

China Covid-19 Outbreak Snippets

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Policies which you to do business in China

Official numbers from China's State Statistics Bureau showed that China's GDP slumped by 6.8% in the first quarter of 2020, in response policymakers are putting in place various measures to boost the economy, to save business and to protect jobs. There are plenty of beneficial policies for businesses to take advantage, and LehmanBrown will continue to share them to assist enterprises through these challenging times.

Carry-forward Period for Losses from Five to Eight Years

Nationwide favourable tax policies permit enterprises engaging in transportation, catering, accommodation and tourism to extend the maximum carry-forward period for losses made in 2020 from five years to eight years.

Enterprises benefiting from the policy must by the end 2020 obtain 50% of their total revenue (excluding non-taxable income and investment income) from their main business activity.

These favourable tax policies also allow companies to exempt from VAT if the revenues are made by providing public transportation services and resident living services, as well as express delivery services involving residents' necessities.

Recommendations

The policy is aimed specifically for businesses in the transportation, catering, accommodation and tourism industries which now can enjoy these benefits wherever they may be located in China. Even with the caveat of achieving more than 50% of the total revenue via the main business activity in 2020, it may be difficult, but it is possible to achieve by properly managing cash-flow and reviewing one's resources.

24 New Measures for Stabilizing Foreign Investment in Shanghai

General Office of the Ministry of Commerce on April 21st issued the <u>Letter on Promoting 24 New</u> <u>Measures for Stabilizing Foreign Investment in Shanghai</u> which aims to bolster its current efforts for alleviating the impact of the pandemic, protecting foreign companies, free-trade zone pilots, and securing foreign investments.

The policy also includes heavier punishments for those who infringe on companies' intellectual property rights and improve the ways foreign investors file for legal grievances and protections. The measures go further as you can see them listed below:

Implementing Opening Market Access

- Support for pilots on opening market access to foreign investment
- Intensifying opening up measures in Shanghai Pilot Free Trade Zone and Lingang Special Area

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Promoting Foreign Investments

- Strengthening the One-stop Service System of Foreign Investment Promotion
- Support given to investment promotion campaigns at domestically and internationally
- Improving the quality of inbound investment through open platforms
- Further assistance given to major foreign-funded projects
- Establishing incentive mechanisms for business promotion service
- Support for key projects during their recruitment effort
- Exploring to establish a market-based incentive mechanism for foreign business and investment promotion
- Support to all districts to organize missions to attract international business and investment
- Intensifying trainings on international business and investment promotion
- Bolster the promotion and interpretation of international investment policies

Foreign Investment facilitation

- · Implement measures to facilitate cross-border capital investment
- Optimizing the process for foreigners' work and residence permits in China
- Streamlining approval procedures of land use for projects

Protecting Foreign Investments

- Full implementation of The Foreign Investment Law
- Improving communication and service mechanisms between the government and enterprises
- Improving the complaint and protection mechanism of legitimate rights of foreign-invested enterprises
- Bolster the normative enforcement of regulatory policies
- · Reinforce the importance of the judicial protection of intellectual property rights
- Improving the working mechanism for intellectual property rights protection
- Enhance the transparency of policies related to foreign investment
- Reinforce the participation in standards formulation
- Promote equal participation in government procurement

You can find the original 24 New Measures <u>here</u> (CN), or you can find the translated version <u>here</u>.

Recommendations

Shanghai has over the years made significant strides to open up the Chinese market to foreign investors, and these policies along with other projects such as the free-trade zones and E-commerce pilots bolster the security for anyone want to do business in China.

Entrepreneurial Loans

In assisting <u>start-ups and SMEs</u> suffering from the pandemic, the government has lowered the application threshold for loans. The proportion between the number of newly recruited qualified entrepreneurial loan applicants and the number of employees currently employed in an SME has been lowered from 20% to 15%. SMEs with more than 100 employees, the percentage has been reduced to 8%.



The maximum amount of entrepreneurial loan that a qualified individual borrower can apply has been increased to 200,000 RMB from 150,000 RMB. For qualified borrowers who start a partnership business, the loan amount may be increased modestly based on the number of partners but cannot exceed 10% of the total loan amount.

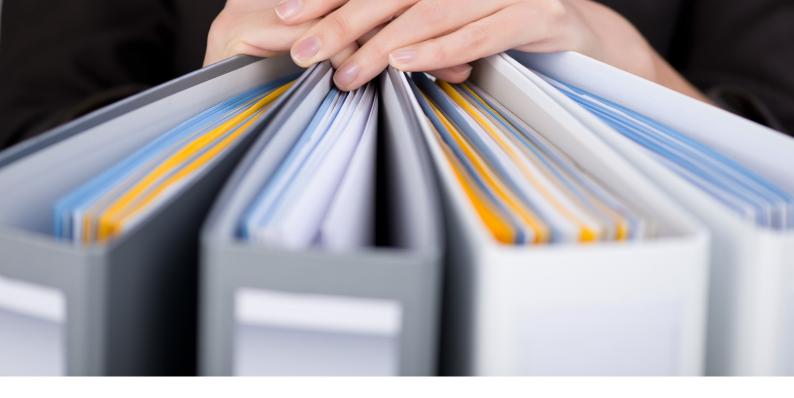
Recommendations

Start-Ups and SMEs in difficulty due to the pandemic should immediately apply for the loan if they meet the requirements. The funds could be extremely beneficial for start-ups to avoid the Valley of death where the start-up's expenses are too great to recover from.

Find Out More

In case you missed the last week's snippets you can find them by clicking the link here.

If you would like to find out how your business can benefit from these policies and potential others not motioned here please send your enquiries to <u>enquiries@lehmanbrown.com</u>.



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Payroll Services Payroll Processing Setup Expatriate Employees Local Employees

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Tax Consulting Corporate Tax Planning Business Restructuring Value Chain Review Onshore / Offshore Investment Transfer Pricing

Tax Compliance

Tax Due Diligence Tax Deregistration Negotiation of Tax Penalties Tax Refund Application Tax Representatives for Tax Audit VAT & Customs Duty Clearance PRC Tax Receipt Verification VAT Application VAT & Sales Tax Filing Corporate Income Tax Reporting

Specialist Accounting & Risk Management

Internal Controls Systems

Risk Management Sarbanes - Oxley (SOX 404)

GAAP, SEC & IFRS Compliance US GAAP US GAAP Financial Statement Preparation US GAAP Conversion

Other GAAP GAAP Conversion Public Company Compliance Financial Statement Preparation

IFRS IFRS Accounting Repackaging IFRS Financial Statement Preparation IFRS Public Company Compliance

SEC SEC Public Company Compliance

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