Foreign & Commonwealth Office

Department for International Trade

China Commercial Regulatory Summary

January – March 2018

A quarterly summary of the key Chinese policies affecting UK business

This product aims to inform new and expanding UK businesses selling to or located in China about the commercial regulatory issues most likely to affect them. We are providing factual information rather than analysis. All feedback welcome.

CROSS-CUTTING POLICIES:

The 13th Chinese *Lianghui* (3 – 20 March) unveiled a new-ish senior leadership team, new government structures and hints that further opening-up policies are forthcoming. Concrete measures include opening up the general manufacturing sector, ban on forced technology transfer, increased protections on intellectual property; cuts on import tariffs for goods (particularly removing tariffs on anti-cancer drugs); increased access to service sector (including health care, education, elderly care and finance); and a shorter foreign investment negative list. Streamlined business registration and other administrative procedures were also highlighted. Relevant ministries have been tasked to come up with detailed plans to implement these policies. Click here (English) and here (English) for more information.

Meanwhile the State Council also released its 2018 Legislative Agenda. The following laws are on the agenda: draft Foreign Investment Law, National Security Review Measures for Foreign Investment, draft Export Control Law, draft Patent Law, Copyright Law, Government Investment Regulations, as well as Rules for the Consumer Rights Protection Law, the Corporate Income Tax Law and the Budget Law. Agenda here (Chinese) and a summary here (English).

China's Ministry of Commerce (MOFCOM) pledged to implement the "Single Window, Single Form" practice nationwide by the end of June 2018. This announcement was made on 5 March as a quick follow-up to Premier Li's promise to streamline the registration procedures for foreign companies. Announcement here (Chinese).

The Ministry of Finance (MOF) adopted short-term tax exemptions for foreign companies who reinvest in China, effective from 1 January 2017. MOF and three other relevant ministries jointly announced a temporary policy which states that no withholding tax will be collected if an overseas investor uses profits distributed by a resident enterprise within the territory of China to invest directly in sectors encouraged by the Chinese government. Announcement here (Chinese) and analysis here (English).

MOF published tariff adjustments for 2018. After a substantial tariff reduction for consumer goods (food & beverages, pharmaceuticals, clothing, infant formula) last November, MOF announced further tariff reductions for products such as coconut fibre and raw materials for advanced medicine. On the other hand the provisional import tax rate on nickel will be raised. New tariffs became effective as from 1 January 2018. New tariffs here (Chinese) and a summary here (English).

China's National Development and Reform Commission (NDRC) required using unified social credit codes in handling relevant businesses. Companies have been suggested to replace old licenses by new ones with unified social credit codes as soon as possible while no specific expiring date for the old ones is given. Government organs and public institutions are required to change licences before 30 June 2018. Announcement here (Chinese) and a summary here (English).

Beijing announced new measures to facilitate trade. The measures include completing business registration within five days, releasing imported goods within two hours and adopting the "one single form" for tax payment, effective from 31 March. More details here (Chinese) and the news here (English).

SECTORS:

FINANCE

China Banking Regulatory Commission (CBRC) revised rules on administrative licensing for foreign banks, effective from 13 February. The new rules claim to unify standards to enter the market for Chinese and foreign banks, streamline licensing procedures and strengthen the supervision requirements. Announcement here (Chinese) and here (English).

PBOC allowed foreign invested non-bank payment service provider to obtain license and do business in China, effective from 19 March. Announcement here (Chinese).

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ENERGY

China waived income taxes for foreign investors trading yuan crude futures. This policy has been established to attract overseas investments to support the launch of China's crude futures contracts on 26 March. Announcement here (Chinese) and a summary here (English).

ENVIRONMENT

China officially banned plastic waste imports since 1 January. Read an analysis here (English).

China's Ministry of Environmental Protection (MEP) published the pilot Regulations on Pollutant Discharge Permits, effective from 18 January. The Regulations stipulate the approval and issuance procedure of pollutant discharge for waste permits and clarifies the split of responsibilities between regulatory government bodies, discharging companies and third-party agencies. Regulations here (Chinese).

China will levy its first environmental protection tax on 1 April as outlined in the Law on Environment Protection Tax effective since 1 January. Law here (Chinese) and more information here (English).

AUTOMOTIVE

China adjusted subsidies for new energy vehicles (NEVs). According to a MOF Notice on 12 February, China will raise the standards for NEVs to qualify for subsidies. A transition period (12 February – 11 June) will be granted when old subsidizing policies are applied. Announcement here (Chinese) and more information here (English).

FREE TRADE ZONES:

On 9 January, the State Council announced its decision to temporarily liberalise a number of sectors to foreign investment, strictly in China's 11 Free Trade Zones (FTZs). This includes provisions to allow full ownership in the shipping and general aircraft sectors, lift obstructive requirements on foreign banks to operate as RMB businesses, as well as allow foreign capital to operate online service spots (e.g. Cyber cafes) and acquire/wholesale rice, wheat and corn. Announcement here (Chinese) and an introduction to China's 11 FTZs here (English).

CHINESE INVESTMENT OVERSEAS:

China further tightened its control over ODI projects by issuing Measures for Investment Overseas and List of Sensitive Industries for ODI (2018 edition), both effective since 1 March. Measures here (Chinese) and the list here (Chinese).

REGIONAL SNAPSHOT:

Yunnan ranked as the 3rd fastest growing province in China in 2017 with GDP growth rate 9.5%. Utilising the access between China and ASEAN, Yunnan is designated as the 'powerhouse for South and Southeast Asia'. As a priority BRI province, developments are focussed on improving connectivity, particularly in communication and energy and transport, as part of this, in Dec 2017, a new rail project launched that will run to Vientiane, Laos to Kuala Lumpur and Singapore. In 2016, UK exports to Yunnan increased by over 45%, these comprised a diverse range of products. UK business presence in Yunnan includes Willis, APPT, HSBC, Standard Chartered, Haygrove, S&A Group, Swire Group.

Yunnan's main sector includes: Life Science and Healthcare, Tourism & Culture, ICT, Urbanisation, Agriculture, New Material, Manufacturing, Food & Consumer Goods. Yunnan's plan in 2018 that relevant to UK is to cultivate new growth in new energy vehicles, green & renewable energy, new materials, 'big-health' and enhance the links in Culture, Education and Health.

Upcoming events: 10th June, China-South Asia Expo. If you would like more information, please get in touch with the UK's Senior Regional Engagement Officer for Yunnan: Junjie.li@fco.gov.uk

Contact the China Trade Policy team if you would like to be added to or removed from the distribution list or if you would like to discuss the above in more detail. Please feel free to forward this newsletter, previous editions here. You can also access Overseas Business Risk, Intellectual Property, China Economy and Financial Policy Focus reports online.