



I. Legal News

1. China Adopts Resource Tax Law to Protect Environment

On Monday this week (August 26, 2019), China's first Resource Tax Law was adopted at the five-day bimonthly session of the 13th National People's Congress Standing Committee (the "Law"), which will enter into force on September 1, 2020. The Law will formally replace the Interim Regulations on Resource Tax effective as of November 1, 2011, aiming at formally legalizing taxation on resource exploitation to better protect environment nationwide.

We hereby draw your attention to the following:

(1) Tax rates for 164 categories of natural resources

The Law lists tax rates for almost all minerals and salts found in China, in which some of the natural resources apply fixed tax rates and others have floating tax rates.

Examples for fixed tax rates:

Tax item	Taxable object	Tax rate
Crude oil	Unprocessed ore	6%
Natural gas	Unprocessed ore	6%
Molybdenum	Refined ore	8%

Note: According to the 2019 Negative List, the exploration and development of oil and natural gas are not limited to joint venture operations anymore. In addition, prohibition on foreign investment in exploration and mining of molybdenum has been abolished.

Examples for floating tax rates:

Tax item	Taxable object	Tax rate
Gold and silver	Unprocessed ore or refined ore	2%-6%
Iron	Unprocessed ore or refined ore	1%-9%

(2) Tax scope adjustment: Pilot reform on water resource tax

The Law expands the scope of the resource tax by including surface water and underground water into the tax collection scheme on a trial basis to curb the overexploitation. Accordingly, the previous charging items on water administration fees shall be cancelled. In addition, the Law also clarifies that it is at the local governmental authorities' discretion to decide specific tax rate and the tax rate shall be based on the conditions of the water resources, type of the water resources, as well as the economic development situations in specific regions.

(3) Tax exemption and reduction policies

The law stipulates that enterprises who exploit resources in an environmental-friendly manner are entitled to enjoy resource tax exemption or a reduced tax rate.

It is also reported that detailed implementation rules are on the consideration process now.

(<http://www.npc.gov.cn/npc/c30834/201908/d80a55c3e81d48ec861399d2c73fe0f6.shtm>)

2. China Revises Drug Administration Law to Regulate Pharmaceutical Sales

This Monday, PRC Drug Administration Law was also revised (the "Amendment") at the 12th session of the Standing Committee of the 13th National People's Congress, which will enter into force as of December 1, 2019.

The Amendment stipulates the following changes:

(1) Online sales of prescription drugs

The Amendment clearly gives a green light to the prescription drugs to be sold online. However, vaccines, blood products, anesthetic and radioactive drugs and so forth are not permitted to be sold online.

(2) Re-definition on counterfeit drugs

Currently, drugs not approved by Chinese drug authorities but legally available in overseas markets are considered counterfeit drugs and one who sells such drugs is subject to severe punishment. The Amendment finally re-defines the counterfeit drugs by adding if one imported only a tiny amount of such drugs that do not cause any health damage/delay or interfere with any existing treatment, then it can be exempted from punishment. It is said that further details (how to define tiny amount?) will be clarified soon.

(3) Punitive damages

The Amendment also increases the punitive damages for counterfeit drug producers. For example, counterfeit drug producers will be fined up to 30 times the value of drugs produced or sold, compared to the fine up to 5 times the value before the Amendment released.

(<http://www.npc.gov.cn/npc/c30834/201908/26a6b28dd83546d79d17f90c62e59461.shtml>)

3. China Revises Land Administration Law to Further Clarify the Land Property Rights

At the 12th session of the Standing Committee of the 13th National People's Congress, another law, PRC Land Administration Law, has been amended as well (the "Amendment"), which will enter into force as of January 1, 2020. We hereby highly the following two changes:

(1) Reform of government land requisition

The Amendment reforms the land requisition system by narrowing the applicable situations for land expropriation. Previously, it stipulates that the land can be expropriated for public interest, which seems to be quite vague. According to the Amendment, only under the following situations, the land can be expropriated: Military and diplomatic reasons, infrastructure and public construction organized by the government, relocation of residents in poor areas, and government-subsidized housing projects.

In addition, the Amendment also improves the transparency of the land requisition. Specifically, the government shall publish the plan of land requisition 30 days in advance, and in case of receipt of any different voices, a hearing shall be arranged accordingly to listen to the opinions of local people involved in the land requisition.

(2) Protection of basic farmland

The Amendment also enhances the protection of basic farmland and a new definition of "permanent basic farmland" has been introduced. It clarifies that no organizations or individuals can occupy the farmland or put it into other use without permission, and permanent basic farmland shall account for 80% of the cultivated land in the respective administrative areas.

(http://www.xinhuanet.com/politics/2019-08/26/c_1124923935.htm)

II. Hot topic

China to Establish Six New Pilot Free Trade Zones

On August 26, 2019, the State Council released a Circular on Overall Plan for Six Pilot New Free Trade Zones ("FTZs"), in which six provinces (Shandong, Jiangsu, Hebei, Guangxi, Yunnan, and Heilongjiang) have been added in the FTZs scheme to further open the market as well as to attract foreign investment.

(1) Overview of China's 18 FTZs:

These years, pilot FTZs have been springing up nationwide with Shanghai as the first testing area, and then 17 other FTZs have been announced gradually. The details of 18 FTZs are as follows:

Released Year	Applicable regions
1st in 2013	1 FTZ: Shanghai FTZ
2nd in 2015	4 FTZs: Shanghai; Fujian, Guangdong, and Tianjin FTZs
3rd in 2017	11 FTZs: Shanghai; Fujian; Guangdong; Tianjin; Chongqing; Henan; Hubei; Liaoning; Shaanxi; Sichuan; and Zhejiang FTZs
4th in 2018	1 FTZ: Hainan FTZ
5th in 2019	6 FTZs: Shandong; Jiangsu; Guangxi; Hebei; Yunnan; and Heilongjiang FTZs

(2) Specific development goals of the six new FTZs

In this new round of reform, each FTZ has its own development goals pursuant to their respective geographical advantages. Specifically:

Provinces	Development goals
Shandong	Maritime economy development; Cooperation with Japan and South Korea;
Jiangsu	Innovation and development of integrated circuit, artificial intelligence, biomedicine, nanotechnology application; Cooperation with countries and regions involved in the Belt and Road Initiative;
Guangxi	Cross-border trade, logistics and labor cooperation; New financial opening-up gateway for Association of Southeast Asian Nations (ASEAN);
Hebei	Development of big data, digital technologies and green finance; Regional integration of Beijing, Tianjin and Hebei;
Yunnan	Cross-border economic cooperation; Cooperation with Southeast Asian countries;
Heilongjiang	Development of emerging industries such as high-end equipment, smart manufacturing and new energy; Deepen China-Russian trade ties;

It is said that new FTZs will have more autonomy in making policies in trade and investment in their respective zones, and there are several incentives to invest in an FTZ, e.g. tax, customs clearance, industry-specific liberalizations (see 2019 FTZ Negative List) and so forth. It is necessary for a foreign investor to consult with experts to understand whether certain FTZ is a good choice for its business expansion in China.

(http://www.gov.cn/zhengce/content/2019-08/26/content_5424522.htm)

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