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### Recent Hot Topics

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## Legal

### **Implementation Measures for the Regulation on Fair Competition Reviews**

Issued by: State Administration for Market Regulation  
Issue No.: State Administration for Market Regulation Order No.99  
Release Date: February 28, 2025  
Effective date: April 20, 2025  
Links: <https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fgs/art/2025>

On the basis of the Regulation on Fair Competition Reviews, the Implementation Measures specify the review criteria and procedures, supervision and safeguard measures for administrative authorities when drafting policies and measures involving economic activities of operators.

- Detail the reviewing criteria into 66 specific circumstances in four aspects in restricting market access and exit, restricting the free flow of goods and factors, affecting production and operation costs, and affecting production and operation behaviors. Examples are: 1) It shall not illegally establish approval procedures or other unreasonable conditions that prevent business operators from changing their registered addresses or reducing their registered capital; 2) Financial rewards or subsidies should not be provided on the condition that non-local business operators relocate their registered addresses to the local area, pay taxes locally, or are included in local statistics.
- The drafting authority of the policies and measures should first conduct a fair competition review on their own during the drafting stage and listen to the opinions of interested parties. Then the drafts shall be submitted to the Administration for Market Regulation at the same level for a second review before submitting to the government.

### **Measures for the Administration of the Abnormal Business List (Revised in 2025)**

Issued by: State Administration for Market Regulation  
Issue No.: State Administration for Market Regulation Order No.68  
Release Date: March 18, 2025  
Effective Date: May 1, 2025  
Links: <https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fgs/art/2025>

The main contents of this revision include:

- Illegal use of enterprise name and failure to file the name change within the prescribed period will be listed on the Abnormal Business List;
- Concealing the true situation or falsely disclosing the information will no longer be considered as a case that shall be included on the Abnormal Business List;
- Those who are listed in the Abnormal Business List and still fail to fulfill their disclosure obligations after 3 years will no longer be included onto the Serious Violations List.

## Tax

### **Tax Collection and Administration Law of the People's Republic of China (Revised Draft for Comments)**

Issued by: State Taxation Administration

Release Date: March 28, 2025

Links: <https://www.chinatax.gov.cn/chinatax/n810356/n810961/c5239263/content.html>

The main adjustments in this draft for soliciting opinions are as follows:

#### **1. Protecting the Legitimate Rights and Interest of Enterprises and Optimizing of Business Environment**

- The tax payment requirement for administrative reconsideration has been cancelled, and a new rule has been established, which allows taxpayers to initiate reconsideration first, followed by tax payment, and then litigation if necessary.
- It is clarified that in the field of bankruptcy, the liquidation order of tax claim settlement should comply with the provisions of the Enterprise Bankruptcy Law, and the provision that tax claims take precedence over mortgage and pledge rights will not be apply to bankrupt enterprises.

#### **2. New Regulations Adapting to the Big Data Era and Digital Information**

- E-commerce and other online trading platform operators are obliged to submit the identity information of platform-based operators and practitioners, along with tax-related information, to the tax authorities within the time limit and in accordance with the directory list specified by the State Taxation Administration. If network platform operators fail to submit such information as required, they will be subject to fines of up to 2 million RMB and may be ordered to suspend business for rectification.
- It is clarified that tax authorities have the right to use big data related to taxes to analyze and evaluate the taxable amount of taxpayers. During tax inspections, the tax authorities may access the electronic accounting system of enterprises to inspect electronic accounting materials. E-commerce platform operators and electronic payment service providers are required to provide information related to the e-commerce transactions and payments of taxpayers.

#### **3. Changes in Tax Collection, Penalties, and Tax Inspections**

- The "late payment surcharge" (滞纳金) has been changed to "late payment fee" (迟纳金), with the rate remaining unchanged at 0.05% per day. It remains to be observed whether the change in the term will exempt it from the restriction in Paragraph 2, Article 45 of the Administrative Enforcement Law, which stipulates that "the amount of late payment surcharge shall not exceed the amount of the monetary payment obligation."
- The "tax fraud" has been modified to "tax evasion" to align with the Criminal Law, resolving the long-standing issue of disjointed execution.
- The subject of tax arrears enterprises being prevented from leaving the country has been expanded from the legal representative to include the main person in charge and the actual controller.
- If the shareholder abuses the independent legal status of the legal entity and the limited liability of the investor, and takes measures such as withdrawing funds and deregistration, resulting in the tax authority's inability to recover the unpaid taxes or over-refunded taxes from the taxpayer, the tax authority shall

have the right to collect taxes and late tax payment from the contributor if the circumstances are serious.

- The punishment for invoice violations has been increased, with the maximum fine for issuing false invoices reaching up to RMB 5 million.
- Penalties for "non-declaration resulting in non-payment or underpayment of taxes" other than tax evasion have been alleviated, with a three-tiered penalty based on the severity of the situation.
- During tax inspections, tax authorities may also verify the accounting materials related to tax payment of the units and individuals from whom the taxpayer obtaining income, forming a cross-check of upstream and downstream data.
- Tax authorities may issue written notices to non-bank institutions such as Alipay, WeChat and other third-party payment platforms requesting them to freeze the equivalent amount of tax payable in the taxpayer's account.

## **Announcement on the Entry into Force and Implementation of the Agreement between the Government of the People's Republic of China and the Government of the Italian Republic for the Elimination of Double Taxation on Income and the Prevention of Tax Evasion and Avoidance**

Issued by: State Taxation Administration  
Issue No.: State Taxation Administration Announcement No. 6 of 2025  
Release Date: March 6, 2025  
Effective date: January 1, 2026  
Links: <https://fgk.chinatax.gov.cn/zcfgk/c100012/c5239047/content.html>

The main provisions of the Agreement are as follows:

### **1. Permanent Establishment**

- A building site, construction, assembly or installation project, or supervisory activities related thereto, which lasts for more than 12 months constitutes a permanent establishment.
- Services provided by an enterprise through its employees or other hired personnel, where such activities (for the same project or connected projects) are carried out continuously or cumulatively for more than 183 days in any 12-month period in a Contracting State, constitute a permanent establishment.

### **2. Dividends**

- If the beneficial owner of the dividends is a resident of the other Contracting State, the tax charged on the dividends shall not exceed 5% of the gross amount of the dividends on the conditions that 1) the beneficial owner is a company; 2) it directly owns at least 25% of the capital of the dividend-paying company; 3) the ownership is held for at least 365 days including the dividend payment date. In all other cases, the tax charged shall not exceed 10% of the gross amount of the dividends.

### **3. Interest**

- If the beneficial owner of the interest is a resident of the other Contracting State, the tax charged on interest paid to financial institutions for loans with a term of at least three years intended for investment projects should not exceed 8% of the gross amount of the interest. In all other cases, the tax charged shall

not exceed 10% of the gross amount of the interest.

#### 4. Royalties

- For all kinds of payments made as remuneration for the use of or the right to use, industrial, commercial, or scientific equipment, the tax charged shall not exceed 5% of the gross amount of the royalties. For other types of royalties, the tax rate shall not exceed 10%.

#### 5. Capital Gains

- Gains derived by a resident of one Contracting State from the transfer of shares, if more than 50% of the value of these shares directly or indirectly derives from immovable property situated in the other Contracting State, may be taxed in that other Contracting State.
- Gains derived by a resident of one Contracting State from the transfer of shares of a company which is a resident of the other Contracting State may be taxed in that other Contracting State if, at any time during the 12-month period preceding the transfer, the transferor directly or indirectly held at least 25% of the capital of the company.

## Foreign Exchange

### Continuously Expand the Pilot Program of the Integrated RMB and Foreign Currency Cash Pooling for Multinational Corporations

Issued by: People's Bank of China, State Administration of Foreign Exchange

Release Date: March 13, 2025

Links: <https://www.safe.gov.cn/safe/2025/0313/25847.html>

The pilot program of the integrated RMB and foreign currency cash pooling for multinational corporations is further expanded into Tianjin, Hebei, Inner Mongolia, Heilongjiang, Anhui, Fujian, Shandong, Hubei, Hunan, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Xinjiang, Xiamen and other provinces and municipalities. This facilitates the cross-border fund management and utilization of multinational corporations. The main contents of the pilot program include:

- Allowing multinational corporations to determine the concentration ratios of foreign loan and overseas lending on their own according to the macro-prudential principle.
- Permitting multinational corporations to handle the centralized collection and payment of RMB and foreign currency for overseas member enterprises through the main fund account in China.
- Further facilitating multinational corporations to conduct cross-border receipts and payments in RMB.
- Changes and other businesses under capital matters which do not involve the quota of foreign loan or overseas lending can be handled directly by the bank.

## **Provisions on Promoting the Development of Free Trade Account Business in China (Shanghai) Pilot Free Trade Zone in Pudong New Area, Shanghai**

Issued by: Standing Committee of Shanghai Municipal People's Congress

Release Date: March 27, 2025

Effective Date: May 1, 2025

Links: <https://www.pudong.gov.cn/zwgk/pdxqfg2025/2025/87/339608.html>

The Provisions, comprising 20 articles, summarize and consolidate the successful experience from over a decade of pilot operations of the Shanghai Free Trade Account and further enhance its functionalities. The specific innovative measures include:

- Banking institutions are allowed to provide integrated RMB and foreign currency financial services for cross-border treasury management of multinational enterprise groups through Free Trade Accounts;
- Banking institutions may appropriately relax restrictions on loan-to-value ratio and repayment term when providing non-resident merger and acquisition loans through their branches in Lingang Area;
- Banking institutions are permitted to provide eligible overseas individuals with tailored cross-border financial services for domestic direct investments in high-tech and strategic emerging industries through Free Trade Accounts.
- Banking institutions are allowed to provide the following services to overseas individuals with Free Trade Accounts: 1) free fund transfer between non-resident accounts; 2) convenient settlement services for work/life-related transactions with resident accounts in the FTZ; 3) other approved cross-border payment facilities authorized by relevant authorities.

## **Customs**

### **Regulations on the Administration of Declaration of Import and Export Goods by Customs**

Issued by: General Administration of Customs

Issue No.: General Administration of Customs Order No. 277

Issue Date: March 27, 2025

Effective Date: May 1, 2025

Links: <http://www.customs.gov.cn/customs/302249/2480148/6442655/index.html>

The Regulations provide a comprehensive framework for the declaration of import and export goods. Compared with General Administration of Customs Order No. 103 issued in 2003, the main contents and revisions are as follows:

- Include the Tariff Law, relevant laws and administrative regulations on inspection and quarantine as legal bases.
- The consignors and consignees of import and export goods ("consignors and consignees") and customs declaration firms are no longer required to register with the customs, but only need to perform the record-filing in advance.

- Under the previous regulations, declarants were permitted to submit customs declarations either electronically or in paper format. The revised regulations, however, explicitly mandate electronic customs declarations as the standard procedure, permitting paper-based submissions only under exceptional circumstances and with prior customs approval.
- Eliminates the mandatory registration requirement for customs declarants.
- Clarifies the timeline for advance declarations. Specifically imported goods may be declared up to 7 days after departure or prior to port arrival, while export goods may be declared up to 7 days before entering the customs surveillance area.
- Clarifies the timeline for "two-step declaration" (summary declaration followed by complete declaration): The complete declaration must be finalized within 14 days from the declaration date of the transport vehicle's arrival. Late completion will incur customs penalties.
- The scope of "centralized declaration" has been expanded from designated zones to all ports for qualified goods, subject to customs approval.
- The customs pre-classification service has been abolished and replaced by advance ruling.

## Recent Hot Topics

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- After foreign loan exemption or conversion into capital, can the balance in the foreign loan account be converted into RMB or transferred in its original currency to a capital account of the same currency?

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