



I. Legal News

Update on the Application of IIT Deductions for the Fourth Quarter of 2018

On August 31, 2018, the Decision on Amending the Law of the People's Republic of China on Individual Income Tax (the "IIT") was adopted, which provides for a transition period from October to December 2018. The new IIT Law will be applied on January 1, 2019.

On September 7, 2018, the Ministry of Finance and the State Administration of Taxation have jointly issued the Circular on Issues Concerning the Application of Individual Income Tax Deductions and Tax Rates in the Fourth Quarter of 2018 (the "Circular") which aims to clarify certain provisions issues regarding to the transition period.

The Circular states that wages and salary incomes received on October first or after will be subject to a deduction of CNY 5,000 per month. In the case where that income would have been received on September 30th or before, the old regime will be applied. Furthermore, regarding to production and business incomes of a privately-owned business, a sole proprietorship, a natural-person investor of a partnership or a contracted and leased business operator of a company or a public institution, 2018 fourth quarter's tax deduction will be CNY5,000 per month. However, the income received in the first three quarters of the year will be subject to a CNY3,500 tax deduction.

(<http://www.chinatax.gov.cn/n810341/n810755/c3722680/content.html>)

A Second Internet Court Opens in Beijing

On September 10, 2018, China's second internet court opened in Beijing, followed by the first one opened in Hangzhou during the summer 2017 which has handled more than 11,000 cases, 9,600 of which have been concluded and its average trial lasted 38 days.

In August 2018, China reached the number of 800 million internet users, with approximately 60% of the total population being connected to the internet. This increasing connectivity opens numerous business opportunity for entrepreneurs in China but has also led to the rise of internet related legal disputes. From January to August this year, according to the Beijing High People's Court, 37,631 internet-related cases were filed in Beijing, with a 24.4 percent year-on-year increase.

There has been a movement of specialization of justice in China and Courts with a specific area of expertise have spread up in the last few years (Environmental, Intellectual Property, and Commercial courts). Beijing's new internet Court is located in Zhongguancun, also sometimes called China's Silicon Valley, and will mainly handle internet and intellectual property rights cases. Online shopping, service contracts, lending, copyrights domains are among the typical cases to be under its competence.

On September 7, 2018, the Supreme People's Court has issued the Provisions on Several Issues Concerning the Trial of Cases by the Internet Court (the "Provisions"), effective from their date of publication. According to the Provisions, the whole proceedings will be available online 24 hours a day, litigants can submit materials, track their lawsuits, attend the case hearings and communicate with judges after registering an account on the website "bjinternet.gov.cn". Their identities will be confirmed by facial recognition and real-name authentication technology. Judgment or verdicts in relation to Internet copyright disputes and internet domain name disputes shall be appealed at the Beijing Intellectual Property Court, and other cases shall be appealed at the Beijing No 4 Intermediate People's Court.

(<http://www.court.gov.cn/fabu-xiangqing-116981.html>
http://english.court.gov.cn/2018-09/10/content_36882422.htm
<https://www.chinalawblog.com/2017/08/china-establishes-its-first-cyber-court-in-hangzhou-thank-you-alibaba.html>
http://french.xinhuanet.com/2018-09/09/c_137456428.htm
http://www.xinhuanet.com/english/2018-09/09/c_137456299.htm)

II. Hot Topics

Alibaba's CEO Prepares to Step Down

Jack Ma (马云), arguably China's most influential and successful entrepreneur, is about to step down from Alibaba's chairman position. On September 10, 2018, the date of its 54th birthday, Jack Ma announced that Daniel Zhang (张丹) would substitute him as of September 2019.

The Alibaba Group, based in Hangzhou, was founded in 1999 by Jack Ma and 17 other people, but he has remained the company's leading figure. As a former English teacher and a self-made man, his success has inspired countless people in China.

His company is today one of the most influential in the world with activities in the online retail market, online payments, cloud computing, artificial intelligence, etc. In 2014 Alibaba realized the largest Initial Public Offering (IPO) ever on the NASDAQ, amounting to USD 25 billion. According to the group's annual report, it counted 552 annual million users on its online retail platforms (Taobao and Tmall) in 2017.

Jack Ma, who is still relatively young, said that he wanted to commit itself to philanthropy, following the path of Bill Gates, and would like to go back to his first job, teaching. His successor, Daniel Zhang joined Alibaba in 2007 and was elected as the company's chief executive in May 2015. He is notably at the origin of the Singles' Day (11/11), the world largest online shopping festival, an event similar to the United States' Black Friday.

Even though he is stepping down from the Chairman position, Jack Ma will remain a permanent member of the Alibaba partnership, on which the group's corporate governance is based on.

The Alibaba Partnership started in 2010, it nominates and votes on new partners each year based on their experience, leadership and if they are a culture-carrier of the company. There are currently 36 members in the partnership, but the number is not fixed. The Partnership plays an important role in succession for the CEO and Chairman because of its role on the board. The Partnership has the right to nominate a simple majority of members to Alibaba Group's Board of Directors, the election of each director nominee has then to receive a majority vote from the shareholders at the Group's annual general meeting. This means when the time comes to choose a new Executive Chairman, the Partnership-nominated directors should have intimate knowledge of that executive's leadership style, operation abilities and character.

(<https://www.scmp.com/tech/big-tech/article/2163465/meet-daniel-zhang-free-and-unfettered-spirit-who-will-succeed-jack-ma>
<https://www.scmp.com/business/companies/article/2163466/alibaba-appoints-daniel-zhang-succeed-jack-ma-chairman-12-month>
<https://alibabagroup.com/en/ir/governance>
<http://www.chinadaily.com.cn/a/201809/10/WS5b95c7f7a31033b4f4655178.html>
https://www.alibabagroup.com/en/news/press_pdf/p180504.pdf)

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