ASIA REPORT MAGAZINE

ISSUE NO. 2 MARCH - APRIL 2022

News and comments on doing business in the Far East

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Investments regulations and economic trends

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Issue n. 2

March – April 2022

Asia Report is a magazine focusing on doing busness 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.

Beijing Olympics and Trade Treaties

The Beijing 2022 Olympics symbolized the development of winter sports in China and economic relations with the world. President Xi Jinping welcomed 32 foreign dignitaries including heads of state, prime ministers, royalty and heads of international bodies.
This is the first time there has been such a high number of foreign leaders during a Winter Olympics, despite missing the highest ranks of G-7 countries.
This underscores China's attractiveness in political and economic relations to many regions. There were 18 bilateral meetings with international leaders from Southeast Asia, Central Asia, the Middle East, Eastern Europe, and Latin America.
China and Ecuador agreed to begin negotiations on a free trade agreement to promote partnership and trade between the two countries.
Argentina has joined the Chinese government's infrastructure project, signing a memorandum of understanding on the Belt and Road Initiative, with specific agreements on cooperation in agriculture. In early 2022, Syria and Nicaragua also joined the New Silk Road project, bringing the number of countries and regions to 148 members.
Pakistani Prime Minister Khan confirmed the second phase of construction of the China-Pakistan Economic Corridor while Putin and Xi reached a 30-year agreement for gas supplies through a new pipeline that will run through the Russian Far East.
Leaders of several Central Asian countries, including Kazakhstan, Turkmenistan, and Tajikistan, also agreed to strengthen cooperation in the oil and natural gas sector.
The president of Singapore, the speaker of the South Korean parliament and the royals of Thailand and Cambodia present in Beijing represent four of the fifteen signatory countries of the Regional Comprehensive Economic Partnership, the largest free trade agreement in force since January 2022.
From Europe, Prince Albert of Monaco was present, who received Xi's 2019 visit to the principality, where Huawei has deployed the first 5G network in the region. The Grand Duke of Luxembourg promoted new green and high-tech projects, and Polish President Andrzej Duda confirmed interest in more agricultural exchanges.
Finally, Serbian President Vucic promoted an increase in economic relations between Beijing and Belgrade through a free trade agreement to be signed by 2022.

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.

China-Serbia Free Trade Agreement by 2022

President Xi Jinping and Serbian President Aleksandar Vučić met during the opening ceremony of the Beijing Olympic Games 2022. During the meeting, they discussed on a number of important issues, including a free trade agreement (FTA) between the two countries.
The Serbian president stated that a free trade agreement between Serbia and China will be signed by the end of 2022, promoting trade of goods and services with Serbia as an attractive hub to investors from the West.
Serbia and China have previously signed and ratified a double taxation treaty and a bilateral social security agreement. In 2021, the total bilateral trade between China and Serbia reached 3.2 billion USD, a year-on-year increase of 54.3%. China's exports to Serbia reached US$2.24 billion, up 37.9 percent from the previous year, while imports from Serbia reached US$995 million, up 99.7 percent from 2020. China is one of Serbia's largest trading partners and its largest economic partner in Asia.

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.

China-Italy Trade by Province

The volume of bilateral trade between Italy and China in 2021 reached $74 billion, an increase of more than 34 percent over the previous year. Italy imported goods for 44 billion and China purchased Italian goods for 30 billion dollars.
Chinese customs have recently confirmed the aggregate values and details for each individual province in international trade among which it is interesting to evaluate the flow of goods with our country.

Italy exported in particular some categories of goods to China, including machinery and mechanical equipment (5.9 billion dollars), leather goods (3 billion dollars) pharmaceutical products (2.5 billion dollars), electronic equipment (1.8 billion dollars), and clothing (1.7 billion dollars).
The total trade volume recorded in 2021 with Italy corresponds to 1.2% of trade between China and the rest of the world ($6,051 billion) with the largest flow of bilateral trade involving the more advanced coastal regions: Guangdong, Zhejiang, Jiangsu, Shandong. The provinces with the lowest trade flows tended to be those with the lowest population and more complex logistics, such as Qinghai and Tibet located on the plateau, and Ningxia, a small province in western China.
Among the 31 administrative divisions of mainland China, Guangdong is the province from which derive the greatest exports to Italy (10.4 billion dollars), while the municipality of Shanghai is the area that has realized the greatest flow of imports from our country (13.7 billion dollars). In relation to the change in trade flows 2021 compared to the year 2020, the Tianjin region had the largest increase in imports (+63 percent) and the northeastern province of Heilongjiang, which borders Russia had the largest increase in exports (+135 percent).

China-New Zealand FTA Upgrade

China's Ministry of Commerce and New Zealand's Ministry of Trade and Export Growth jointly announced the Upgrade to China-New Zealand Free Trade Agreement (FTA) enters into force on 7 April 2022.
In 2021, the trade between China and New Zealand reached USD 24.7 billion. This Upgrade modernized the original 2008 China-New Zealand FTA to ensure it remains fit for purpose.
The Upgrade also includes new market access commitments in goods and services, and additional trade facilitation measures. In terms of goods, the Upgrade will deliver further market access improvements, resulting in tariff-free access for 99% of New Zealand’s USD 4 billion wood and paper trade to China. The existing FTA will also be augmented by new chapters in e-commerce, competition policy, government procurement and the environment.
Separately, from 1 January 2022, most New Zealand dairy products to China are entitled to duty-free access for the first time because of ongoing implementation of the existing FTA. This will directly benefit many of New Zealand’s exporters to China and is expected to result in additional savings of USD 180 million per annum at current export volumes.

China’s new rules on fiscal penalties

Recently, the Ministry of Finance ("MOF") has revised the Implementing Measures for Hearings on Administrative Penalties Imposed by the Financial Organs to form the Implementing Measures for Hearings on Fiscal Administrative Penalties (the "Measures"), with effect on March 1, 2022.
The Measures adjust the scope of hearings by adding some matters for hearing and deleting some matters for hearing. In addition, the Measures increase the criteria of the "large amount of fines" imposed by the MOF, specifically, a fine of more than CNY10,000 for citizens and a fine of more than CNY100,000 for legal persons or other organizations; and clarify that the criteria of "larger amount" and "larger value" in the administrative penalties such as confiscation of illegal income and of illegal property are consistent with the criteria of "larger amount" for imposition of fines. To optimize the hearing process, the Measures propose to adjust the time and content of the power of attorney submitted by the parties, extending the time limit for submitting the power of attorney from three days before the hearing to the date before the hearing is held, and stipulate that the power of attorney should specify the scope of authority.

MOU Belt Road China-Argentina

According to a joint statement issued Sunday after a meeting between Chinese President Xi Jinping and his Argentina counterpart Alberto Fernandez. China and Argentina have signed a Memorandum of Understanding (MoU) on the Belt and Road Initiative.

The MoU on jointly promoting the construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road between the government of the People's Republic of China and the government of the Argentina Republic was signed as the two countries mark the 50th anniversary of the establishment of diplomatic ties this year.
They also signed a strategic action plan on agricultural cooperation (2022-2027), it’s about the investments the trade growth in agriculture.
They studied bilateral trade cooperation and agreed to continue to expand trade, enhance financial support for China's export settlement to Argentina and actively encourage trade diversification, the statement said.
According to China’s customs statistics, in 2020, China is Argentina's second-largest trading partner and Argentina is China's fifth-largest trading partner in Latin America. Bilateral trade volume in 2021 was 17.83 billion USD, up 28.3% year-on-year respectively, of which China exported 10.69 billion USD and imported 7.14 billion USD. China mainly imports soybeans, crude oil, leather, and other commodities from Argentina.

Individual Tax Settlement March-June 2022

Individual taxpayers who were tax residents in China in 2021 may be required to handle the Individual income tax (“IIT”) annual settlement for the year 2021 from 1 March 2022 to 30 June 2022.
On 8 February, the State Administration of Taxation issued for this purpose the Announcement on Handling the Final Settlement and Payment of Individual Income Tax on Comprehensive Income in 2021 (SAT Announcement [2022] n. 1), which provides a guideline for taxpayers who are required to handle the annual settlement.

The taxpayers shall determine their taxable income and the amount of IIT payable for the year 2021 according to the following steps:

1. To sum four income categories (wages and salaries, income from personal services, author’s remuneration, and royalties) obtained from 1 January 2021 to 31 December 2021 into the comprehensive income. Other kinds of income such as business income, property lease income, income from transfer of property, occasional income, interest, and dividends are not included in the computation.

2. To deduct from the amount computed at point 1 the standard deduction (RMB 60,000), the special deductions (social insurance contributions), the special additional deductions, and other available deductions determined in accordance with laws and regulations (such as qualified donations).
3. To determine the amount of annual IIT payable by applying the tax rate and the quick deductions according to the table below.

From (RMB)	To (RMB)	Tax rate	Quick deduction (RMB)
Not exceeding 36,000		3%	0
36,000	144,000	10%	2,520
144,000	300,000	20%	16,920
300,000	420,000	25%	31,920
420,000	660,000	30%	52,920
660,000	960,000	35%	85,920
Exceeding 960,000		45%	181,920

In case the taxpayer underpaid the IIT during the year (which means that the annual IIT payable calculated at point 3 is higher than the tax prepaid during the year), he/she will be required to perform a make-up payment of the tax; in case of overpayment, the taxpayer will be entitled to apply for a tax refund.

If a taxpayer prepaid the IIT during the tax year and meets any of the following circumstances, he/she is not required to apply for the annual settlement:

- The comprehensive income does not exceed RMB 120,000 in the tax year;
- The make-up payment does not exceed RMB 400;
- The tax prepaid during the year is consistent with the final annual tax payable amount; and
- Those who do not apply for a tax refund even if meeting the conditions;

On the contrary, taxpayers falling in one of the following two circumstances are required to handle the annual IIT settlement:

- The IIT prepaid during the year is higher than the annual IIT payable, and the taxpayer intends to obtain a tax refund; and
- The taxpayer’s comprehensive income is over RMB 120,000 in the tax year, and make-up payment exceeds RMB 400.

The annual settlement of the individual income tax shall be performed between 1 March 2022 to 30 June 2022. Taxpayers who were China tax residents in 2021 who will depart from China before 1 March shall handle the annual settlement before leaving the country.
The annual settlement can be handled directly by the taxpayer. Alternatively, the taxpayer can entrust the employer that acted as withholding agent (in such case, the taxpayer shall confirm with the entity in writing or electronically before 30 April 2022 and provide supplementary information for which he/she is responsible for the authenticity, accuracy and completeness), or appoint a tax professional by signing a power of attorney.
The annual settlement can be handled through online channels (including an app for mobile phones); it can also be done by mail or physically at the tax office.
After the annual settlement, the taxpayers shall keep all the materials and supporting documentation for five years.

MOU China-Ecuador on FTA negotiations

According to a joint statement issued Saturday after a meeting between the two countries' presidents, China and Ecuador have agreed to launch negotiations on a free trade agreement to promote their comprehensive strategic partnership.
Chinese Minister of Commerce Wang Wentao recently signed a memorandum of understanding with Julio José Prado, minister of Production, Foreign Trade, Investments and Fisheries of Ecuador, marking the official launch of the Free Trade Agreement (FTA) negotiations.
According to the statement, the two nations agreed to launch negotiations on reaching a free trade agreement, tapping into each other's trade potential, optimizing value chains, promote trade and investment liberalization, in addition to facilitating and promoting sustained and diversified development of bilateral trade, while continuing to deepen cooperation in a variety of fields including digital economy and green development.
In 2021, the total bilateral trade between China and Ecuador reached 10.95 billion USD, a year-on-year increase of 44.5%. China has become Ecuador's second largest trading partner for two consecutive years.
China has already signed a number of FTAs and DTAs with South American countries: the first FTA between China and South American countries is China – Chile FTA, it was signed on 18 Nov 2005. China – Peru FTA was signed on 28 April 2009, now China and Peru are negotiating about the FTA update. On 9 July 2018, on the first anniversary of the establishment of diplomatic relations between China and Panama, China and Panama signed an MOU, announcing the official start of FTA negotiations.
On 5 Aug 1991, China signed the Double Tax Agreement (DTA) with Brazil, it’s the first DTA between China and South American countries. Then China signed DTA with Venezuela on 17 April 2001, with Ecuador on 21 Jan 2013, with Chile on 25 May 2015. China also signed the DTA with Argentina on 2 Dec 2018, that is not yet effective.

China-Central Asia and Far East Economic Relations

At the sixth Eastern Economic Forum (EEF) held in 2021 in Vladivostok, Xi Jinping spoke via video link at the opening ceremony at the invitation of Vladimir Putin, confirming the importance of collaboration between the Belt and Road Initiative, a project launched in Kazakhstan in 2013 whose members include 144 countries and regions including major economies in Central Asia, and the Eurasian Economic Union created in 2014, whose member countries are Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan. The Eurasian Economic Union provides for the creation of a commission and a Eurasian economic space similar to the European Union.
In relation to projects that aim to increase trade, Beijing has designated Heilongjiang province in northeast China as a free trade zone (FTZ) in 2019 with the goal of strengthening trade and economic ties with Russia and particularly the Far East area that has cultural and border ties. The Heilongjiang FTZ recorded trade worth $2 billion in the first half of 2021.
Numerous infrastructures aim to increase economic interactions between the two countries: the Blagoveshchensk-Heihe Bridge, the first highway bridge connecting China and Russia is being joined by the first cross-border cable car that will reduce the time it takes to cross the Heilongjiang River, known as the Amur River in Russia.
The Tongjiang-Nizhneleninskoye Sino-Russian railway bridge is largely completed after seven years of work and will be used soon. The bridge has a special cargo capacity and will greatly increase the trade of minerals and resources between the two countries.
In the Curìli Islands archipelago, Russia wants to create a free trade zone and employ Chinese technology pioneered in the South China Sea islands to improve economic conditions and navigation in the region.
In the west of the country, China Railway Construction Corp has intervened in the project to expand the Moscow metro system, a symbol of the country's capital and history.
China emerges as Russia's largest trading partner for the 12th consecutive year, with bilateral trade reaching a new all-time high in 2021 and diplomatic-political relations at an all-time high. In addition to trade, investment and infrastructure, Beijing and Moscow are looking at finance, with the long-term goal of finding a new international currency, an alternative to the U.S. dollar. Today the currency of Belt Road projects and of the majority of global trade in which China is the leader is the dollar; in order to reduce American control and influence, the two countries are studying an alternative financial system that can flank or replace the swift system and the use of the dollar.
Russian-Chinese interregional cooperation has become an integral part of relations on a global scale and in the economic multilateralism promoted by Beijing. In recent political meetings, the goal of increasing bilateral trade to $200 billion by 2024 was confirmed between representatives of the two countries.

2022 Tax Policy in Shanghai Lingang New Area

China released several tax circulars and fiscal rules granting incentives and benefits for companies and individuals in 2022.
Circular 38 grants a special tax policy for Shanghai Lingang New Area and provides for a 15% corporate income tax rate for a period of five years from the registration date of any qualified business engaged in substantive production and/or R&D activities related to integrated circuit technology, artificial intelligence technology, biomedical technology, civil aviation technology, and other similar high technologies.

China and Asia Pacific Business Trends

Political relations and historical ties between Beijing and Moscow translate into economic agreements, trade and investment.
Over the years, the trade volume between China and Russia has steadily increased, and according to Chinese Customs data dated January 15, 2022, the aggregate import and export trade between the two countries in 2021 grew by 35.8 percent with an increase higher than the delta of China's trade with the European Union (+27.5 percent) and the United States (+28.7 percent), and reached a total volume of $147 billion. Beijing has a negative trade balance with Russia and in 2021 imported $79 billion worth of goods from Moscow and exported $68 billion worth of goods.

The Asian and easternmost area of Russian territory has greater economic relations with China, influenced by geography, where Russia borders Xinjiang by 100 kilometers and Inner Mongolia and Heilongjiang by over 4,000 kilometers that include the city of Manzhouli, on the triple border between Russia, Mongolia, and China. Manzhouli is the main Sino-Russian trade center and an important rail freight transit port in trade with Central Asia and Europe in terms of volume of goods handled, accounting for 60 percent of the trade flow between Beijing and Eastern Europe.
According to Chinese customs data for the first eleven months of 2021, the energy and minerals sectors accounted for more than 70 percent of imports from Russia, with a significant increase in coal and natural gas trade. Crude oil imports registered a total volume of 233 billion yuan, up 31 percent, and coal imports registered a total value of 42 billion yuan, up 171 percent. Natural gas imports rose 75 percent to 24 billion yuan and iron ore imports increased 3 percent to about 10 billion yuan. China exported mechanical and electronic products worth 235 billion yuan to Russia, an increase of 29 percent.
Cross-border cooperation has also developed rapidly in the field of e-commerce, with the construction of warehouses and online platforms contributing to the growth of bilateral trade.

2022 Tax Policies in Western Region

China released several tax circulars and fiscal rules granting incentives and benefits for companies and individuals in 2022.
Circular 23 grants a lower CIT rate of 15 percent for enterprises making investments in encouraged industries in China's Western Regions, including foreign invested companies.
China's Western Regions include Chongqing Municipality, Sichuan, Guizhou, Guangxi, Yunnan, Tibet, Gansu, Qinghai, Ningxia, Shaanxi, Inner Mongolia, and Xinjiang.

Tibet and Economic Trends

Tibet is an autonomous region located in Southwest China. The province is mostly developed in the primary sector, with agriculture and livestock farming being the largest contributors to the regional GDP but has made strides in the development of sectors related to the processing of minerals, metals, and electricity generation. The area is also renowned for tourism and the wide variety of animal species and plants used in Tibetan medicine. Furthermore, Tibet is the second largest province in China with a land area that covers 1/8 of the entire national territory, with a surface area of 1,228,000 km2, and has a population of 3.6 million inhabitants.
Local authority data shows that Tibet province recorded total exports of USD 0.2 billion and total imports of USD 0.1 billion, with 266 established foreign investment companies. In addition to an average urban salary of USD 17,533.
In terms of GDP, the province of Tibet ranked last in China, reaching USD 27 billion in 2020 and USD 24 billion in 2019, with a GDP per capita of USD 7,866. Along with GDP growth of +8.1% in 2019 and +7.8% in 2020.

Main Economic Centres (GDP) in Tibet

- Lhasa (USD 10 billion)
- Shigatse (USD 5 billion)
- Changdu (USD 3 billion)
- Shannan (USD 3 billion)
- Nyingchi (USD 3 billion)

Main Sectors in Tibet

- Tourism
- Raw materials
- Agricultural Products
- Traditional medicine

Main Industrial Areas in Tibet

- Lhasa Economic and Technological Development Zone
- Lhasa High-tech Industrial Development Zone
- Dazi Industrial Park
- Tibet Nagqu High-tech Industrial Development Zone
- Zangqing Industrial Park

2022 Personal Tax in Hainan

To implement the Overall Plan for the Construction of Hainan FTP, the Ministry of Finance (MOF) and the STA jointly released the Circular about Individual Income Tax Policy for High-End and Urgently Needed Talents at Hainan FTP (Cai Shui [2020] No.32).
According to the Circular 32, the individual income tax (IIT) rate is capped at 15% for high-end talents and talents in short supply who work in the Hainan Free Trade Port.
Previously implemented and effective until December 31, 2024.

IMF Asia Forecast 2022

The International Monetary Fund's most recent estimates released in January 2022 predicted global growth of 4.4% in 2022 and 3.8% in 2023.
The recovery will be driven by Asia, with an aggregate growth of 6.3% (October 2021 World Economic Outlook). As for the People's Republic of China and India, growth is expected to be 4.8% and 9.0% respectively in 2022. Nonetheless, India's GDP slid by almost 7.3% in 2020 while China was the only major economy capable of remaining positive during the first year of the pandemic.
Among advanced economies on the Asian continent, Japan will see GDP increase by about 3.3% in 2022 in line with South Korea's expected 3.3% growth (October 2021 World Economic Outlook). While the largest five ASEAN economies (Indonesia, Malaysia, Philippines, Thailand, and Vietnam) are expected to grow by 5.6% in 2022.

2022 Tax Policies in the Free Trade Port of Hainan

To implement the Overall Plan for the Construction of Hainan FTP, the Ministry of Finance (MOF) and the STA jointly released the Circular on Preferential Corporate Income Tax Policies in Hainan FTP (Cai Shui [2020] No. 31).
According to the Circular 31, a 15% CIT may be applied for companies which are registered and have “substantive operations” in Hainan FTP and which are operating in the encouraged industries.
Previously implemented and effective until December 31, 2024.

Guangdong equals Italy in GDP

Guangdong, China's industrial heartland and top foreign trade participant, has improved industrial technology policy and strengthened the foundations of high-quality economic development, according to the annual work report from the local government.
In fact, Guangdong's gross domestic product (GDP) in 2021 increased by 8% from the previous year to 12.4 trillion-yuan, or US dollars 1.92 trillion at the official yearly average exchange rate.
This value of GDP is equivalent to Italy for the forecast of 2021 economic data; in fact GDP in Italy is expected to reach 1.92 USD trillion in 2021, according to Trading Economics.
According to the International Monetary Fund (IMF) projections, Guangdong's yearly economic size could be higher than South Korea's predicted US dollars 1.82 trillion and just slightly lower than Canada's expected US dollars 2 trillion.

According to the research, Dongguan has become the province's fourth city with a GDP above 1 trillion yuan, behind the provincial capital of Guangzhou and the cities of Shenzhen and Foshan. Guangdong's achievement of this milestone appears to have pleased many people around the country, as the issue of Guangdong's GDP exceeding 12 trillion yuan was one of the most popular on social media platforms.
Local leaders, meanwhile, are setting lower GDP growth targets for 2022 in response to mounting negative pressure on the national economy. Hubei, for example, has set a GDP target of around 7% for 2022, while Guangdong is aiming for a 5.5 percent growth rate for 2022.

IMF World Forecast 2022

The International Monetary Fund has just released its World Economic Outlook on January 25, 2022. Global economic growth is expected to slow down in 2022, according to new IMF estimates, World GDP is expected to moderate from 5.9% in 2021 to 4.4% in 2022, half a percentage point lower for 2022 than in the October projection.
With supply chain disruptions and high energy prices continuing in 2022, inflation is expected to persist for longer than expected. Assuming inflation expectations stay well anchored, inflation should gradually decrease as supply-demand imbalances wane in 2022 and monetary policy in major economies responds.
IMF lowered the 2022 GDP forecast of the United States by 1.2 percentage points, from 5.2% to 4%. Other advanced economies are also expected to slow down their growth: IMF revised the projections for Italy (from 4.2 to 3.8%), Germany (from 4.6% to 3.8%), Spain (from 6.4% to 5.8%), and Canada (from 4.9% to 4.1%). Japan’s 2022 growth outlook is revised up by 0.1 percentage point (from 3.2% to 3.3%).
The 2022 forecast downgrade also reflects revisions among a few large emerging markets. In China, the growth forecast for 2022 has changed from October by 0.8 percentage points and 9% in India (upward by 0.5 percentage point), while for the largest five ASEAN economies (Indonesia, Malaysia, Philippines, Thailand, and Vietnam) the growth is revised down by 0.2 percentage point to 5.6%.

Investing in Qinghai

Located in Northwest China, the province of Qinghai is acknowledged as the main waterways of China. Qinghai province is one of the largest producers of hydroelectric and renewable energy, along with the industrial sector developed in the processing of ferrous and non-ferrous metals. Xining is the capital of Qinghai and the largest city on the Tibetan Plateau. With a population of 5.9 million inhabitants covering a total surface area of 720,000 km2, Qinghai is the fourth largest province of China.
Local authority data shows that Qinghai Province recorded total exports of USD 0.3 billion and total imports of USD 0.2 billion, with 519 established foreign investment companies. In addition to an average urban salary of USD 12,903.
In terms of GDP among the provinces in China, Qinghai ranked 30th, reaching USD 44 billion in 2020 and USD 43 billion in 2019 with a GDP per capita of USD 7,167. Along with GDP growth of +6.3% in 2019 and +1.5% in 2020.

Main Economic Centers (GDP) in Qinghai

- Xining (USD 20 billion)
- Haixi (USD 9 billion)
- Haidong (USD 8 billion)
- Hainan (USD 3 billion)
- Huangnan (USD 2 billion)

Main Sectors in Qinghai

- Raw materials
- Electricity
- New materials

- Foodstuffs

Main Industrial Areas in Qinghai

- Xining Economic and Technological Development Zone
- Golmud Kunlun Economic and Technological Development Zone
- Qinghai High-tech Industrial Development Zone

2022 VAT Policy in the Greater Bay Area

To support the development of the Guangdong-Hong Kong-Macao Greater Bay, the Ministry of Finance (MOF), State Taxation Administration (STA) and General Administration of Customs (GAC) jointly released Caishui [2020] No. 48 to specify the VAT policies in the Greater Bay Area.
According the Circular 48, insurance companies registered in Guangzhou will be exempted from value-added tax for the income from the provision of international shipping insurance services to companies registered in the Nansha Free Trade Zone. Additionally, for container goods departing from Guangzhou Nansha Bonded Port Area and Shenzhen Qianhai Bonded Port, the port of departure tax refund policy will be implemented.

Investing in Ningxia

Located in the Northwest of China, Ningxia is an autonomous region that acts as an important link between the western and northern regions of China. The region's industry is based on the exploitation and processing of raw materials and natural resources, but it is also known for its wine production. Yinchuan is the capital and the largest city of the province. Ningxia has a population of 7.2 million inhabitants, covering a surface of 66,400 km2.
Local authority data shows that Ningxia recorded total exports of USD 2 billion and total imports of USD 1 billion, with 762 established foreign investment companies. In addition to an average urban salary of USD 11,846.
In terms of GDP, Ningxia ranked 29th in China, reaching USD 57 billion in 2020 and USD 54 billion in 2019 with a GDP per capita of USD 8,179. Along with GDP growth of +6.5% in 2019 and +3.9% in 2020.

Main Economic (GDP) Centers in Ningxia

- Yinchuan (USD 29 billion)
- Wuzhong (USD 9 billion)
- Shizuishan (USD 8 billion)
- Zhongwei (USD 6 billion)
- Guyuan (USD 5 billion)

Main Sectors in Ningxia

- Agricultural products
- New materials
- Raw materials
- Wine

Main Industrial Areas in Ningxia

- Yinchuan Economic and Technological Development Zone
- Shizuishan Economic and Technological Development Zone

- Yinchuan High-tech Industrial Development Zone
- Shizuishan High-tech Industrial Development Zone
- Yinchuan Comprehensive Bonded Zone

China's Trillion-Yuan Tax Cut

According to a news published on 19th January 2022 on the website of China's State Taxation Administration: from 2016 to 2021 the total number of new "Tax and fee reduction" has exceed 8.6 trillion yuan nationwide. "Our tax authorities will take further measures to implement more tax and fee reduction policies to better stabilize the economic and promote high-quality development." Wang Jun the Commissioner of China's State Taxation Administration said.
The estimate amount of new added "Tax and fee reduction" will exceed 1 trillion yuan in 2021. Among them, policies such as boosting the operation of the industrial economy, promoting the guarantee of energy and electricity, and effectively and efficiently implementing tax deferral, it is expected to handle tax deferral (fees) of 200 billion yuan for small- and medium-sized enterprises (SMEs) in the manufacturing industry, and 27 billion yuan of tax deduction, refund and deferral for coal power and heating enterprises. The China Tax system will make every effort to implement the policy of adding deduction of R&D expenses that have been "upgraded" twice this year, and enterprises will enjoy a tax reduction and exemption of 33.3 billion yuan in advance.
The data shows that the tax authorities continue to expand "contactless" tax payment services, realizing that nearly 90% of tax-related matters and 99% of tax returns can be processed online. In 2021, the number of new tax-related market entities is expected to be about 13 million, an increase of 13.6% year-on-year.

2022 Personal Tax Policies in the Greater Bay Area

Caishui [2019] No. 31 "Notice on Preferential Individual Income Tax Policies in the Guangdong-Hong Kong-Macao Greater Bay Area".
For high-end talents and talents in short supply who work in GBA area, the difference in personal income tax burden between the Mainland and Hong Kong will be subsidized.
Previously implemented and effective until December 31, 2023.

Investing in Hainan

Located in South-Central China, consisting of various islands, the province of Hainan is an economy based on agriculture, fishing, and the exploitation of mineral resources; it is also acknowledged for significant investments in the tourism sector. Haikou is the capital and most populous city of Hainan province. The province of Hainan covers a total surface area of 35,354 km2 with a population of 10 million inhabitants.
Local authority data shows that Hainan recorded total exports of USD 5 billion and total imports of USD 11 billion, with 2,707 established foreign investment companies. In addition to an average urban salary of USD 11,468.
In terms of GDP among the provinces in China, Hainan ranked 28th, reaching USD 80 billion in 2020 and USD 76 billion in 2019 with a GDP per capita of USD 8,070. Along with GDP growth of +5.8% in 2019 and +3.5% in 2020.

Main Economic Centers (GDP) in Hainan

- Haikou (USD 26 billion)
- Sanya (USD 10 billion)
- Danzhou (USD 5 billion)
- Chengmai (USD 5 billion)
- Qionghai (USD 4 billion)

Main Sectors in Hainan

- Tourism
- Agricultural products
- Logistics
- IT

Main Industrial Areas in Hainan

- Hainan Pilot Free Trade Zone
- Hainan Yangpu Economic and Development Zone
- Haikou High-tech Industrial Development Zone
- Hainan Yangpu Bonded Port Area
- Haikou Comprehensive Bonded Zone
- Sanya Yalong Bay National Tourism Resort

(Hainan) Pilot Free Trade Zone
Established in 2019, with the purpose to create a modern and international investment hub in South China and promote connection with Indian and Pacific Ocean trading partners.
The target industries are financial services, international trade, cross-border commerce, tourism, health, modern services. Besides, the functional area includes the Hainan Island area (33,900 sq. km).

China-South Korea implement RCEP tariffs from 1 February

According to a statement released by the Customs Tariff Commission of the State Council on Thursday, the Chinese government will apply the tariff rate it has committed to under the Regional Comprehensive Economic Partnership (RCEP) agreement to selected imports from the Republic of Korea (ROK).
As mentioned in the statement, the move will happen on the same day the RCEP agreement goes into effect for the ROK. The ROK has recently deposited its instrument of approval to the Secretary-General of ASEAN, who is the depositary of the RCEP agreement.
From 2022 onward, annual tariff adjustments as promised in the agreement will take effect on the first day of each year.
In addition to boosting economic and trade cooperation, the implementation of RCEP in the ROK will bring mutual benefits to all RCEP members.

China confirms +8.1% GDP 2021

The National Bureau of Statistics of China (NBS) released preliminary figures about the gross domestic product growth in the fourth quarter of 2021 and the performance of the full-year 2021.
According to the preliminary estimates, Chinese GDP in the last quarter grew by 4%, leading to full-year growth of 8.1%.
The GDP was equal to CNY 114,367 billion (around USD 18,012 billion at the current exchange rate), with secondary and tertiary industries accounting for 40% and 53%.
The estimated growth is 0.1 points higher than the forecast of 8.0% released by the International Monetary Fund in its World Economic Outlook last October.
GDP in the first quarter surged 18.3% compared to the first quarter 2020, 7.9% in the second quarter, and 4.9% in the third quarter.
The International Monetary Fund estimates a 5.6% growth for the Chinese economy in 2022.

2022 Tax Policy for Small and Micro Sized Enterprises

for small and micro enterprises and individual industrial and commercial households".

The Announcement No. 12 will halve the tax burden on the part of income not exceeding 1 million CNY, leading to an actual tax rate of 2.5% on this portion for small and micro enterprises and individual industrial and commercial households.
Previously implemented and effective until December 31, 2022.

Investing in Gansu

Gansu is a landlocked province in Northwest China. Its capital and largest city is Lanzhou, located in the southeast part of the province. Mineral resources, rare earth deposits, and oil are abundant in Gansu. It is also home to many renewable energy plants, including solar, wind, and hydroelectric. The province covers a total surface area of 425,800 km2 with a population of 25 million inhabitants.
Local authority data shows that Gansu recorded total exports of USD 1.9 billion and total imports of USD 3.6 billion, with 2,342 established foreign investment companies. In addition to an average urban salary of USD 10,684.
In terms of GDP among the provinces in China, Gansu ranked 27th, reaching USD 131 billion in 2020 and USD 125 billion in 2019 with a GDP per capita of USD 4,935. Along with GDP growth of +6.2% in 2019 and +3.9% in 2020.

Main Economic Centers (GDP) in Gansu

- Lanzhou (USD 42 billion)
- Qingyang (USD 11 billion)
- Tianshui (USD 10 billion)
- Jiuquan (USD 10 billion)
- Wuwei (USD 8 billion)

Main Sectors in Gansu

- Raw materials
- Petrochemical
- Agricultural products
- New materials

Main Industrial Areas in Gansu

- Lanzhou Economic and Technological Development Zone
- Jinchang Economic and Technological Development Zone
- Tianshui Economic and Technological Development Zone
- Zhangye Economic and Technological Development Zone
- Jiuquan Economic and Technological Development Zone
- Lanzhou High-tech Industrial Development Zone
- Baiyin High-tech Industrial Development Zone
- Lanzhou New District Comprehensive Bonded Zone

China Hits Record Trade in 2021

The General Administration of Customs of China (GACC) released on 14th January the preliminary figures about Chinese exports and imports in the year 2021.
China’s total international trade in 2021 hit a record high in 2021, exceeding 6,051 USD billion, an increase of 1,405 USD billion (or 30% in percentage terms) compared to the 12 months in 2020. Exports raised to 3,364 USD billion (+29.9% vs 2020), while imports topped 2,688 USD billion (+30.1% compared to 2020). China also got a record trade surplus of 676 USD billion, surpassing the previous high of 594 USD billion set in 2015.

The trade volume with RCEP members reached 1,868 USD billion (accounting for 31% of Chinese trading volume). China imported more than 995 USD billion from RCEP partners (37% of the total), an increase of 28.3% compared to the previous year. The trading deficit with those partners increased to 121 USD billion.
RCEP entered into force at the beginning of this year and will further boost the development of the participating economies.
The European Union and the United States are the leading destinations for Chinese products, accounting for 1/3 of the Chinese exports. The EU and the US are also the main contributors to China's trade surplus, with 208 and 397 USD billion.
The trade between Italy and China reached 74 USD billion (+34.1% vs 2020), among which 44 USD billion (+32.6%) of Chinese exports and 30 USD billion (+36.3%) of Chinese imports. The increase rate of imports from Italy is among the highest in the EU (which exports to China recorded a +19.9%), highlighting the strong relationship between the two economies.

Investing in Jilin

Jilin is located in northeast China. Its capital and largest city is Changchun. This province is known for its development of heavy industries, especially the automotive industry. Other key industries include petrochemicals and rail transport vehicles. Jilin is known as a leading producer of wheat, corn, and cereals. The province of Jilin covers a total surface area of 27,166 km2 with a population of 24 million inhabitants.
Local authority data shows that Jilin province recorded total exports of USD 4 billion and total imports of USD 14 billion, with 4,018 established foreign investment companies. In addition to an average urban salary of USD 10,357.
In terms of GDP among the provinces in China, Jilin ranked 26th, reaching USD 178 billion in 2020 and USD 168 billion in 2019 with a GDP per capita of USD 6,630. Along with GDP growth of +3.0% in 2019 and +2.4% in 2020.

Main Economic Centers (GDP) in Jilin

- Changchun (USD 96 billion)
- Jilin (USD 21 billion)
- Siping USD 11 billion)
- Songyuan (USD 8 billion)
- Tonghua (USD 7 billion)

Main Sectors in Jilin

- Automotive
- Chemical
- Agricultural products
- Medicines

Main Industrial Areas in Jilin

- Changchun Economic and Technological Development Zone
- Changchun Automobile Economic and Technological Development Zone
- Jilin Economic and Technological Development Zone
- Siping Hongzui Economic and Technological Development Zone
- Songyuan Economic and Technological Development Zone
- Changchun Jingyue High-tech Industrial Development Zone
- Changchun High-tech Industrial Development Zone
- Jilin High-tech Industrial Development Zone
- Tonghua Pharmaceutical High-tech industrial Development Zone

- Changchun Xinglong Comprehensive Bonded Zone

Simplified Real Estate Tax Registration

The State Taxation Administration ("STA") and the Ministry of Natural Resources ("MNR") have jointly issued the Circular on Further Deepening Information Sharing and Facilitating Real Estate Registration and Tax Services (the "Circular").
According to the Circular, by the end of 2022, all city-level and county-level competent taxation departments and competent natural resources departments nationwide shall realize real-time information sharing for the whole tax-related process in real estate registration.
The competent natural resources departments shall send the uniformly received real estate registration application and taxation information to the competent taxation departments, which will then send the tax payment information to the competent natural resources departments.
Meanwhile, the Circular requires that, in principle, the joint handling of real estate registration and taxation shall be accepted at the window providing "one-window service", and shall not be handled separately or in series through single window.
By the end of 2022, the on-site "one-window service" for real estate registration and taxation shall cover all cities and counties in China; by the end of 2023, all cities and counties nationwide shall strive to realize "online (portable) handling" for real estate registration and taxation.

2022 Tax Policy on Tariff Adjustment

China will adjust import tariffs on 954 products (adopting lower than Most-Favoured-Nation rates) and promote high-quality development on import and export tariffs on some commodities in 2022.
Effective from January 1, 2022 onwards.

China and Intra-group overseas services

Chinese resident companies can receive services from overseas related parties and make payments accordingly upon filing the relevant contracts. If the service is performed by the overseas related party in the territory of China or if the related income is derived in China, a withholding tax can be imposed according to a deemed profit rate. The resulting withholding tax rate for company income tax is generally 10% of the gross amount of the service.
There is an exemption from withholding tax if 1) the service is performed outside China (or the income is derived outside China) or 2) the service is performed within China by the overseas service provider, but it is not attributable to any permanent establishment in China (as per tax treaty, if any).
If the service payment is considered as a royalty payment, the withholding tax of 10% is applied.
In addition, when the service is considered not beneficial for the Chinese company, Chinese tax bureau might consider the payment as a management fee and apply withholding tax 10% on the gross amount (or alternatively the cost might be not deductible for the Chinese company when computing the company income tax).
Besides the company income tax, services provided to Chinese recipients are also subject to VAT (generally added on the top, paid by the Chinese recipient directly to the tax bureau and then claimed as VAT credit).

New Company Law under legislative review

The Company Law of the People’s Republic of China is set for further revisions in 2022, following on from the previous legislative update of the Company Law in 2018.
The revised draft is before the National People’s Congress Standing Committee Legislative Affairs Commission for internal debate and review, the revised draft includes 260 articles over 13 chapters, an increase from the current 218 articles. Along with the addition of 42 new articles there is an additional 28 revisions to the existing rules primarily focusing on the following areas of company law:

I. Increased party control over State Owned Enterprises
II. Provisions for state funding
III. Incorporation and liquidation regulations
IV. Corporate governance regulations
V. Company's capital regulations
VI. Liability of shareholders and management
VII. Corporate Social Responsibility

Of particular note to foreign enterprises invested in China are the changes to (i) Increased party control over State Owned Enterprises (iii) Incorporation and Liquidation (iv) Corporate Governance (v) Capital Investment and (vi) Liability of Shareholders and Management.

Increased party control over State Owned Enterprises

Article 145 The organizations of the Communist Party of China in state-funded companies shall play a leading role in accordance with the provisions of the Constitution of the Communist Party of China, study and discuss major operation and management matters of the company, and support the shareholders' meeting and the board of directors, the board of supervisors, and senior management personnel exercise their functions and powers in accordance with the law.

Incorporation and Liquidation

Articles 26, 34 and 76 of the revised Company Law relate to the optimisation of the incorporation procedures, further digitalising incorporation procedures, and the receipt of decisions and announcements and resolutions communicated through the unified enterprise information publicity system by electronic means.
Articles 43 and 100 expand the scope of what may be use as capital contributions to include equity rights and creditors rights.
Shareholders may contribute capital in currency, and may also use physical objects, intellectual property rights, land use rights, equity rights, creditor's rights, etc. to be ascribed a value in currency and transferred to the company.
Article 93 reduces restrictions on joint stock company incorporations by allowing for the establishment of a one-person joint stock company.
Articles 229, 234 and 235 added that all shareholders may cancel their registration through a simplified procedure after making a commitment to the performance of their debts.

Corporate Governance

Article 62 establishes the role of the board of directors in the corporate governance structure, and clearly establishes that the board is the executive body of the company, except where the Shareholders meeting is required by the company AoA or by law.

Article 63 stipulates that a board of directors shall be three or more. A limited liability company with more than 300 employees shall have representatives of the company's employees among its board members. The employee representatives on the board of directors shall be democratically elected by the employees of the company through the employee congress, the staff congress or other forms.

Article 64 establishes the role of an audit committee composed of directors to be responsible for supervising the company's finances and accounting.
A limited liability company that has an audit committee on the board of directors does not require a supervisor or board of supervisors.

Article 70 allows for a small enterprise to establish a company with a sole director or manager.

Company Capital Regulations and reduction of Capital

Article 97 governs the authorised capital system in joint stock companies, whereby only the portion of the shares that need to be issued must be issued, and the remaining shares may be issued in accordance with the company's AoA and through the boards resolution.

Article 164 stipulates that where the articles of association of the company or the shareholders' meeting authorise the board of directors to decide on the issuance of new shares, the resolution of the board of directors shall be passed by more than two-thirds of all directors. If the number of voting rights represented by the issuance of new shares exceeds 20% of the total number of voting rights represented by the company's issued shares, it shall be resolved through a shareholders' meeting.

Article 220 provides for a company which reduces its capital and requires the company to prepare a balance sheet and list of assets. The company shall notify the creditors within 10 days from the date on which the shareholders' meeting makes a resolution to reduce the registered capital, and within 30 days, it shall be announced in a newspaper or in the unified enterprise information publicity system. The creditor has the right to require the company to pay off its debts or provide corresponding guarantees within 30 days from the date of receipt of the notice and within 45 days from the date of the announcement if it has not received the notice.

Article 221 provides for the reduction of registered capital; however, the company may not distribute dividends to the shareholders until the provident fund exceeds the registered capital.

Liability of management

Article 190 introduces joint and several liability with the company for directors and senior management personnel who inflict a tort on others through intentional or gross negligence.

Article 191 stipulates that where the controlling shareholder or actual controller of a company takes advantage of its influence on the company to instruct the directors or senior management personnel to engage in acts against the interests of the company or other shareholders, they shall share joint and several liabilities with the directors and senior management.

It is noted that the draft is for review before the legislative affairs commission, and is likely to undergo further review and drafting before a call for public comment is sought, which is typically the final process in legislative drafting in China.

China's New Measures for Untrustworthy Entities

China State Administration of Taxation ("SAT") announced on 31 December 2021 the "Administrative Measures for the Information Disclosure of Major Tax Offenses and Untrustworthy Entities" (SAT Order [2021] No. 54, "SAT Order 54"). SAT Order 54 has been issued following several opinions from central authorities about the construction of a long-term mechanism based on social credit and the improvement of the restriction system for untrustworthy entities, companies, and individuals; it provides administrative measures for the public disclosure of the major tax offences and the entities that shall be considered untrustworthy.

Untrustworthy entities refer to taxpayers, withholding agents, and other tax-related parties discovered to have committed significant tax offences, such as having unpaid taxes of over 1 million RMB (or more than 10% of the total tax payable in the current year) by means of forging, altering, concealing, or destroying accounting books, and vouchers, and refusing or filing false tax returns. The category also includes those defrauding export VAT refunds or escaping from tax authorities before completing tax inspections. In addition, the definition of major tax offence also covers the improper issuance of VAT invoices:

- false issuance of special VAT invoices or other invoices with the purpose to obtain export VAT refund or tax deductions;

- false issuance of more than 100 general VAT invoices (or with a value exceeding 4 million RMB); and
- issuance of invoices without authorization or by forging invoice seals.

Tax authorities shall notify the involved entity about the procedure and, once the entity is determined as untrustworthy, publicly disclose the tax offence information for three years. Companies determined as untrustworthy entities will be assigned a D-score tax credit and treated by authorities accordingly.

To encourage untrustworthy entities to take the initiative in amending illegal actions, SAT Order 54 also stipulates that the public information about the untrustworthiness can be removed in the following three cases:

- the unpaid taxes and relevant late payment fees and fines are paid;
- the entity goes bankrupt, and the tax authorities receive compensation in accordance with the law; or
- during major natural disasters, public health, social security, and other emergencies, the entity makes outstanding contributions in participating to rescues, prevention and control, or major project construction.

The above provision will not apply to entities that after being determined as untrustworthy, are subject to administrative penalties for tax evasion, false invoicing, or other violations; or that are determined to be untrustworthy entities more than twice within five years.
SAT Order 54 will be implemented starting from 1 February 2022, replacing the previous SAT Announcement "On Issuing the Measures on the Release of Information About Major Tax Offense Cases" ("SAT Announcement [2018] No. 54).

Expat Tax-Free Allowances Extended to 2023

The Ministry of Finance and the State Administration of Taxation issued on December 31, 2021, the Circular [2021] no. 43 on the Continuation of the Preferential Policies on Individual Income Taxes such as Foreign Personal Allowances and Subsidies.
Circular no. 43 extended the implementation of the preferential policy on tax-free allowances and subsidies for foreign individuals, repealing the provisions included in Circular [2018] no. 164 issued in 2018.
Foreign employees working in China can continue to enjoy preferential tax-exemption policies for housing subsidies, language training expenses and children's education expenses until the end of 2023.

Annual bonus preferential treatment extended to 2023

On December 29, 2021, the State Council decided to continue implementing several preferential policies related to individual income tax. The measures, aimed to reduce the tax burden for low and medium-income taxpayers, will extend the preferential treatment of the annual bonus until December 31, 2023, meaning that the annual bonus received by employees can be taxed separately from other employment remuneration as salaries and other benefits in 2022 and 2023.
The preferential policy for annual bonus was introduced in 2005 by the Circular Guoshuifa [2005] no. 9 issued by the State Administration of Taxation on "Adjusting the Method of Calculating and Imposing Individual Income Tax on Annual One-off Bonuses and other Benefits Obtained by Individuals".

According to the preferential policy, the annual bonus can be declared as separate income once a year, and the individual income tax payable is determined in two steps:

1. The gross amount of the annual bonus is divided by 12 to determine the applicable marginal tax rate and the quick deduction by referring to the below tax rate table.

2. The tax payable is calculated as: Annual bonus x Applicable tax rate – Quick deduction

From	To	Tax rate	Quick deduction
Up to 3,000		3%	0
3,000	12,000	10%	210
12,000	25,000	20%	1,410
25,000	35,000	25%	2,660
35,000	55,000	30%	4,410
55,000	80,000	35%	7,160
Over 80,000		45%	15,160

However, in 2019, the Ministry of Finance and the State Administration of Taxation issued Circular Caishui [2018] no. 164, on "Issues concerning the Connection of Relevant Preferential Policies after the Revision of the Law on Individual Income Tax", according to which the preferential tax treatment for the annual bonus was expected to end in 2021, requiring taxpayers to consolidate the annual bonus into their comprehensive income starting from 2022.
The extension of the preferential treatment on the annual bonus until the end of 2023 has been favorably welcomed by Chinese and foreign employees working in China.
Taxpayers subject to a high marginal tax rate can obtain significant tax savings from the extension of the preferential tax calculation. For instance, a manager subject to the top marginal tax rate of 45% on his employment income who is receiving an annual bonus of RMB 200,000 can obtain RMB 51,410 of tax savings.

In addition, the State Council extended two other policies:

- The exemption of the overdue tax for taxpayers with an annual income not exceeding RMB 120,000, with underpaid individual income tax liability not exceeding RMB 400 after the final year-end settlement is extended until the end of 2023; and
- The equity incentive from listed companies can be taxed separately from the yearly comprehensive income until the end of 2022.

According to the figures released by the State Council, the extension of the three policies above will bring tax cuts for RMB 110 billion.

China's 2022 Negative List

On December 27, 2021, the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) jointly issued the updated versions of two "negative lists", both of which will take effect on January 1, 2022. This is a move to further open China's markets to foreign investors and promote high-quality economic development.
This marks the fifth consecutive year that the world's second largest economy has revised its national negative list and pilot free trade zone (FTZ) negative list.
The number of items that are off-limits for foreign investors will be cut to 31 in the 2021 version of the national negative list from 33 in the 2020 version.
The number of items on the pilot FTZ negative list will be reduced to 27 from 30 in the 2020 version.

Further opening up of manufacturing sector

The new negative lists further liberalize restrictions on foreign ownership in the field of auto manufacturing.
The cap on the share ratio of foreign investment in passenger car production and the rule that prevents a foreign investor from establishing more than two joint ventures to produce the same types of vehicles in China has been relaxed. Furthermore, all manufacturing sectors will be open to foreign investors in the pilot FTZs.

Further easing of service sectors in the FTZs

Foreign investors' access to the service sector in pilot FTZs will also be widened. Foreign investment will be allowed in the social survey industry, but ownership by foreign investors should be no more than 33 percent and the legal representatives should have Chinese nationality.
For those industries that are not included in the negative lists, foreign-invested enterprises should be given national treatment.
China has continued to open up and facilitate the entry of foreigners to the country, as well as improve its business environment. Foreign investors have access to a wider range of sectors than ever.
Meanwhile, a number of major opening-up measures have been introduced in industries including finance and automobiles, creating broader room for foreign investment.
Despite a sharp decline in global cross-border investment, China maintains its status as one of the top FDI destination.

Investing in Heilongjiang

Located in is the northernmost and easternmost province of the country, Heilongjiang is acknowledged to be rich in natural resources, raw materials, and oil. Besides, the economy of Heilongjiang province relies on mining and agriculture. Harbin is the capital and the largest city of Heilongjiang province. With a population of 32 million inhabitants covering a total surface area of 454,800, Heilongjiang is bordered by Jilin to the south and Inner Mongolia to the west, it shares a border with Russia (Amur Oblast, Jewish Autonomous Oblast, Khabarovsk Krai, Primorsky Krai, and Zabaykalsky Krai) to the north and east.
Local authority data shows that Heilongjiang Province recorded total exports of USD 5 billion and total imports of USD 22 billion, with 5,028 established foreign investment companies. In addition to an average urban salary of USD 9,185.
In terms of GDP among the provinces in China, Heilongjiang ranked 25th, reaching USD 198 billion in 2020 and USD 196 billion in 2019 with a GDP per capita of USD 5,292. Along with GDP growth of +4.2% in 2019 and +1.0% in 2020.

Main Economic Centers (GDP) in Heilongjiang

- Harbin (USD 75 billion)
- Daqing (USD 33 billion)
- Qiqihar (USD 17 billion)
- Suihua (USD 17 billion)
- Mudanjiang (USD 12 billion)

Main Sectors in Heilongjiang

- Chemical
- Raw materials
- Agricultural products
- Industrial machinery

Main Industrial Areas in Heilongjiang

- Heilongjiang Pilot Free Trade Zone
- Harbin Economic and Technological Development Zone
- Harbin Limin Economic and Technological Development Zone
- Binxi Economic and Technological Development Zone
- Daqing Economic and Technological Development Zone
- Mudanjiang Economic and Technological Development Zone
- Suihua Economic and Technological Development Zone

- Harbin High-tech Industrial Development Zone
- Qiqihar High-tech Industrial Development Zone
- Daqing High-tech Industrial Development Zone
- Harbin Comprehensive Bonded Zone
- Heihe Border Economic Cooperation Zone

(Heilongjiang) Pilot Free Trade Zone

Established in 2019 and gateway for the North-East regions and cooperation with Russia, with the purpose to boost the development of the North-East regions and enhance cooperation between China and Russia.
The target industries are high-end equipment, smart manufacturing, new energy and new materials, tourism, financial services, energy resources, food cultivation, healthcare. Besides, the functional areas include the Harbin area (79.9 sq. km), Heihe area (20.0 sq. km), and Suifenhe area (20.0 sq. km).

Yuan's internationalization in Africa

In recent years the internationalization of the Chinese Yuan has made considerable progress in Africa, as economic and trade cooperation between the two blocks has been constantly on the rise.
The objective of making the Chinese Yuan an international currency worldwide dates back to the end of the 2000s with the establishment of the so-called "dim sum bonds", issued by the China Development Bank in 2007, whereas in 2016 it has been included in the basket of currencies of the International Monetary Fund Special Drawing Rights. Looking at the African continent, the use of the Chinese Yuan has become more and more widespread in order to facilitate China-Africa trade, reducing transaction costs and attracting more Chinese investment. The Chinese Yuan has also become part of several African countries' foreign exchange reserves, such as Rwanda, while South Africa, Nigeria, and others have currency swap agreements with Chinese monetary authorities, decreasing the relative weight of the US Dollar. In particular, Zimbabwe adopts the Chinese Yuan as its official currency, together with the US dollar and the South African rand.
Interesting developments might arise from the increasing use of the e-CNY, the digital Chinese Yuan, managed by the People's Bank of China, which promises immediate transactions at low or no-costs, designed to move instantaneously in domestic and international transactions. However, it should also be pointed out that, as the Chinese Yuan is not yet fully convertible, such adoption may not be rapid.
The Chinese Yuan has also been mentioned to be the currency, or part of a basket of currencies, to which the new currency of the Economic Community of West African States (ECOWAS) might be pegged to. However, the adoption of the Eco, the name of the perspective currency substituting the CFA franc, has been delayed several times and it is now set to 2027. At the time of writing, it is set that the Eco should be pegged to the Euro, nevertheless, this might be changed again in due course.

Extraterritorial Scope of the PIPL

The privacy law (PIPL or Private Information Protection Law) applies to all personal information processing activities carried out in China, and has extraterritorial application to the overseas processing of the Personal Information of individuals located in China (where the purpose of such activities is to provide a product or service to such individuals), or to processing the information of individuals (Article 3).
Companies affected by the extraterritorial application of the PIPL are obliged to incorporate an entity or designate a representative in China to handle the matters related to the protection of PI, and report the information (including the name and contact information) of such representation to the competent authorities (Article 53).
Should the Personal Information rights of any citizen or resident of China be infringed, or the national security or public interests of China are endangered by any overseas organization or individual, the CAC may take measures against such overseas organization or individual, including blacklisting, restricting, or prohibiting such overseas organization or individual from receiving the personal information (Article 42).

For data processors that have an entity in China from which they receive personal information, they will be obliged to sign contracts with the Chinese entity to commit to compliance and adherence with the standards established by Chinese regulation.
We highly recommend that any company that collects the personal data of individuals in China, included the information of expatriate workers resident in China, to ensure that they have completed the necessary data follow audits, and enacted the necessary internal policies and documents prior to the enactment of the law on the 1st of November.

China-Vietnam Trade Working Group

China and Vietnam are close neighbours in East Asia and important trading partners. According to the data disclosed by the National Bureau of Statistics of China (NBS), the total trade between China and Vietnam amounted to USD 192 billion, accounting for more than 4% of Beijing's international trade in the year and making Vietnam the most important partner in South-east Asia. Besides the amount, it is interesting to note the significant increase compared to 2019 for Chinese exports to Vietnam (+16.3%) and Chinese imports from Vietnam (+22.4%). The figures disclosed by NBS in September 2021 confirmed the importance of Vietnam as a trading partner of China, with a total volume of trade equal to USD 168 billion in the first nine-month period of 2021 (+28.9% compared to the same period of 2020). Chinese exports to Vietnam increased by 31.3% to USD 102 billion, and Vietnam exports to China went up by 25.5%, reaching USD 66 billion.
On a path to strengthen relations and cooperation between both sides, the Vietnamese Ministry of Industry and Trade and the Chinese Ministry of Commerce worked together on an 'Unimpeded Trade Working Group' Memorandum of understanding (MoU) for 2021-2025. The MoU includes a Vietnam-China Working Group collaboration and mutual promises to cooperate in economic and technical circumstances.
Under the recent collaboration, Vietnam and China are to develop trade and investment on both sides to create better opportunities and promote economic growth. This mutual agreement is important as Vietnam connects to China by land and sea, the only country in Southeast Asia. Both sides have to enhance and facilitate the connectivity on the Belt and Road Initiative (BRI), which will ultimately improve regional integration and stimulate trade and economic development.
As part of the ongoing collaboration with the BRI, Vietnam and China should also cooperate on the 'Two Corridors and One Belt' initiative, which seeks to develop the economic and trade collaboration between local provinces of the two countries.
Vietnam and China should work together to protect international equity and justice, along with mutual strategic interests. Both sides should also explicitly set themselves against any sort of unilateralism or mistreatment.
Vietnam and China have agreed on further facilitating ideal circumstances when permitting goods across the Vietnam-China border. To tackle the consequences that businesses had faced during the COVID-19 pandemic, both countries are willing to work on the reification of business operations and continue providing support for doing business on both sides.
In addition, it shall also be noted that China and Vietnam are both members of ASEAN – China Free Trade Agreement, signed in 2004, in force from 2005 and currently fully implemented, and are also among the signatories of the Regional Comprehensive Economic Partnership (RCEP), the largest free trade agreement by volume of trade, signed by 15 members in 2020 and expected to enter into force in 2022.

Personal Liability for company actions

The People's Republic of China General Principles of Civil Law establishes the principle knows as vicarious liability "a company shall assume civil liability for the business activities of its legal representatives and other employees".
Liabilities which arise from operational activities shall be generally assumed by the company, and by extension the legal representatives or senior officers of the company.
Following the maturation of the Chinese economy and development of new technologies, the Chinese legislature has been prolific in updating laws and regulations which have imposed a series of new obligations upon companies and by extension their officers. Privacy, cybersecurity, environmental protection, e-commerce regulation and foreign investment are areas which are highly regulated and have introduced new sources of personal liability for corporate officers in recent years.

The forthcoming Personal Information Protection Law (01.11.21) and related implementing regulations is one example: companies must be more self-regulated and are required to self-audit rather than apply for approval before qualified administrative bodies (except for critical infrastructure operators who are directly audited by CAC), which places upon the representatives of the company an obligation to ensure the companies utmost compliance with the regulations.
The Cybersecurity Law of the People's Republic of China (2017) and related regulations created a special cybersecurity obligation on operator of a critical information infrastructure, which is to establish a security management body and designate a person in charge of data safety in the company.
Both administrative and criminal liabilities have put in place to strongly enforce this framework of data laws, most notably under the PIPL, whereby the Data Protection Officer(DPO) will be held jointly liable along with the firm and its senior officers for any breaches due to negligence on the firm's behalf.
As is evident from the PIPL and Cybersecurity Laws, personal liability is also stipulated in sector-specific laws which expressly provides liabilities, such as fines, administrative detention, and criminal penalties, as the case may be, to be imposed directly to person in charge or responsible for relevant matters in the company (DPO) as well as the legal representatives and senior officers. This double punishment system (leadership + directly responsible person) stems from corporate criminal liability jurisprudence, although now the scope of double punishment now affects administrative regulations as well as criminal with respect to data protection.

Personal liability can be divided into civil, administrative, and criminal liability

Civil Liability: The PRC Company Law stipulates that a director or member of "senior management" that fail to fulfil their obligations as established in the articles of association or by law, shall compensate the resulting damages caused to the company.

Administrative Liability: Article 49 of the General Principles of Civil Law stipulates that when a company commits serious wrongdoings, the legal representative may personally be subject to fines, administrative sanctions, and/or criminal sanctions.

Criminal liability: if the company is in breach of the PRC Criminal Law, the "person in charge" and the "person directly responsible" may also be subjected to criminal sentences, as the "Double-Penalty" principle is applied to most of corporate crimes.

Injunctive Measures: During corporate investigations there are several enforcement measures that are likely to be imposed by the authorities depending on the peculiarities of the case on the individuals involved. These entail certain measures such as administrative detention, international travel bans, restrictions on high consumption (flights/fast train), and/or, restrictions on serving as legal representative or management positions.

Liabilities of the legal representative

These liabilities are established by multiple PRC laws and regulations.
The General Principle of Civil Law expressly provides that when the company commits serious wrongdoings, the legal representative may personally be subject to penalties.
The Company Law expressly provides that "where any circumstance, in violation of the provisions of this Law, constitutes a crime, the criminal liability of the legal representative shall be investigated". Such personal liability is due to the fact that the legal representative is invested with the power of representation of the company towards third parties and allegedly acts on its behalf.

Liabilities of Officers

Directors and board members may also be held liable for the actions of a company. Only in such circumstance, if a director is not the chairman of the board, an executive director and/or they are not recognized as the person in charge, may their liability be limited and it is likely only to be waived following judicial proceedings.

Direcly Responsible Person

Regulations also target the person who is the actual decision maker or the person who could stop the wrongdoings. The person in charge refers to the person who may bear potential liabilities in many sector-specific laws in China, including without limitation the PRC Criminal Law, Personal Information Privacy Law, Food Safety and Environmental Protection Law.
In practice, employees at any strata of the company may be recognised by the authorities as the person in charge as long as said person had a decision-making power in influencing the infringing activity.

Shareholders Liability

Shareholders that do not directly control the day to day operations of a company through serving in a corporate roles may still also be recognized as persons in charge, if the shareholder retains an effective control over the company through contractual arrangements or other indirect but influencing factors.

In summary the scope of the person in charge and attribution of their liability may be applied to any of the following individuals:

1. Legal Representative;

2. Shareholders

3. Chairman/ Executive Director

4. General Manager; and

5. Other managers (financial, production, chief accountant, Data Protection Officer, Branch Representative)

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