



I. Legal News

A New Taxation Threshold (5000 Yuan) on Individual Income Tax to Take Effect on the First of October

On the August 31st, 2018 at the Fifth Session of the National People's Congress ("NPC") Standing Committee, the Decision on Amending the Law of the People's Republic of China on Individual Income Tax (the "Decision") was adopted and will enter into force on January 1, 2019.

The amendment distinguishes between residents and non-residents for tax purposes. Individuals who have domicile in China or have been in China for 183 days or longer within a year, shall be considered as residents whose comprehensive incomes will be subject to 7 levels of progressive tax rates, from 3% to 45%.

For an individual resident, the income will be taxed after deduction of 60 000 yuan of expenses per year and the eventual specific deductions that could apply according to the law. For non-resident individuals, the amount of monthly income from wages and salaries taxed will be the balance between wages minus 5,000 yuan of expenses. Income from remuneration of services, author's remuneration or royalties will be taxed on the amount received each time. This implies that the threshold of individual income tax will be changed from the current 3,500 yuan into 5,000 yuan.

Although the Amendment of the Individual Income Tax Law will be effective on January 1, 2019, the threshold of the individual income tax will be applied earlier. According to the Decision, between October 1st and December 31st, 2018, the wage and salary income will be taxed on a monthly basis, after deducting 5,000 yuan and eventual special deductions provided by the law.

(Source:

http://www.npc.gov.cn/npc/xinwen/2018-08/31/content_2060151.htm)

China's Last Civil Code Draft Removes All References to Family Planning

The Chinese Civil Code is planned to be adopted by 2020. On the August 27th, 2018 a new draft was submitted to the Standing Committee of NPC, which is the permanent body of the NPC and acts as China's legislative body.

In this new draft, all stipulations regarding to family planning were removed. China's family planning policies starting in the 1950's and in 1979 the one-child policy was introduced. The latter started to be formally abandoned in 2015. If this policy has been one of the reasons of China's quick economic development, it is the cause of new challenges for the country. The population is aging, according to China's State Council a quarter of the population will be 60 or more by 2030, and it will be a big economic challenge to support all the new elderly as most families only raised one child.

Earlier in August, an article published in the newspaper Xinhua Daily caused the ire of people on social medias. Academics from the Nanjing University proposed to tax all working adults aged under 40 and to allocate the money to a reproduction fund that would reward families raising more than one child.

<http://www.chinadaily.com.cn/a/201808/28/WS5b8511a7a310add14f3883c3.html>
<https://www.scmp.com/news/china/policies-politics/article/2161662/china-sends-further-signal-end-family-size-limits>

II. Hot Topics

The 2018 FOAC Ends with China Pledging to Invest USD 60 Billion in Africa

The Forum on China-Africa Cooperation (FOAC) was held for the first time in 2006, which is an official forum between China and all the African states, except for Swaziland¹ which does not have diplomatic ties with the People's Republic of China as it recognizes Taiwan.

The 3rd and 4th of September 2018, Beijing hosted the 5th FOAC, the forum was opened by the Chinese president, Xi Jinping, who announced a pledge of USD 60 billion in support to the African continent. More specifically, 15 billion dollars will be devoted to interest free loans, 20 to lines of credits, 10 to development funds, 5 to finance African exportations that are not natural resources and 10 to encourage Chinese companies investing in Africa. Xi also promised debt relief for poor and heavily indebted countries, which were not specified.

This last promise comes recently after the Malaysian Prime Minister, Matahir Mohamad, suspended major china-backed projects. He notably claimed that the overwhelming amount of debt resulting from these projects was not good for his country.

This USD 60 billion number was largely commented on Chinese social medias (Weibo and WeChat), people voiced that, at a time where the economic growth is slowing down and a large part of the population still lives in precarious conditions, this money would be better spent in China. It was for instance said that this money could fund the Chinese ministry of education for three years. During the previous FOAC in 2015, Beijing had already committed itself to the same amount of money.

China has developed strong ties with Africa at the beginning of the century and is today Africa's first economic partner. The quick development of China has necessitated important resources, notably raw materials, that can be found in Africa. The continent is a major component of the "One Belt One Road" project, which has numerous Confucius Institutes. We can also notice that the first Chinese military base outside China was opened in Djibouti.

<https://www.scmp.com/news/china/diplomacy/article/2162778/china-shakes-old-order-western-donors-surge-aid-africa>
<https://www.scmp.com/news/china/diplomacy/article/2162745/china-defends-extra-us60-billion-pledge-africa-critics-home>
<https://www.caixinglobal.com/2018-09-04/chart-of-the-day-chinas-investment-in-africa-101322391.html>
http://www.xinhuanet.com/english/2018-09/05/c_137444719.htm

Jing Dong's CEO Arrested for Suspicion of Criminal Sexual Conduct

Liu Qiangdong (刘强东) was arrested on August 31, 2018 when he was in the United States, for a "criminal sexual conduct – rape" accusation. He is the CEO of the NASDAQ-listed company JingDong ("JD"), one of China's ecommerce giants and a fierce competitor of Alibaba.

Liu Qiangdong was in Minneapolis when this happened, and he is enrolled at the Carlson School of Management to complete a US-China business administration doctorate cursus. He was released the following day and JD denied any wrongdoing from his part. The Minnesota authorities are still investigating the matter. His lawyer stated that he did not think there would be any charges filed.

If he was charged and convicted, he could face a prison sentence up to thirty years. In that case, it is unclear how JD may continue to conduct its business. In 2014, JD made a USD 1.8 Billion Initial Public Offering and at this occasion a dual class equity system was set up. Two kinds of shares were issued, some having more voting rights than others. Liu currently controls 80% of the voting rights and he is the chairman as well as CEO of JD.

Foreigners are not allowed to own Chinese technology and media companies, so when firms like JD, Baidu or Alibaba went public, they set up Variable Interest Entities ("VIE"). They placed their local operations legally under a Chinese company or citizen's complete control. This local entity then signed an agreement with the internationally listed entity, in theory then shareholders are in control. Liu Qiangdong and two other executives of JD oversee the company's VIE, if he happens to be convicted there is no procedure for the succession and what would happen is very unclear.

Following the news of this investigation and its potential outcome, JD's shares dropped from almost 33 dollars a share to 29 when the markets opened on Monday. For now, he has returned to Beijing and resumed to work.

In the last few months a series of sexual misconduct affairs have emerged in China. The "MeeToo" movement has gained momentum as accusations targeting Buddhist figures, media and literary celebrity have made the headlines.

https://weibo.com/1642591402/GxUjb7sXt?ref=feedsdk&type=comment#_rnd1536131061063
<https://www.scmp.com/tech/big-tech/article/2162681/jds-billionaire-ceo-richard-liu-shows-beijing-hq-after-us-arrest>
<https://www.scmp.com/news/china/society/article/2162788/arrest-details-revealed-jd-boss-liu-was-accused-first-degree-rape>

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