

# LEHMANBROWN

律華會計師事務所

International Accountants

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"P.R.C Accounting System for Business Enterprise Seminar" - Detailed seminar scope and timetable

Unification of different income tax rates for FIEs and local entities

Shanghai's goal to become an International Financial Centre

Foreign firms generate half of China-EU trade

Media companies required to reserve 3% of ad time

## Unification of different income tax rates for FIEs and local entities

As advised by officials of state tax authority recently, the Corporate Income Tax rates will be the first tax to be unified for FIEs and local entities under China's WTO accession commitments.

It is envisaged that the unified corporate income tax rate (applicable to both Foreign and Local companies) would be approximately 25%.

The administration principal of income tax collection will also be shifted from one of "high tax rates, broad tax exemptions" to one of "low tax rates, strict supervision".

The unification of income tax rates does not necessarily mean that privileged tax policies and some preferential tax treatments will be cancelled. Instead, entities which can "help to adjust industry structure and develop particular industry areas" shall be eligible for tax privileges.

## Shanghai's goal to become an International Financial Center

Shanghai is hoping to make rapid progress in its efforts to become an international financial center in the next several years according to a municipal official.

In a speech delivered at a recent municipal meeting on foreign economic work, deputy mayor Jiang Yiren vowed to redouble efforts to attract more domestic and overseas financial organizations in order to improve the functioning of various financial markets. "We will fully support the reform of financial organizations and will also work harder to improve the quality of financial information as well as regional financial cooperation," said the deputy mayor.

Jiang also pledged that Shanghai would take the lead in the country in establishing a social credit network consistent with international practices and China's situation. Shanghai boasts a financial market network supported by a securities market, an inter-bank trading market, a bond market, a futures market and a gold market.

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Professional Services

Financial Accounting

Management Accounting

Systems Solutions

Business Management

## 增值税

"Zeng Zhi Shui"

(Value Added Tax)

## 增值税

"Ying Ye Shui"

(Business Tax)

## 消费税

"Xiao Fei Shui"

(Consumption Tax)

## 所得税

"Suo De Shui"

As of 2002, a total of 30 foreign banks had been approved to carry out Chinese currency transactions, and 23 others had been approved to deal in both Chinese and foreign currencies. Four foreign banks have moved their Chinese operational headquarters to Shanghai, where two Sino-foreign capital management joint ventures and one Sino-foreign securities joint venture will soon be set up.

Foreign banks in Shanghai increased their operating capital by 528 million US dollars over the past year, and 36 domestic and overseas insurance companies made 24 billion Yuan (2.89 billion US dollars) in premium revenue last year, up 30 percent from 2001.

Source: People's Daily

### Foreign-invested firms generate half of China-EU trade

(31 January 2003) Trade between China and the European Union grew 13.2 percent to US\$86.8 billion in 2002, and foreign-invested firms in China were responsible for almost half of the total trade volume.

The firms reported US\$42.9 billion in trade with the EU, increasing by 13.2 percent and accounting for 49.4 percent of the total, Friday's Beijing Qingnian Bao (Beijing Youth Daily) reported. The EU was China's third-largest partner in 2002 after Japan and the United States.

Trade between privately owned businesses in China and the EU surged 160 percent to US\$3.4 billion, including US\$1.3 billion in imports, up 190 percent, and US\$2.1 billion in exports, up 150 percent.

Trade by state-owned enterprises went up 5.8 percent to US\$36.2 billion, accounting for 42 percent of the total.

Electromechanical products made up 56 percent of China's total exports to the EU at US\$27 billion, up 23.6 percent.

The exports consisted mainly of automatic data-processing equipment and parts and wireless handheld and mounted vehicle handsets.

Germany remained China's largest trade partner among EU countries. Trade with Germany, Italy, France, Britain and the Netherlands totaled US\$29.9 billion, up 12.3 percent and accounting for 77.5 percent of the total.

(Source: ChinaOnline)

### Media required to reserve 3% of ad time, space for public service ads

(31 January 2003) New regulations require Chinese media to give no less than 3 percent of the time or space allotted to advertising to public service announcements.

Each program aired on a radio or TV station should have public service advertisements equal to 3 percent of its annual volume of commercials, Xinhuashe (Xinhua News Agency) reported Wednesday, quoting a spokesperson at the State Administration for Industry and Commerce (SAIC).

The stations also need to make sure that the 3-percent ratio is observed for commercials during the prime time from 7-9 p.m.

The print and Internet media are required to give 3 percent of their advertising space to public service ads. The rules make it clear that corporate sponsors of public service ads are only allowed to insert in the ads their names and logos but not the names of their products/services or any information related to the products/services.

The corporate names or logos can appear for no more than five seconds on an ad with moving images and no more than three seconds on a TV billboard. They can occupy no more than one-fifth of the space of a public service ad in a newspaper, magazine or on an outdoor billboard.

## *"Providing an alternative in China"*

[insights@lehmanbrown](mailto:insights@lehmanbrown) provides updates of the latest taxation and accounting regulations in the People's Republic of China. It is designed to provide you with interesting and informative information to assist in your dealings with China or any China-related issues that you may encounter.

If you do not wish to receive this newsletter, we have provided an UN-subscribe facility below.

LehmanBrown also provides a monthly newsletter *Peeling the Onion* which investigates certain topical issues affecting businesses in China, particularly for those companies and individuals with operations in the PRC, or looking to establish a presence in-country.



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- ▶ Transfer Pricing Strategies in China
- ▶ Business Fraud in China
- ▶ Corporate Valuations in China
- ▶ Crisis Management in China
- ▶ China's Changing Tax Environment
  - ▶ Internal Controls in China
  - ▶ Establishing an SME in China
- ▶ Managing Your China Business Under SARS
  - ▶ Treasury Management in China
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- ▶ The Changing Role of CFOs and Accountants in China

▶ Transfer Pricing Investigations...When not if!

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