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Foreign Exchange

Opinions on Advancing Institutional Opening in the Financial Sector by Aligning with International High Standards in Pilot Free Trade Zones (Ports) with Suitable Conditions

Issued by: People's Bank of China, Ministry of Commerce, State Administration of Financial Regulation, China Securities Regulatory Commission, State Administration of Foreign Exchange

Issue Date: January 16, 2025

Links: https://www.gov.cn/lianbo/bumen/202501/content_7000522.htm?ddtab=true

The main contents of this Opinion are as follows:

1. Pilot regions include: Shanghai, Guangdong, Tianjin, Fujian, Beijing Free Trade Zones, Hainan Free Trade Port, Hengqin Guangdong-Macau Deep Cooperation Zone, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Guangzhou Nansha, and other areas.
2. Allow foreign financial institutions to conduct new financial services similar to those of domestic financial institutions through licensing or pilot programs.
3. Shorten the approval timeframe for financial institutions to carry out relevant business operations to 120 days.
4. Support cross-border purchase of specific overseas financial services: Enterprises and individuals in pilot regions can handle cross-border fund settlements for recurring items such as insurance policy renewals, claims, and cancellations. In the Guangdong-Hong Kong-Macau Greater Bay Area, expand the scope of institutions and eligible investment products participating in the "Cross-Border Wealth Management Connect" pilot.
5. Allow Free and Unrestricted Transfers related to foreign investors' investments in pilot regions, including: capital contributions; profits, dividends, interest, capital gains, royalties, management fees, technical guidance fees, and other charges; proceeds from the sale or liquidation of investments; payments under contracts; compensation or indemnities obtained in accordance with the law; and payments arising from dispute resolution.
6. Improve Cross-Border Financial Data Flow Arrangements, including: establishing a "whitelist" system for cross-border financial data circulation; formulating a data list requiring security assessments for data exports, standard contracts for personal information exports, and certification management for personal information protection; developing classification and grading standards for financial data; introducing overseas electronic payment institutions; and improving a digital identity authentication system aligned with international standards.
7. Establish a Cross-Border Dispute Resolution Mechanism aligned with international rules, creating a one-stop financial dispute resolution platform integrating "commercial mediation + international arbitration."

Decision on Raising Macro-Prudential Adjustment Parameter for Cross-Border Financing

Issued by: People's Bank of China, State Administration of Foreign Exchange
Release Date: January 13, 2025
Effective Date: January 13, 2025
Links: https://www.gov.cn/lianbo/bumen/202501/content_6998233.htm

The People's Bank of China and the State Administration of Foreign Exchange announced on the 13th that the macro-prudential adjustment parameter for cross-border financing of enterprises and financial institutions will be raised from 1.5 to 1.75, effective on January 13, 2025.

Raising the macro-prudential adjustment parameter for cross-border financing means that domestic enterprises and financial institutions can raise more funds from overseas. After the adjustment, under the macro-prudential model, the maximum amount of foreign loan that an enterprise can borrow is 3.5 times its net assets.

Repeal of the Notice of the Ministry of Commerce and the State Administration of Foreign Exchange on Further Improving the Regulatory Measures for Foreign-Invested Holding Companies

Issued by: Ministry of Commerce, State Administration of Foreign Exchange
Release Date: December 28, 2024
Effective Date: December 28, 2024
Effective Date: July 1, 2024
Links: https://wzs.mofcom.gov.cn/zcfb/art/2025/art_dc0f764e93864dd08aff397b2b8c4838.html

This regulation repeals the Notice on Further Improving the Regulatory Measures for Foreign-Invested Holding Companies issued in 2011. The original Notice stipulated that "the domestic loans of foreign-invested holding companies must not be used for domestic reinvestment".

After the repeal of the Notice, foreign-invested holding companies can use domestic loans to carry out equity investment.

Tax

Announcement on Matters Related to Supporting Export Tax Refund (Exemption) for Cross-Border E-Commerce Exports via Overseas Warehouses

Issued by: State Taxation Administration
Issue No.: State Taxation Administration Announcement No. 3 of 2025
Release Date: January 27, 2025
Effective Date: January 27, 2025
Links: <https://fgk.chinatax.gov.cn/zcfgk/c100012/c5238152/content.html>

The main contents of this announcement include:

1. Taxpayers exporting goods via overseas warehouses can apply for pre-export tax refund after the goods are declared and leave the country, despite the goods have not yet been sold. Subsequent tax settlement will be based on the actual sales of the goods.
2. Taxpayers who have received pre-export tax refunds must settle the refund during each VAT filing period before the settlement deadline (April 30 of the following year). Failure to settle on time requires the taxpayer to return the pre-export tax refund and the export tax refund (exemption) can not be processed until they have been actually sold.
3. When settling the pre-export tax refund, if the goods have been sold, the taxpayer must confirm the difference between the actual refund (exemption) amount calculated based on sales and the pre-export tax refund amount. If the goods remain unsold, the taxpayer must confirm "adjustment required" and fully repay the pre-export tax refund before completing the settlement procedures.
4. When taxpayers who have applied for pre-export tax refunds need to change their tax refund (exemption) method or withdraw their export tax refund (exemption) filing, they must complete the pre-export tax refund settlement.
5. For goods exported via overseas warehouses before the implementation of this announcement but for which export tax refund (exemption) has not yet been declared, the provisions of this announcement shall apply.

Announcement on Revising and Issuing the Administrative Measures for Qualification Recognition of Corporate Income Tax Preferences for Key Industries in China (Shanghai) Pilot Free Trade Zone Lin-Gang Special Area

Issued by: Shanghai Municipal Bureau of Finance, State Taxation Administration Shanghai Tax Bureau, Shanghai Municipal Commission of Economy and Informatization
Issue No. Hucaifa (2024) No. 12
Release Date: December 31, 2024
Effective Date: January 1, 2025
Links: <https://shanghai.chinatax.gov.cn/zcfw/zcfgk/qysds/202501/t474880.html>

In July 2020, the Ministry of Finance and the State Taxation Administration jointly issued the Notice on Corporate Income Tax Policies for Key Industries in China (Shanghai) Pilot Free Trade Zone Lin-Gang Special Area (Caishui (2020) No. 38), stating that enterprises in key industries such as integrated circuits, artificial intelligence, biomedicine, and civil aviation in Lin-Gang Special Area, will be taxed at a reduced corporate income tax rate of 15% within 5 years from the date of establishment.

This revision optimizes and refines some of the implementation standards and provisions of the original Administrative Measures. It ensures that enterprises must meet the following basic conditions to be recognized as eligible for corporate income tax preferences:

1. Registered in Lin-Gang Special Area and in operation for less than 5 years (excluding enterprises relocated from other areas to Lin-Gang Special Area);
2. Engaged in integrated circuits, artificial intelligence, biomedicine, civil aviation industries, and the main business belongs to the key fields of the catalogue stipulated in Caishui (2020) No. 38;
3. Conducting substantial production or research and development activities in Lin-Gang Special Area;
4. At least one key product (technology) is included in the enterprise's main research and development or sales products;
5. The conditions on the entity and its R&D production must meet the relevant regulations of Caishui (2020) No. 38.

Customs

Notice on Adjusting the 'Zero Tariff' Policy for Raw and Auxiliary Materials in the Hainan Free Trade Port

Issued by: Ministry of Finance, General Administration of Customs, State Taxation Administration
Issue No.: Caiguanshui (2025) No.1
Release Date: January 24, 2025
Effective Date: February 1, 2025
Links: https://www.gov.cn/zhengce/zhengceku/202501/content_7001335.htm

The Notice adjusts the 'Zero Tariff' policy for raw and auxiliary materials in the Hainan Free Trade Port,

which was promulgated in the document of Caiguanshui (2020) No. 42. The main contents are as follows:

- The scope of 'Zero Tariff' goods has been expanded. The policy list now includes 297 additional items such as unbaked coffee, ethylene, machine parts, etc.
- The Notice relaxes some policy restrictions, including:

For entities that meet the conditions to enjoy the policy, if they transfer 'Zero Tariff' raw and auxiliary materials due to legal bankruptcy or other reasons, they will be exempt from import tariffs, value-added tax (VAT) and consumption tax at the import stage;

Raw and auxiliary materials used for the repair of 'Zero Tariff' yachts and self-used production equipment will also be exempt from import tariffs, VAT and consumption tax at the import stage.

Human Resources

Notice on Matters Concerning the Rates of Unemployment Insurance and Work-related Injury Insurance in Shanghai

Issued by: Shanghai Municipal Human Resources and Social Security Bureau, Shanghai Municipal Finance Bureau, State Taxation Administration Shanghai Tax Bureau
Issue No.: Hurenshegui (2024) No.25
Release Date: December 30, 2024
Effective Date: January 1, 2025
Links: <http://service.shanghai.gov.cn/XingZhengWenDangKuJyh/XZGFDDetails>

The Notice clarifies the rates of unemployment insurance and work-related injury insurance in Shanghai in 2025. The main contents are as follows:

- From January 1, 2025, to December 31, 2025, Shanghai will continue to implement a phased reduction in the unemployment insurance rate. The unemployment insurance will continue to be levied at a rate of 1%, with the employer contribution rate at 0.5% and the employee contribution rate at 0.5%.
- Starting from January 1, 2025, Shanghai will cease the implementation of the reduced work-related injury insurance rate by 20%. From January 1, 2025, the benchmark rates for work-related injury insurance for industries classified from Category I to Category VIII in Shanghai will be adjusted according to the national benchmark rates. Specifically, the original rates of 0.16% to 1.52% will be adjusted to 0.2%, 0.4%, 0.7%, 0.9%, 1.1%, 1.3%, 1.6%, and 1.9% respectively.

Recent Hot Topics

- If the summary declaration and on-site payment assessment information of cross-provincial head offices and branches do not match, it may trigger the tax authority's automatic warning mechanism. How should enterprises respond to this situation effectively?
- If an enterprise over-declares output VAT due to its own error, is it possible to apply with the tax authority for a refund?
- The new Company Law has been in effect for over half a year. In practice, when filing for corporate changes with the local Administration for Market Regulation (AMR), will AMR request enterprises to restate their Articles of Association in accordance with the new Company Law? If so, what aspects should enterprises pay attention to when restating their Articles of Association?

If you are interested in the above topics, please feel free to contact us:

Jane Fan

Head of Legal Service Dept.

☎ 135-0177-7091

✉ fanrong@seahonor.com

Lucy Huang

Head of Accounting & Tax Service Dept

☎ 137-6193-2188

✉ huangyi@seahonor.com

Nikko Chen

Head of Japan Desk

☎ 186-2191-6721

✉ chenhong@seahonor.com

Cynthia Su

Tax Service Contact

☎ 138-1853-0811

✉ suxiaofang@seahonor.com

William Zhu

Audit Service Contact

☎ 139-1751-0923

✉ zhuwei@seahonor.com

Tiffany Tian

Accounting Service Contact

☎ 138-1609-0515

✉ tianfang@seahonor.com

Minnie Gu

HR Service Contact

☎ 139-1713-2663

✉ gumin@seahonor.com