



Legal News:

1. Tax: PRC Stamp Tax Law Released

On June 10, 2021, PRC top legislature passed the Stamp Tax Law, which will take effect as of July 1, 2022. Compared to the previous implemented PRC Stamp Tax Interim Regulation (the "Interim Regulation"), the Stamp Tax Law will abolish/exempt some tax items, as well as will cut certain tax rates.

Below is a list of major changes:

- Reduced Tax Rate**
  - **Transfer of trademark, copyright, patent<sup>1</sup>:** reduced from 0.05% to 0.03%.
  - **Business account books:** reduced from 0.05% to 0.025%.
- Abolished/exempted Tax**
  - **Five original certificates<sup>2</sup>:** previously attached with a 5-yuan stamp will be abolished.
  - **Digital contracts signed between e-commerce operators and customers:** stamp tax will be exempted.

In China, there are in total 18 existing taxes, and the enactment of Stamp Tax Law means that laws were made for 12 of them.

<http://www.npc.gov.cn/npc/c30834/202106/ac04259fbbc24b9581156b81d3c76275.shtml>

2. Arbitration: Enforcement of Arbitration Awards Between Mainland China and Hong Kong eased from May 19, 2021

Last year, a Supplementary Arrangement Concerning Mutual Enforcement of Arbitration Awards between Mainland China and Hong Kong was released to further ease the enforcement process<sup>3</sup>.

According to the Supplementary Arrangement, an applicant will be entitled to apply for the enforcement of an arbitration award **both at Mainland China court and Hong Kong court simultaneously**, and the two courts shall share the information to make sure the total amount enforced by the two courts will not exceed the total amount determined in the arbitration award. This is to improve the previous situation that one can only apply for the enforcement of an arbitration award in one jurisdiction, and only if the debts cannot be paid up, another enforcement application can be filed in the other jurisdiction, which is inefficient to the applicant. However, the concrete implementation date is not clear.

On May 18, 2021, the Supreme People's Court published an announcement and according to which, the effective date of the above new rules shall be May 19, 2021.

<http://www.court.gov.cn/fabu-xiangqing-303291.html>

3. FDI: China Passed Law on Hainan Free Trade Port

On June 10, 2021, PRC top legislature passed the Law on Hainan Free Trade Port with immediate effect, making the development and construction of Hainan FTP at the national legislative level.

The new law follows the general wording stipulated in the Master Plan for the Construction of Hainan Free Trade Port released on June 1, 2020<sup>4</sup>, without specifying any detailed preferential policies, and the specific preferential policies shall refer to a series of supportive policies released gradually since last year.

For more details, please refer to our previous released articles:

- China Releases the Overall Plan for Hainan Free Trade Port<sup>5</sup>
- IIT and CIT Preferential Policy in Hainan<sup>6</sup>
- Hainan Released "Zero-Tariff" Policy for Raw/Auxiliary Materials Imported<sup>7</sup>
- Hainan Released "Zero Tariff" Policy for Vehicles and Yachts Imported<sup>8</sup>
- Hainan Released Negative List 2020<sup>9</sup>
- Broadened Updated Catalogue of Encouraged Industries of Hainan<sup>10</sup>
- Hainan Released "Zero Tariff" Policy for the Production Equipment for Self-use Purposes<sup>11</sup>

The above series of preferential policies triggered a good result on attracting foreign investment. From January to April 2021, 592 foreign-invested enterprises were newly incorporated in Hainan FTP (a 443.12% year-on-year growth) and the foreign capital reached USD 674 million(a 432.72% year-on-year growth).<sup>12</sup>

<http://www.npc.gov.cn/npc/c30834/202106/eec9070dd18e4b0190cd2abb9345442d.shtml>

As always, Asiallians remains at your service and our teams are currently mobilized in all our offices in Mainland China, Hong Kong and Taipei.

1. Tax rate for **equity transfer** is still 0.05%.
2. Five certificates include Real Estate Certificate, Business License, Trademark Registration Certificate, Patent Certificate and Land Use Certificate
3. See our previous article:  
<http://asiallians.com/en/china-legal-update-legal-news-foreign-investment-china-unveils-shortened-negative-list-market-access/>
4. There are in total 8 chapters:  
Chapter I General Provisions  
Chapter II Trade freedom and convenience  
Chapter III Investment freedom and convenience  
Chapter IV Financial tax system  
Chapter V Ecological environment protection  
Chapter VI Industrial development and talent support  
Chapter VII Comprehensive measures  
Chapter VIII Supplementary provisions
5. <http://asiallians.com/china-legal-update-ncp-outbreak-fast-track-visa-application-foreigner-employees/>
6. <http://asiallians.com/en/china-legal-update-ncp-outbreak-update-beijing-covid-19-outbreak/>
7. <http://asiallians.com/en/china-legal-update-ncp-outbreak-double-negative-tests-results-required-entering-china-france/>
8. <http://asiallians.com/legal-news-eu-china-reached-comprehensive-agreement-investment/>
9. <http://asiallians.com/en/legal-news-china-released-blocking-rules-counteract-us-long-arm-jurisdiction/>
10. <http://asiallians.com/en/legal-news-major-step-taken-civil-commercial-litigation-easy-online-filing-cross-border-litigation-initiated-foreigners-foreign-based-residents/>
11. <http://asiallians.com/en/legal-news-china-clarifies-punitive-damages-ip-infringement/>
12. <https://new.qq.com/omn/20210608/20210608A0E34900.html>

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