



I. NCP Outbreak: An Update on Beijing Covid-19 Outbreak

Since the first local case confirmed in Beijing on June 11, 2020, Beijing has implemented a series of measures in order to control the spread of the virus. It is reported that good effect is obtained with the above measures. See below an update on our previous report:

1. Nucleic acid test

Since June 11, 2020, more than 11 million Beijing residents have conducted the nucleic acid tests (There are in total 21 million Beijing residents).

2. Restrictions on leaving Beijing

Previously, people who are in low-risk areas are allowed to leave Beijing only after conducting a nucleic acid test. As of July 4, 2020, nucleic acid tests no longer required for them to leave Beijing.

3. Medium- or High-risk areas

Till July 6, 2020, only one area is recorded as high-risk area (totally closed off). For medium-risk areas, there are in total 9 areas (not allowed to leave Beijing). By comparison with the peak, there were 5 high-risk areas and 39 medium-risk areas.

4. Zero newly confirmed cases

On July 6, 2020, Beijing reported zero newly confirmed case for the first time in 26 days, and such zero increase in Beijing has lasted for 7 days already.

As always, Asiallians Beijing Office remains at your services, as well as our Hong Kong and Taipei Offices.

II. Legal News

1. Amendment to PRC Criminal Law (XI) (Draft) Under Consultation

On July 3, 2020, the National People's Congress of the People's Republic of China has released the Draft Amendment XI to the Criminal Law of the People's Republic of China (the "Draft") for seeking public comments by August 16, 2020.

We summarize the following eye-catching changes for your reference:

(1) Harsher punishment on crime of infringing trade secrets

Under current article 219 of PRC Criminal Law, subject to the severity of the circumstances, offenders shall be sentenced to fixed-term imprisonment of not more than 7 years. According to the Draft, the maximum of sentence for crime of infringing trade secrets has been changed into 10 years.

(2) Detailed crime of obstructing the prevention and treatment of epidemic

One more situation was added to be considered as crime of obstructing the prevention and treatment of epidemic, which is "Selling or transporting articles/goods contaminated by or likely to be contaminated by pathogens of infectious diseases in epidemic areas without conducting any disinfection treatment".

(3) Clarification on legal application of crime of throwing objects from buildings

People who intentionally throw objects from high-rise buildings and endanger public security, shall be sentenced to criminal detention or public surveillance and/or be fined. Those who cause casualties or other serious consequences as well as constitute other crimes at the same time shall be convicted and punished on a heavier punishment.

<http://www.npc.gov.cn/flcaw/userIndex.html?lid=ff80808172b5f24f017313a7ed142bf4>

2. Tax Preferential Policy for Hainan further Confirmed

After releasing the Overall Plan for the Construction of Hainan Free Trade Port on June 1, 2020 ("Overall Plan"), two circulars naming Circular on the Individual Income Tax Policy for High-end and Urgently-needed Talent for the Hainan Free Trade Port and Circular on Preferential Policies on Corporate Income Tax for the Hainan Free Trade Port were further released on June 20, 2020 ("IIT Circular" and "CIT Circular").

The IIT and CIT preferential policies mentioned in the Overall Plan were confirmed and detailed in the two Circulars. To be specific:

(1) IIT Preferential Policies

Currently, IIT in China is levied at 7 levels of progressive rates ranging from 3% to 45%. However, according to the IIT Circular, for highly skilled talents and talents in short supply working in Hainan, the portion of their IIT burden on their comprehensive income (wages and salaries, remuneration for labor services, author's remuneration and royalties), operation income and talent subsidy income exceeding 15% shall be exempted.

A "Talent List" detailing who are eligible to enjoy the IIT policy will be formulated by the government.

(2) CIT Preferential Policies

CIT preferential policies stipulated in the CIT Circular include the following two major ones:

a. Hainan enterprises' income

Enterprises of which the main business is in encouraged industries (the income from the main business constitutes more than 60% of its total income) and substantially operating in Hainan shall enjoy a reduced CIT rate of 15%, compared to 25% which is the current CIT rate in China.

b. Hainan enterprises' overseas investment

For income obtained from new overseas direct investment derived from Hainan enterprises in the field of tourism, modern services, and hi-tech industry, corresponding CIT shall be exempted when meeting the following conditions:

- CIT rate of the invested country or region is not less than 5%;

- Income is the operational income of newly incorporated branches, or dividends from overseas subsidiaries with more than 20% shareholdings.

The IIT and CIT preferential policies are both applicable from January 1, 2020 to December 31, 2024.

http://szs.mof.gov.cn/zhengcefabu/202006/t20200630_3540842.htm

http://szs.mof.gov.cn/zhengcefabu/202006/t20200630_3540853.htm

Feel free to contact asiallians@asiallians.com for more information.

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