exceeding RMB 100 million.

The number of the employees shall be determined based on the number of persons with a labour relationship with the taxpayers, including dispatched staff.

The indicators related to the number of employees and total assets shall be determined according to the quarterly average value of the enterprise of the year. In the specific, the calculation is:

- To calculate the quarterly average as an average between the opening value and the closing value in the quarter; and
- To calculate the quarterly average of the year as the sum of the quarterly averages divided by 4.

In addition, eligible taxpayers can enjoy the above policy already during the year when making quarterly CIT prepayments.

The other policy implemented by Announcement [2018] no. 54 of the Ministry of Finance and State Administration of Taxation on “Relevant CIT Policies For Equipment and Appliances Deduction” and extended by Announcement [2021] no. 6 of the Ministry of Finance and the State Administration of Taxation on “Extending the Implementation Period of Certain Preferential Tax Policies” and related to the one-time CIT deduction for the newly acquired equipment and appliances (i.e., fixed assets not including housing and buildings) with a unit value not exceeding RMB 5 million is applicable until 31 December 2023.

China expands the application of VAT refund policies

The Ministry of Finance and the State Administration of Taxation jointly issued in March 2022 Announcement “on Further Enhancing the Implementation of the Policy for the Refund of Period-end Uncredited VAT” (MOF SAT Announcement [2022] no. 14). The State Administration of Taxation subsequently issued the Announcement “on

Relevant Tax Collection and Administration Matters Concerning Further Enhancing the Implementation of the Policy for the Refund of Period-end Uncredited Value-added Tax” (SAT Announcement [2022] no. 4) with the application procedure.

Both Announcement no. 14 and no. 4 will be effective from 1 April 2022 and enhance the implementation of the refund of period-end uncredited VAT extending to micro and small enterprises, advanced manufacturing taxpayers (including individual businesses) and to taxpayers 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”. Previously, only taxpayers operating in the advanced manufacturing industry were eligible (MOF SAT Announcement [2021] no. 15).

Micro and small enterprises (including individually owned businesses) will be eligible to apply for the full refund of the incremental VAT credit on a monthly basis and the refund of the existing VAT credit in a lump sum. Eligible taxpayers can apply for the refund of the incremental VAT starting from the filing period of April 2022. The refund of the existing VAT credit can be applied beginning in April 2022 (for micro-enterprises) and May 2022 (for small enterprises).

Taxpayers operating in Manufacturing and Other Sectors will be eligible to apply for the refund of the incremental VAT credit on a monthly basis and the refund of the existing VAT credit amount. Those taxpayers can apply for the refund of the incremental VAT credit starting from the tax filing period of April 2022 and for the refund of the existing VAT credit from July 2022 (for medium enterprises) and from October 2022 (for large enterprises).

Micro, small, and medium enterprises shall be classified according to the total assets and the VAT taxable sales in the previous year, while in order to be classified as an enterprise operating in Manufacturing and Other Sectors, the taxpayer shall derive more than 50% of its VAT taxable sales from one of the sectors.

To be eligible, the applicant taxpayers shall meet all the following conditions:

- The tax credit grade is A or B;
- In the 36 months prior to the application, they have not obtained a VAT refund or export refund fraudulently and not been subjected to penalties on two or more occasions
- They have not benefited from the “Refund upon Payment” and “Refund after Payment” policies for refunding the excess VAT since 1 April 2019.

Announcement no. 14 also specifies how to compute the incremental and existing VAT credit amount and the refundable part.

For the incremental VAT credit amount, before the taxpayer obtains the refund of the existing VAT credit amount, the incremental VAT credit amount shall be calculated as the increased VAT credit amount between its VAT credit amount at the end of the current period and that as at 31 March 2019. Once the taxpayer receives the existing VAT credit amount refund, the incremental VAT credit amount shall be the VAT credit amount at the end of the current period.

The existing VAT credit amount is the VAT credit amount as of 31 March 2019 or at the end of the current period, whatever is lower. Once the taxpayer receives the refund of its existing VAT credit, the existing VAT credit amount shall be zero.

For the calculation of the refundable VAT credit amount:

- Refundable incremental VAT credit amount: Incremental VAT credit amount * input VAT ratio * 100%
- Refundable existing VAT credit amount: Existing VAT credit amount * input VAT ratio * 100%

Where the input VAT ratio is calculated as the ratio of the deducted input VAT stated in the special VAT invoices and Customs certificates for import VAT to the total deducted input VT of the same period.

Optionally, a taxpayer can continue to carry its input VAT credit forward to the next period.

China VAT exemption for small-scale taxpayers

The Ministry of Finance and the State Administration of Taxation issued on 24 March 2022 the Announcement [2022] no. 15 "on Exempting Small-scale VAT taxpayers from VAT" to provide additional support for the development of micro and small enterprises.

According to the Announcement, small-scale VAT taxpayers subject to a 3% VAT rate on their sales revenue can be exempted from VAT from 1 April to 31 December 2022.

Previously, according to Announcement [2021] no. 11 issued by the Ministry of Finance and the State Administration of Taxation, small-scale VAT taxpayers with monthly sales not exceeding RMB 150,000 were exempted from VAT from 1 April 2021 to 31 December 2022. The latest policy extended the exemption, including all small-scale VAT taxpayers.

The category of small-scale VAT taxpayers identifies taxpayers engaged in producing goods or providing labour services with an annual VAT taxable revenue not exceeding RMB 5 million. The standard VAT applicable to those taxpayers is 3%, levied on the amount of taxable revenue. Unlike the general VAT taxpayers, the small-scale VAT taxpayers cannot claim input VAT as a credit against output VAT.

Chengdu and Economic Trends

Chengdu, located in Southwest China, is the capital of Sichuan Province. It has developed into a metropolis with a total registered population of 16 million in 2020, which live in its 5 urban districts, 7 sub-urban districts and 8 counties, covering a total area of 12,390 km².

Chengdu is located in the western part of the Sichuan Basin and the eastern edge of the Qinghai- Tibet Plateau. It is adjacent to Deyang City in the northeast, Ziyang City in the southeast, Meishan City in the south, Ya'an City in the southwest, and Aba Tibetan and Qiang Autonomous Prefecture in the northwest. There are several mountain ranges in the province, such as Qingcheng Mountain and the Jiufeng Mountain, and the Three Gorges of the Yangtze River.

Its economy is diverse, characterized by the machinery, automobile, medicine, food, and information technology industries. Chengdu Shuangliu International Airport, a hub of Air China and Sichuan Airlines, is one of the 30 busiest airports in the world, and the Chengdu railway station is one of the six biggest in China. Chengdu also hosts many international companies: more than 270 Fortune 500 companies have established branches in Chengdu.

Chengdu is the primary railway hub city and rail administrative center in southwestern China. The Chengdu–Dujiangyan high-speed railway connects Chengdu with the satellite city of Dujiangyan and the Mountain Qingcheng World Heritage Site. In 2020 4,317 international trains were launched, an increase of 35.5% over the previous year.

In the surrounding area of Chengdu, there are two world heritages, one being the world cultural and natural heritage Emei Mountain-Leshan Giant Buddha and the other world natural heritages Jiuzhaigou and Huanglong. Chengdu is benchmarked as the city investment environment in Chinese inland and granted with the title of the first "Gastronomy City of the World", "the Best Tourism City of China" by the World Bank, UNESCO and UNWTO.

In 2020, Chengdu's GDP reached 1,771 billion RMB with an increase of 4% compared to the previous year. The per capita disposable income of urban residents was 48,593 RMB, an increase of 5.9% over the previous year.

The total amount of foreign trade imports and exports in the year was 715 billion yuan, an increase of 22.4% over the previous year. Among them, the total export value was 410 billion yuan, an increase of 23.7%; the total import value was 305 billion yuan, an increase of 20.7%.

The “Belt and Road” economic and trade cooperation continued to deepen, and the total import and export volume to countries along the “Belt and Road” reached 223 billion yuan, an increase of 29.9%, accounting for 31.1% of the city's total import and export volume.

Main Sectors in Chengdu:

- Electronics and IT industries
- Financial industry
- Modern logistic industry
- Software and service outsourcing industry

Main Industrial Areas in Chengdu:

- Chengdu High-tech Industrial Development Zone
- Chengdu Economic and Technological Development Zone
- Sichuan Tianfu New District Chengdu Direct Management District
- Chengdu Eastern New Area

Chengdu Area of China (Sichuan) Pilot Free Trade Zone

Chengdu Area of China (Sichuan) Pilot Free Trade Zone is a regional free trade zone officially established on April 1st 2017. It covers a total area of 100 km² and consists of two areas, Tianfu New Area and Chengdu Qingbaijiang Railway Port Area. The Chengdu Tianfu New Area area focuses on the development of modern service industry, high-end manufacturing, high-tech, airport economy, port services and other industries. Chengdu Qingbaijiang Railway Port Area focuses on the development of international commodity distribution and transshipment, distribution and display, bonded logistics warehousing, international freight forwarding.

China’s lowest company income tax

The Ministry of Finance and the State Administration of Taxation issued the Announcement (SAT) on Further Implementing Preferential Income Tax Policies for Small and Micro Enterprises (Announcement No. 13 [2022] issued on 14 March and published on 18 March 2022 by SAT) to further reduce the tax burden on smaller enterprises and support their development.

Announcement No. 13 revised the income tax policy for small and low-profit enterprises with an annual taxable income exceeding 1 million CNY but not more than 3 million CNY: for those enterprises, only 25% of the taxable income exceeding 1 million CNY and up to 3 million CNY will be taxable and subject to a CIT rate of 20%, resulting in an actual tax rate of 5% (compared to the previous 10%).

The part of taxable income up to 1 million CNY will be still taxed and subject to an actual tax rate of 2.5%.

The Announcement also extended the policy to 2024: the new tax rates will be applicable from 1 January 2022 to 31 December 2024.

Small and low-profit enterprises have a taxable income, total assets, and total headcount not exceeding CNY 3 million, CNY 50 million, and 300 persons.

Hangzhou and Economic Trends

Hangzhou is the capital of Zhejiang Province and its most populous city, with a population of 12 million inhabitants in 2020. Hangzhou is classified as sub-provincial city and forms the core of the Hangzhou metropolitan area, the fourth largest in China. It comprises 10 urban districts, 1 county-level city and 2 counties covering a total area of 16,596 km².

Sitting at the head of Hangzhou Bay, which separates Shanghai to Ningbo, Hangzhou has been one of China's most renowned and prosperous cities for much of the last millennium. The city grew to prominence as the southern terminus of the Grand Canal of China, which runs to Beijing, in the south-central portion of the Yangtze River Delta. Its West Lake, a UNESCO World Heritage Site immediately west of the city, is among its best-known attractions, and the city center was built around its eastern and northern sides, just north of the Qiantang River.

Hangzhou is located at the intersection of a number of China's busiest rail routes. The city's main train station is Hangzhou East, which is connected to more than 50 main cities, including 12 daily trains to Beijing and more than 100 to Shanghai; some even reach Urumqi. The major airport serving the city is Hangzhou Xiaoshan International Airport, which is one of China's top 10 airports.

In 2021, Hangzhou reported a GDP of 1.8109 trillion yuan (\$284.67 billion), up 8.5% over 2020. The per capita income of urban and rural residents grew 3.9 percent and 6.7 percent respectively to 69,000 yuan and 39,000 yuan. In 2021, the total import and export volume of Hangzhou from January to October surpassed that of the entire 2020, growing 23.7% year-on-year to 559.17 billion yuan. Exports of high-tech products also saw a year-on-year increase of 38.2% to 59.69 billion yuan. The city saw robust growth in both its digital economy and manufacturing industry in 2020.

Hangzhou is home to some global Internet industry leaders such as Alibaba Group and has been repeatedly rated as the best business city in mainland China by Forbes. The Hangzhou government actively promotes the development of the high-tech sector to develop a smart city, including working with companies to create public-private partnerships.

Main Sectors in Hangzhou:

- Electronics and information
- Medical and chemical engineering
- Mechanical manufacturing
- Textile and garment
- Food and beverage

Main Industrial Areas in Hangzhou:

- Hangzhou Economic & Technological Development Zone
- Xiaoshan Economic and Technological Development Zone
- Hangzhou Hi-Tech Industrial Development Zone
- Hangzhou Qianjiang Economic Development Zone
- Singapore-Hangzhou Science & Technology Park

Hangzhou Free Trade Zone

The Hangzhou area of the China (Zhejiang) Pilot Free Trade Zone covers a total area of 37.51 km² and was approved in 2020 by the State Council as an expansion of the existing Zhoushan FTZ. It is a nation-leading pilot development zone for next-generation artificial intelligence (AI) technologies, a national-level fin-tech innovative development pilot zone, and a world-class cross-border e-commerce demonstration center. The FTZ helps science and technology companies improve their credit by helping them attract innovative resources to solve their funding challenges.

In 2020 the Zhejiang FTZ welcomed over 28,000 new companies and its imports and exports reached 480 billion RMB. The foreign capital in actual use approached \$1.2 billion, accounting for 14% and 8% of Zhejiang's foreign trade and foreign investment, respectively.

China's Tax Cuts for SME

The Ministry of Finance and the State Administration of Taxation jointly issued on 1 March 2022 the Announcement [2022] no. 10 about "the Further Implementation of the Six Taxes and Two Fees Reduction and Exemption Policy for Small and Micro Enterprises".

The Announcement provides further support for the development of smaller enterprises, such as small-scale VAT taxpayers, small low-profit enterprises, and self-employed households.

Eligible taxpayers can therefore reduce the following six taxes and two fees:

- Resource tax
- Urban maintenance and construction tax
- Real estate tax
- Urban land use tax
- Stamp duty tax (excluding the stamp duty for security transactions),
- Farmland occupation tax
- Education surcharge
- Local education surcharge

Each province will implement the policy from 1 January 2022 to 31 December 2024 according to the local conditions, and eligible taxpayers can claim reductions or exemptions without additional documents.

The State Administration of Taxation issued the Circular [2022] no. 3 on 4 March 2022, to clarify that small low-profit enterprises that are eligible for the reduction and exemption policy of the above six taxes and two fees are those with a taxable income, total assets and total headcount not exceeding respectively CNY 3 million, CNY 50 million, and 300 persons.

An enterprise registered as a general VAT taxpayer is determined to be a small low-profit enterprise based on the latest annual CIT settlement.

Newly established enterprises registered as general VAT taxpayers meeting the two conditions of no more than 300 employees and total assets of no more than CNY 50 million are eligible to benefit from the policy until their first annual CIT settlement. If, after the first annual CIT settlement, the enterprise is classified as a small low-profit enterprise, it could continue to enjoy the policy; if the enterprise is determined not to be a small low-profit enterprise after the first CIT settlement, it will be no longer eligible for enjoying the policy.

New tax policies for Real Estate Investment Trusts

Recently, the Ministry of Finance ("MOF") and the State Taxation Administration ("STA") have issued the Announcement on Tax Policies for the Pilot Program of Real Estate Investment Trusts (REITs) in the Infrastructure Sector (the "Announcement"), with effect on January 1, 2021.

According to the Announcement, before the creation of infrastructure REITs, the transfer of the infrastructure assets by the originator to the project company to obtain the equity of the project company accordingly shall be subject to special tax treatment, whereby the tax base of the infrastructure assets obtained by the project company depends on the original tax base of the infrastructure assets; while the tax base of the equity obtained by the originator in the project

company depends on the original tax base of the infrastructure assets. The originator and the project company will not be subject to enterprise income tax (EIT) if they do not confirm the income. The Announcement stipulates that, during the creation stage, the originator transferring the equity of the project company to the infrastructure REITs is temporarily not required to pay EIT on the increase in value achieved from asset transfer valuation in the current period, and such EIT payment is allowed to be deferred until the infrastructure REITs complete the fundraising and the equity transfer price is paid. For the shares of the infrastructure REITs subscribed for (increased) through the secondary market, and the shares of strategic placement preferentially disposed of shall be determined according to the principle of "first-in, first-out".

Xi'an and Economic Trends

Xi'an, located in Northwest China, is the capital of Shaanxi Province and its most populous city, hosting 33% of the province's population with a total registered population of almost 13 million in 2020. The total area is 10,108 km². Xi'an is a sub-provincial city and it has 11 districts, 7 national and provincial key development zones and manages a national-level new area, namely Xixian New Area.

Located in the Guanzhong plain, Xi'an was built in the middle of the Yellow River basin. It is bounded by Linghe and Bayuan Mountains to the east, is delimited by the main ridge of the Qinling Mountains from north to south and is bordered by the Weihe River to the north. Due to its geographical location in the center of the country, Xi'an is an important transportation hub for the Yangtze River Delta, the Pearl River Delta and the Beijing-Tianjin-Hebei.

Xi'an's railway station is one of the eight major national railway stations, and the main railway transportation hub of Shaanxi Province. Xi'an Xianyang International Airport is the major airport serving the city and it is the largest airport in the northwestern part of China.

Xi'an is one of China's most traditional cities. The Terracotta Warriors and Horses of Emperor Qin Shihuang's mausoleum, known as the "Eighth Wonder of the World", were inscribed on the UNESCO World Heritage List in 1987 and attract almost 2 million tourists each year.

In 2020, Xi'an's GDP reached 1,002.039 billion RMB with an increase of 7% compared to the previous year. The average urban wage is 43,713 RMB marking an increment of 4.5% over 2019.

In the first three quarters of 2021, the total import and export volume was 4.89 trillion USD, a year-on-year increase of 31.9%, and the scale exceeded that of last year and reached a new record high. Net exports of goods and services contributed 19.5% to GDP growth, driving GDP growth by 1.9 percentage points.

Through its innovation-oriented development strategy, the ancient city has become an attractive destination for talent at various levels, hosting more than 104,000 talents in its industries in 2020 only.

Main Sectors in Xi'an:

- Information technology
- Electronics
- Biopharmaceuticals
- Automobile manufacturing

Main Industrial Areas in Xi'an:

- Xi'an High-tech Industrial Development Zone
- Xi'an Economic and Technological Development Zone
- Xi'an Yanliang National Aviation Industry Base
- Xi'an International Port Area

- Xixian New District

(Shaanxi) Pilot Free Trade Zone

Most of the areas under the jurisdiction of the China (Shaanxi) Pilot Free Trade Zone, established in 2017 covering an area of 119.95 km², are located in Xi'an. The 2018 "Guanzhong Plain Urban Agglomeration Development Plan" supported the development of Xi'an, an international global transport hub and an international metropolis with historical and cultural characteristics.

By introducing international investment and trade best practices, the Shaanxi FTZ has established a conducive and globally oriented business environment. This has resulted in the emergence of a cluster of high-end industries capable of attracting first-class investment and trade facilitation services. A legally stable business environment has facilitated the implementation of both the Belt and Road Initiative and the development of the western region.

In 2018 the Xi'an area Pilot Free Trade Zone introduced 21,116 new market entities with a combined registered capital of 197.82 billion USD.

EU-China Investment Summit

China and the European Union promoted a new summit on investments that will be held on April 1st, 2022, to promote economic relations between the European Union and China. The EU regards China as a partner in combatting climate change and hopes to have China's support in reforming the trade rules at the World Trade Organization. The summit has been confirmed by the European Commission Vice-President and EU trade chief Valdis Dombrovskis; China's Commerce Minister, Wang Wentao, expressed that the two sides could strengthen bilateral cooperation as well as in third party markets for the contribution to the economic development of both sides and recovery of the world economy.

Beijing shows strong signs of economic recovery and stability amid the ongoing pandemic. China's GDP rose to RMB 114.4 trillion in 2021, an 8.1 percent increase compared to 2020. Global investors expressed strong confidence in China's economic outlook as foreign direct investment (FDI) in China reached new highs of 1.15 trillion yuan in 2021, which is a 14.9% growth from the previous year. Investments in services and high-tech sectors largely contributed to the FDI growth in 2021. FDI in high-tech industries rose with a 17.1 percent growth from the previous year. Among them, high-tech manufacturing and the service sector rose 10.7% and 19.2%, respectively.

China traded with the European countries in 2021 for a total volume of 1,17 trillion USD with an increase of 29.8% from the previous year and with the European Union for 828 billion USD increased by 27.5%. The top trade partner of China in Europe is Germany with a volume of trade equal to USD 235 (+22.5%) billion total export 115 billion USD (+32.7%) and total import USD 119 billion (+14.1%).

Chongqing and Economic Trends

Chongqing is a municipality located in the southwestern part of China, in the upper reaches of the Yangtze River. With an area of 82,000 km², it hosts a resident population of 32 million of people. In the list of new first-tier cities in 2021. It has jurisdiction over 26 districts, 8 counties and 4 autonomous counties. Chongqing is the only municipality directly under the Central Government in the central and western regions of China.

Chongqing is bordered by the provinces of Shaanxi to the north, Hubei to the east, Hunan to the southeast, Guizhou to the south and Sichuan to the west.

Chongqing is home to one of the most important inland ports in China. Chongqing Jiangbei International Airport, located in Yubei District, also provides a relevant connection between the municipality and the rest of China and the world. The railway network spans 1,768 kilometers, with 106 international routes. In 2020, the construction of the Chongqing-Hunan high-speed railway, an important part of the Xiamen-Chongqing high-speed railway, began.

Chongqing is rich in tourism resources, with landscapes such as the Three Gorges of the Yangtze River, Dazu Rock Carvings, a world cultural heritage, Wulong Karst, a world natural heritage, and Jinfo Mountain in Nanchuan.

Main Sectors in Chongqing:

technology industry

biological industry

new material industry

high-end equipment manufacturing industry

Main Industrial Areas in Chongqing:

Rongchang High-tech Industrial Development Zone.

Yongchuan High-tech Zone.

Part of Chongqing High-tech Industrial Development Zone (Jiulongpo)

Chongqing Bishan National High-tech Zone.

Chongqing Economic and Technological Development Zone.

In 2021, Chongqing's GDP reached 2,789.4 billion RMB, with an increase of 8.3%. The per capita disposable income of residents in the city was 30,824 yuan, with an increase of 6.6% over the previous year. The per capita disposable income of all residents in 2021 increased by 9.7%.

The total import and export of goods reached 651,336 billion yuan, with an increase of 12.5% over the previous year. Among them, exports were 418,748 billion yuan, a year-on-year increase of 12.8%; imports were 232,588 billion yuan, a year-on-year increase of 11.9%. According to estimates, it is considered that in 2021 the total import and export value had increased by 22.8 %.

China (Chongqing) Pilot Free Trade Zone

The China (Chongqing) Pilot Free Trade Zone was established on April 1, 2017 and covers an area of 120 km², divided into three parts - Liangjiang New Area, Xiyong Area and Guoyuangang Area. The CFTZ is geographical hub of the Belt and Road and Yangtze River Economic Belt, as well as the essential pivot of Western China Development Strategy.

In 2021 the CFTZ has newly registered 14,393 enterprises (including branches) with a total registered capital of 140.97 billion RMB. Among them, 129 registered foreign-funded enterprises were newly added, with a registered capital of 843 million USD. 757 projects were introduced, and the total amount of contracts signed was 198.304 billion RMB. By the end of the year, a large number of iconic projects such as Tencent, Alibaba, Baidu, Ziguang chips and SK Hynix Phase II have been launched.

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.

Taxation

- VAT and indirect taxation
- Optimization of personal taxation
- M&A taxation
- Corporate tax assistance and consultancy
- Handling disputes with the tax authorities
- Fiscal due diligence
- Transfer-pricing
- Import and export custom duties

Corporate

- Financial consulting services
- Assistance with domestic and foreign investments
- Company evaluation
- Mergers and demergers of companies
- Spin-offs, transfers and restructuring
- Corporate Governance evaluation
- Disposal of entities or business units
- Market entry strategy
- Joint ventures and FDI assistance

Accounting and audit

- Bookkeeping and administrative assistance
- Financial Statements and reports
- Internal Audit and Accounting control
- Administrative, accounting and HR management
- Annual Statutory Audit
- Financial due diligence
- Interim CFO and management assistance