

1983

Doing business in the People's Republic of China

Deloitte, Haskins & Sells

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**Doing Business in the
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Doing Business in the People's Republic of China

International
Tax and Business
Service

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Doing Business in the People's Republic of China is part of a series that presents information on business and taxation in various countries of the world. The book is intended to supply information of a general character regarding business and taxation in China for use as background when considering the conduct of business in that country. Specific questions should be answered by reference to the laws and regulations of the country and by consultation with professional advisers in the light of the particular circumstances.

Doing Business in the People's Republic of China is published in two forms: in a loose-leaf edition and as a bound book. Only the loose-leaf edition may be supplemented or revised. These supplements will appear on blue-colored sheets inserted at the end of the book. These supplementary pages will be keyed to the original text by chapter and section numbers and should always be read in connection with the original text. In addition, revised information may be presented on pages inserted in the basic text to replace original pages. Revisions of this type are indicated by a date that appears on the bottom of each replacement page.

Rules governing business and taxation are subject to change and reinterpretation, in many cases with little or no advance notice. The information in this book is based on material available to Deloitte Haskins & Sells as of March 1983.

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Part 1: The Country and the Investment Environment

Chapter 1

The Country

1.01 Form of Government

Central Government. China is a socialist state. Although there is no official head of state, the General Secretary (a post created in September 1982 to substitute for that of the Party Chairman) performs most ceremonial functions.

China's Central Committee is the seat of state power and is composed of 210 members plus 138 alternates. An annual session of the Central Committee examines and approves important matters, such as the national economic plan, the state budget and the final state accounts.

Politburo. The 25-member Politburo formulates policy and has a six-member Standing Committee.

Party Secretariat. The Party Secretariat, the highest executive organ of state administration, is headed by the General Secretary. It includes nine secretaries, three alternate secretaries, a five-member Military Commission and another five-member Advisory Commission.

Local Government Administration. Each region is administered by a local congress with standing committees similar to those of the National People's Congress (NPC).

Judicial System. Since its establishment in 1949, the People's Republic has made several attempts to reconstitute a strong legal system and unite the various branches of law. It was not until 1978 that these attempts were successful when the Fifth National People's Congress adopted the New Constitution. The New Constitution recognizes the status of the People's Court and the People's Procuratorate, as well as the fundamental rights of the individual.

Within the judicial system, there are a number of important authorities, such as:

The Supreme People's Court. This is the highest judicial authority, which supervises the administrator of justice by local and special courts. The Supreme People's Court is directly responsible to the NPC.

The Supreme People's Procuratorate. The State's prosecuting authority ensures that the Constitution is upheld and that law and order are maintained.

Ministry of Justice. The Ministry of Justice is responsible for—formulating the general policy for the legal system, training lawyers, and drafting new laws for submission to the NPC. It does not participate in the administration of the judicial processes.

In 1979, partly in order to attract more foreign investment in China, the NPC began a revision of the legal and judicial system. It adopted several changes, including new codes of criminal law procedures, law relating to the local people's congresses, electoral law, and law on joint ventures.

1.02 Geography

Topography. With a total area of 9,600,000 square kilometers, China is the largest country in Asia. On the land boundary of more than 20,000 kilometers, it is bordered by Korea to the east; the People's Republic of Mongolia to the north; the Soviet Union to the northeast and northwest; Afghanistan, Pakistan, India, Nepal, Sikkim, and Bhutan to the west and southwest; and Burma, Laos, and Vietnam to the south. The coastline stretches for 18,000 kilometers and faces Japan, the Philippines, Malaysia and Indonesia to the east and southeast.

Climate. China has four clearly contrasted seasons and is dominated by seasonal winds. There are sharp climatic differences from region to region, as well as dramatic extremes of temperature in winter and summer.

1.03 Population

China has the world's largest population, approaching one billion, and increasing by approximately 15 million per year. Stringent birth control measures are encouraged by the Chinese government through various economic and social incentives as well as sanctions.

1.04 Education System

In 1978, there were approximately 600 universities, colleges, and other institutes of higher education offering courses to 850,000 full-time students. There were 160,000 secondary schools with 65 million pupils and 950,000 primary schools with 146 million pupils. All primary and secondary education is free.

Government Policy on Education. There have been many changes in the government's policy on education in the recent past. During the cultural revolution, students were judged not on academic merit, but on political loyalty and activity. With the recent changes in government, the policy has been to select students for higher education more on their academic merit than on their political background. Moreover, Chinese universities are now taking part in international academic exchanges, and foreign scholars and specialists have been invited to deliver lectures. The emphasis on research and teaching in institutes of higher education is toward scientific and technological disciplines, especially those relating to computers and engineering.

1.05 Language

The written Chinese language is hieroglyphic, as opposed to alphabetic, and can be understood throughout China. However, the spoken language differs from region to region. The most common languages and dialects are Cantonese, Shanghanese, Fukienese, Hakka, and Mandarin. The government has decided, as a matter of policy, that Mandarin—the northern Chinese language—will be the national language for the whole of China.

1.06 Communications

The major Chinese cities of Beijing, Shanghai, and Guangzhou have reasonably good international communications, including telephone, telegraph, and telex links with overseas countries. The internal mail and airmail delivery are also reasonably efficient.

1.07 Currency and the Exchange Rate

The official currency of the People's Republic of China is renminbi (RMB); the basic unit is the yuan (¥). RMB, at present, is not traded on any foreign exchange market. Purchases and sales of RMB can be made only through banks and only against concluded sales contracts. RMB banknotes are not permitted to be brought into or taken out of the country. RMB deposits held by foreign banks may be transferred abroad by being converted into foreign currencies if so agreed by both parties. Exchange rates of RMB to foreign currencies are published by the General Administration of Exchange Control (GAEC). Since April 1, 1980, foreign visitors to China may use only foreign exchange certificates, which are equivalent to various denominations of RMB. This restriction is designed to contain a rising black market of foreign currencies in China.

Chapter 2

The Economy

2.01 Recent Economic Policy

China has a planned economy that is based on the state budget. The state budget, and hence all economic policy, is controlled by the Ministry of Finance.

China is undergoing a period of economic readjustment, which was announced in late 1978 and is scheduled to be completed toward the end of 1983. Major tasks for the near future contained in the program of readjustment include:

- *Reduction of capital construction*
- *Reduction of administrative expense*
- *A program to curb inflation*—The inflation rate was officially reported as 6% in 1980 and 2.4% in 1981. However, foreign experts commented that China's annual inflation could be between 10% to 20%. China officials ascribed inflation to technical errors committed during the cultural revolution. They felt that it could be eliminated after summing up the lesson learned from the errors committed.
- *Promotion of the development of light industry and agriculture*—The light-industry sector is receiving a high priority. It was reported that 80% of all industrial-development loans during 1980 were to borrowers in the light-industry sector. The main reason for this priority is to ensure that the supply of consumer goods keeps pace with the purchasing power of the population.
- *Advancement of the technical capabilities of existing industry*—The government has stated that it is giving priority to importation of technology for increasing industrial capacity, rather than to the importation of industrial capacity itself.
- *The lowering of goals for growth*—The short-term target for the growth of industrial output has been lowered to 6% and that of agricultural output to 4%. The target for the growth in foreign trade was reduced to 8% in 1981, as compared with 28% actual growth achieved in 1979.

A recent innovation in the Chinese economy has been the encouragement given to small-scale private enterprises. It is estimated that nearly one million small enterprises, usually run by a single person or family, were started in 1980. This was brought about by the pressure of unemployment, estimated at 20 million in the urban areas. Nevertheless, it is indicative of a change in government policy toward the acceptance of a mixed economy.

The purpose of China's current economic readjustment is to enable the economy to develop on a sounder basis. Postponement of some

major projects in late 1980 is viewed as merely a change of pace. The basic policy of encouraging greater investment by, and cooperation with, foreign countries remains intact.

2.02 Finance and Banking

All banking within China is controlled by the State through the following institutions:

People's Bank of China (PBOC). The People's Bank of China is the country's central bank. It has more than 15,000 local branches and performs the normal banking functions for local industrial and commercial enterprises. The PBOC also administers the Bank of China, the Agricultural Bank of China and the People's Construction Bank of China.

The Bank of China (BOC). Although the BOC operates under the authority of the PBOC, it is directly responsible to the State Council. The BOC deals exclusively with the foreign-exchange transactions of China and handles all banking relationships with non-Chinese banks. The BOC has branches in Hong Kong, London, New York, Singapore and Luxembourg.

The People's Construction Bank of China (PCBC). The PCBC finances major state capital construction projects that have been approved by the State Capital Commission, using funds provided by the Ministry of Finance. The PCBC investigates the economic feasibility of projects and provides finance in the form of grants or loan capital.

The Agricultural Bank of China (ABOC). The ABOC has more than 23,000 branches, of which 20,000 are located in agricultural communes. The bank extends agricultural credit and accepts savings deposits from rural customers.

2.03 Recent Developments in Finance and Banking

Since October 1980, the BOC has signed agreements with 14 foreign banks to cooperate in providing consultancy and allied services. The foreign banks, from the United States, Western Europe, and Japan have agreed to promote trade with their clients in China. In conjunction with this agreement, 22 foreign banks have been allowed to establish representative offices in Beijing as of May 1982.

In September 1980, the capital of the BOC was increased from RMB 400 million yuan (US\$267 million) to RMB 1 billion yuan (US\$667 million) in order to enable it to perform certain new activities, such as:

- Organization of, and participation in, international loans

- Investment in, or joint operations with, banks, financial corporations, or other enterprises in the Hong Kong or Macao areas and other foreign countries
- Issuance of foreign-currency bonds and other negotiable securities
- Extension of consultancy services

In April 1980, China sent representatives to the International Monetary Fund and the World Bank, and the president of the PBOC was named as a governor of the IMF. In July 1980, a list of 19 projects was submitted to the World Bank for consideration for funding; and, in November 1980, China made her first use of IMF drawing rights. It is anticipated that lending by the World Bank to China will increase substantially, as the Chinese government has indicated that future foreign borrowings will be restricted to loans from development agencies, such as the World Bank, that lend at concessionary interest rates.

In March 1980, the "Provisional Regulations for Providing Loans to Joint Ventures of Chinese and Foreign Ownerships" were published. This enables joint ventures to obtain credit either in foreign currencies or in RMB within China. According to the Bank of China, as of May 1980, a total of US\$12.4 million and RMB 5.9 million yuan had been provided to five joint ventures using Chinese and foreign investment. A prospective borrower who is regarded as acceptable by the Ministry of Industry and Commerce may be given three types of loans:

- *Self-liquidating loans* to meet the working-capital requirements of a joint venture
- *Long-term loans* to finance the purchase of fixed assets for expanding an existing business or for technical innovation
- *Accounts-receivable financing* to enable a joint venture to extend competitive terms of credit to its customers, whether in China or abroad

2.04 Major Industries

Textile Industry. Textiles are the largest constituent of China's total export trade. Current emphasis is on the building of synthetic-fiber plants in order to enter that market.

Electronic Industry. There are more than one million workers in this industry, spread throughout China. The industry is now exporting products ranging from components and simple equipment to some of the latest technologically-advanced products.

Coal Industry. The expansion of the coal industry has a very high priority. The focus of mine development is in northern China, principally the Shanxi province. The Chinese government estimates that

there are approximately 640 billion tons of coal deposits available, of which 30 billion tons have been earmarked for immediate extraction. Since the beginning of 1982, China has enlarged its construction scale to a capacity of more than 100 million tons annually. Currently China is investigating the possibilities of cooperation with West German, British, and Japanese companies for the modernization of its coal-mining industry.

Shipbuilding Industry. China has 26 shipbuilding and repairing yards, as well as about 100 supporting plants and designing units. It has a work force of 300,000 workers and staff members. Since 1980, China has built ships totaling 900,000 dead weight tonnage.

Fishing Industry. A quarter of the world's trawling grounds are within China's territorial waters or continental shelf. China is the world's third largest fish producer.

Oil Industry. In 1981, China produced more than 101 million tons of crude oil and 12,500 million cubic meters of natural gas. In February 1982, China invited formal offers for the exploitation of its offshore petroleum resources in cooperation with foreign enterprises. A total of 43 areas were opened for bidding, consisting of about 150,000 square kilometers.

Agricultural-Machinery Industry. China has nearly 2,000 manufacturing plants throughout the country. The export value of China's agricultural machinery exceeded US\$30 million in 1981. Exports were made to more than 70 countries and regions. Given the high priority that agriculture enjoys, the agricultural-machinery industry also has a high priority for development.

Tourist Industry. More than five million tourists visited China during 1980, showing a substantial increase over previous years. At present, there are only 26,000 rooms available for tourists in China, but, in the near future, this total is expected to increase by at least 10,000. Opportunities exist for foreign businesses and companies to cooperate with China in the building of hotels to accommodate the ever increasing number of tourists to China.

2.05 China's Policy Relating to the Absorption of Foreign Funds

The four modernization programs will require a large amount of financing, both internal and external. The policy of the government as regards foreign financing is that it should be encouraged, provided that the borrowings do not endanger the economic or fiscal independence of China. China raised US\$8,781 million of foreign funds in 1981 and plans to absorb US\$2 billion in foreign capital in 1982.

The policies relating to China's absorption of foreign funds were summarized, as follows, by a board member of the Commission for the Administration of Imports and Exports:

- (1) To pursue a policy of maintaining self-reliance in conjunction with seeking external assistance as a supplementary means
- (2) To abide by the principle of equality and mutual benefit as well as to protect the rights and interests of both lenders and borrowers
- (3) To create favorable conditions for external investors
- (4) To emphasize the economic results of the investments as well as to guarantee payments and equitable profits.

2.06 Freight Transportation System

In 1980, the volume of freight carried by all means of transportation exceeded 1,200 billion metric tons. Of this total approximately 50% was transported by rail, 44% by ocean cargo transport, and the remaining 6% by road. Major improvements planned for the transportation system include doubling the amount of firm-surface road in the next ten years and increasing the container handling capacity of ports from 50,000 to 700,000 by 1985. Freight handling capacity is a major problem in China's drive for modernization.

Chapter 3

Foreign Trade

3.01 Foreign Trade Policy

With the improvement of relations between China and the Western World, trade between China and noncommunist countries expanded greatly, most notably with the United States of America and Japan. This expansion proceeded cautiously, with China insisting that trade must be on the basis of equality and mutual benefit.

In 1981, China's imports amounted to US\$21,059 million and exports amounted to US\$21,053 million. Japan, the U.S.A., Hong Kong, and West Germany were China's major trade partners. In terms of export composition, heavy industrial products made up 40%, light industrial products—40%, agricultural and other products—20%.

China's trade surplus was officially reported at US\$2.4 billion for the first half of 1982. Imports for the same period were estimated at US\$8.5 billion, an approximately 20% decline over the same period of 1981. Exports were estimated to have increased by approximately 10% to US\$11.7 billion.

China has established trade relations with more than 170 countries and regions, and the variety of export commodities now exceeds 50,000. As a result of the policy of decentralization, control over foreign trade has been given to various departments and units that may be under the control of the State Council or provincial, municipal, or regional authorities.

These departments and units can be of considerable assistance in providing background information or advice on trading and investment procedures. Some of the more important of these organizations are listed below:

- The Import and Export Commission of the People's Republic of China
- The Ministry of Foreign Trade of the People's Republic of China
- The National Foreign Trade Corporations set up by the State Council, which specialize in specific categories of trade
- The Commercial Representative at the People's Republic of China's embassies and consulates abroad
- The Foreign Trade Bureaus of the provinces, municipalities, and autonomous regions
- The branches and offices of the National Foreign Trade Corporations, located in the principal ports and cities
- China International Trade and Investment Corporation (CITIC)

3.02 Foreign Trade Procedures

Foreign trade with China is normally conducted by one of three methods: (1) by trade under agreement, (2) by trade without agreement (also referred to as "payment" trade) or (3) by compensation trade.

Trade Under Agreement. This type of trade agreement is normally negotiated between a Chinese government agency and a foreign government agency. The agreement usually covers the type of goods involved and all details of payment. These agreements are usually designed to maintain the balance of trade between the two countries.

Trade Without Agreement (Payment Trade). This type of trade is normally based on a contractual agreement negotiated between the Chinese agency and the foreign business. Such agreements can usually be initiated by any of the following methods:

- Direct contact with the Chinese government agency or a related trade delegation
- Contacts made at trade fairs and exhibitions organized by the Chinese government
- Application to be appointed as a sales agent for exports from the People's Republic of China
- Response to formal offers by Chinese government agencies

Compensation Trade. Compensation trade is divided into two types according to the method of payment:

- **Product Buy Back**—This is the most commonly used method which involves payment in the form of products manufactured by the imported equipment or patent techniques.
- **Mutual Purchasing**—This is a form of barter trade in which compensation is made by indirect products of the same value through negotiation. It applies to those cases in which the equipment provided does not produce tangible products, e.g., equipment of hospitals, hotels, and transportation facilities.

3.03 Methods of Settling International Accounts

All international receivables and payables arising from China's foreign trade are settled by the Bank of China with the relevant foreign bank. Normal methods of settling international balances are:

- *Letter of credit.* Most of the normal types of letters of credit are acceptable.

- *Instalment or deferred payments.* This method of payment is usually employed for long-term contracts to supply equipment or bulk material.
- *Payment by clearing accounts.* Balances will be settled periodically through bank accounts opened in the Bank of China and a bank in the foreign country involved. The agreement may provide for credit to be extended by one party to the other, in which case only the balance in excess of the credit facility will be settled. Settlement is normally made by use of a letter of credit.

3.04 Business Hours and Statutory Holidays

The normal workweek is six days from 8:00 a.m. to 5:00 p.m., with a 60-minute or 90-minute break for lunch. There are six statutory holidays each year:

- January 1—New Year's Day
- May 1—Labor Day
- October 1—National Day
- Three days for the Spring Festival (Chinese New Year), the date of which varies with the lunar calendar.

3.05 International Time

All of China is eight hours ahead of Greenwich mean time.

Part 2: Commercial Regulations and Practice

Chapter 4

Establishing a Business

4.01 Methods of Establishing a Business Presence

The acceptable methods for a foreign business organization to establish a presence in China are:

- Establishing a representative office in China
- Entering into a joint-venture agreement with a Chinese partner

Partnerships, joint stock companies, or other forms of business organizations are not acceptable at present.

A representative office is required to register with the Chinese government, regulations for which are contained in Appendix A. Organizations wishing to trade with China will normally use this method of establishing their presence.

A joint venture between a foreign business and a Chinese partner is also required to register with the Chinese government in accordance with the regulations set forth in Appendices B and C. The establishment of a joint venture is essential if the foreign business wishes to manufacture products in China or engage in commercial activities, other than trading directly with Chinese government agencies.

4.02 Licensing

The Chinese government wishes to have Western-style licensing arrangements and has joined the Convention for the Protection of Industrial Property. Personnel have also been transferred to the U.S. Patent Office for training. The system of licensing is administered by the Science and Technology Commission, and it has signed 23 licensing agreements since 1980.

4.03 Foreign Exchange Regulations

On December 18, 1980, the provisional regulations for foreign-exchange control were published, to take effect from March 1, 1981. These regulations are administered by the State General Administration of Exchange Control (SGAEC). The main purpose of these regulations is to control the foreign exchange transactions of Chinese nationals resident in China. The full text of these regulations is contained in Appendix D and Appendix E.

4.04 Visas and Work Permits

All foreign visitors to China require visas issued by a Chinese embassy or consulate (9.01). Tourists may enter with tourist groups, which are mostly organized by tourist agencies in Hong Kong. Business visitors must apply for visas through the foreign trade corporation or bureau receiving them.

Foreign employees of companies whose representative offices have been registered with the Chinese government may be issued with one-year multiple-reentry visas.

Investment Procedures

5.01 Foreign Investment Control Commission

Overall control of joint ventures and import/export matters lies with the Foreign Investment Control Commission (FICC) and the Import/Export Commission (IEC), which oversee the following various bureaus concerned:

- The Overall Planning Bureau—balances exports with imports, balances foreign currencies, and advises on foreign economic policies
- Technology Acquisition Bureau—approves all plans and contracts relating to the importation of foreign technology
- The Import and Export Bureau—approves annual and long-term export/import plans
- Foreign Investment Bureau—approves joint ventures with foreign parties and Chinese investment overseas
- Legislative Bureau—drafts laws and regulations relating to foreign investment and their enforcement
- Research and Investigation Department—responsible for foreign economic relations
- General Administration Office—handles personnel and accounting matters

5.02 Joint Ventures and Compensation Trade

From 1980 to 1981, China has approved 40 equity joint-venture enterprises which include 28 industrial, one agricultural, two stock-raising/breeding, two tourism/hotel, one leasing, and six service enterprises. The total amount of investment was US\$189.24 million of which US\$87.487 million was invested by foreign investors.

China has also approved 390 contractual joint-venture enterprises which had an investment of about US\$1.8 billion from foreign investors. These enterprises are mostly located in the Special Economic Zones.

As of mid-1982, 590 compensation trade arrangements were made whereby foreign investors provided China with machinery and equipment with a total value of about US\$460 million. Among these are the arrangements for a Shanghai aircraft factory to supply doors for a major American commercial aircraft manufacturer, a Dalian shipyard's contract for repair of oil rigs and the manufacture of parts for a Taxasian oil firm.

5.03 Special Economic Zones

On August 26, 1980, certain areas of the provinces of Guangdong and Fukien were designated as special economic zones in which foreign firms would enjoy special tax and administrative benefits. The zones are located in Shenzhen, Zhuhai, and Shantou in Guangdong province and in Xiamen in Fukien province.

The income tax rate levied on enterprises in the special economic zones is 15% as opposed to 33% levied on enterprises outside of the zones. Enterprises set up in these zones will enjoy special tariff preferences for cargo and goods imported into the zone, relaxation of entry and exit procedures for personnel, and permission for limited use of foreign currencies.

The zones in Shenzhen and Zhuhai are intended specifically for industrial, commercial, and agricultural enterprises, as well as for tourism. The other zones concentrate on processing for exports and on tourism. Statistics released by the New China News Agency indicate that the provinces with these special economic zones enjoy a much higher rate of economic growth than other provinces.

Guangdong province's export volume amounted to US\$2,340.45 million in 1981. The Shenzhen special economic zone, which borders Hong Kong, is the largest. In June 1981, it was reported that foreign investment in this zone amounted to US\$44 million, spread over 610 projects.

The full text of the regulations for special economic zones in Guangdong province is contained in Appendix G.

Chapter 6

Labor Laws and Social Legislation

6.01 Labor Policy

China's current policy of economic readjustment involves a shift to a decentralized management system whereby various localities will have more decision-making power over the management of enterprises.

For more than 20 years, enterprises handed over all their profits to the state and requested additional investment from the central government according to what they believed they needed. This process resulted in a great waste of resources, with an accompanying amount of unnecessary capital construction. Enterprises are now being held responsible for their profits and losses in the hope of making them more efficient by exposure to market forces. However, this policy has resulted in certain industries concentrating on high-profit items to the detriment of day-to-day necessities.

Managers are being offered cash bonuses dependent on their results, and workers are offered wage bonuses to counteract the officially acknowledged low productivity and high absenteeism. However, enterprises tend to pay bonuses to all workers, thus negating the principle of rewarding those who work harder.

In the past, China's labor policy had been one of guaranteeing an "iron rice bowl" to workers regardless of output. The dismissal of a worker was considered to be practically impossible. A gradual change from this policy has been noted since 1981 when it was reported in the Chinese press that ten steel workers had been dismissed in the city of Xining for failing to go to work for up to 20 months. Typically, however, "re-education" of recalcitrant workers is the preferred method of labor discipline.

For joint ventures, a set of regulations governing labor relations has been laid down (Appendix L). The subsidies, as prescribed in Article 11, include price subsidies for staple and nonstaple food and edible oils; rent for housing; commutation ticket fees; heating expenses; home-leave allowance; as well as the expenses for cultural, recreational, welfare and other social activities.

6.02 Trade Unions

Membership in a trade union is not compulsory, although members are required to subscribe 0.5% of their basic salary. Trade unions are self-administered by workers, classified according to the type of trade. Each union usually maintains a worker's club building, provides recreation facilities, and may provide educational courses for its members. Individual unions also send workers' representatives to meet government officials to discuss the general welfare of workers.

Trade unions in China have a total membership of 61 million. There are 376,000 trade union organizations employing 243,000 full-time administrators.

6.03 Social Security

Sick Pay. Certified sick leave may be taken with full pay up to a maximum of six months. After six months, the entitlement is two-thirds of the basic salary. Workers recommended by a doctor for early retirement on medical grounds will receive two-thirds of their basic salary as a pension.

Pensions. Normally, a female worker retires at 50 and a male worker at 60. Workers doing heavy work can retire at 55. Retired workers receive 75% to 100% of their basic salary as their monthly pension, depending on the years of service with their employers.

Reporting Requirements and Practices

7.01 Accounting Principles

At present, there are no formal accounting principles recognized in China. However, the accounting methods used are based on the fundamental accounting assumptions recognized by the International Accounting Standards Committee, which include the following concepts:

- *Going Concern.* The enterprise is normally viewed as a going concern that will continue in operation for the foreseeable future.
- *Consistency.* It is assumed that the accounting methods will be consistent from one period to another.
- *Accruals.* Revenues and costs are accrued and recognized as they are earned or incurred, not as cash is received or paid.

At present, all accounting is maintained on a historical-cost basis.

7.02 Accounting for Joint Ventures

For joint-venture enterprises, the accounting policies for determining profits or losses are usually included in the joint-venture agreement. The regulations for the implementation of the income tax law concerning joint ventures have certain requirements regarding general accounting, as contained in Articles 23-26 of the regulations in Appendix N.

The differences between the accounting system of joint ventures in China and that of foreign enterprises are mainly as follows:

- (1) A calendar year must be adopted for the accounting system.
- (2) In principle, renminbi is to be used as the bookkeeping unit. A foreign currency that is the same as the registered capital can also be used as the bookkeeping unit and, if so, the financial statements should be accompanied by a copy in renminbi.
- (3) The vouchers, books, and financial statements must be written in Chinese or in both Chinese and a foreign language if it is so decided through consultation.
- (4) Generally speaking, the "principle of conservatism" is not allowed to be used.

7.03 Accounting for Other Enterprises

Other enterprises normally close their accounting years on December 31 for the purpose of preparing tax returns. More emphasis is now being placed on accounting data for management information to facilitate cost cutting and increases in production. Consequently, stand-

ard costing and systems of budgetary control are increasingly used by many factories.

7.04 Professional Accounting and Audited Financial Statements

A Society of Certified Public Accountants was formally set up in January 1981 in Shanghai. This society came into existence primarily because of the requirement for audits in the regulations for the implementation of the income tax law concerning joint ventures (Article 20, Appendix N).

In addition to the auditing of financial statements of joint ventures, the accountants often render management advisory services to state-owned enterprises and perform feasibility studies.

The financial statements of a joint venture will normally be composed of an income statement, balance sheet, and statement of changes in financial position.

There are no fixed disclosure requirements for financial statements (audited or unaudited) submitted to the government. At present, statements tend to disclose as much detail as possible. The societies are in the process of defining the standards of accounting, reporting, and disclosure in China.

Part 3: Taxes, Duties, and Miscellaneous Considerations

Taxation

8.01 General

All major taxes in the People's Republic of China are levied by the central government. In addition, local authorities are entitled to levy a surcharge on certain taxes and to impose registration and license fees. China has not entered into any treaties with other countries for the avoidance of double taxation, although some are in the process of negotiation. The most important taxes levied by the Central Government are listed below. The local authorities may levy a surcharge on all these taxes with the exception of the individual income tax.

8.02 Industrial and Commercial Consolidated Tax

This tax is essentially a turnover tax levied at each sale of goods. It is based on the sales value and is generally applicable to all enterprises operating in China. The rates vary from 1.5% to 69%, depending on the type of product being sold; and no credit is given for any tax previously paid. The local authority surcharge is a flat 1% of the amount of tax assessed.

Certain items deemed to be particularly important to the Chinese economy are exempt from the tax, e.g., fertilizer, diesel oil, insecticide, and certain farm equipment.

Equipment and other items for use in compensation trade or joint ventures may be exempted from this tax when imported.

The industrial and commercial consolidated tax rates are contained in Appendix R.

8.03 Industrial and Commercial Income Tax

Enterprises that are not owned by the state, excluding joint ventures, are subject to a progressive income tax at rates varying from 5.75% to 34.5%. These tax rates are detailed in Appendix S. The local authority may levy a surcharge varying between 10% and 100% of the assessed tax amount, depending on the type of business. Enterprises subject to this tax must file quarterly provisional income tax returns and make provisional tax payments within 15 days of the end of the relevant quarter. A final annual income tax return is filed by March of the following tax year, at which time final settlement of the tax is made. A penalty of 1% per day is levied on overdue tax.

8.04 Joint Venture Income Tax

The law that governs the taxation of joint ventures is called the Income Tax Law of the People's Republic of China Concerning Joint Ventures with Chinese and Foreign Investment (referred to herein as Joint Venture Income Tax Law). The Joint Venture Income Tax Law,

which became effective on September 10, 1980, is contained in Appendix N.

As to the income taxation of joint ventures whose contracts were concluded and approved prior to the effective date of the Joint Venture Income Tax Law, the income tax rates and reduction of and exemption from income tax agreed upon in the contract, will remain in force during the initial contract period. However, if the income tax rates were higher in the contract than in the Joint Venture Income Tax Law, the reduced rates in the Joint Venture Income Tax Law applied beginning January 1, 1981.

Corporate Tax Rates. The corporate tax rate is 30%, plus an additional local surtax of 10% of the income tax paid by the joint venture. Income tax rates on joint ventures exploiting petroleum, natural gas, and other resources which will be set separately have not yet been determined.

Double-Taxation Relief. Income taxes paid by a joint venture or its branch in other countries may be credited against the assessed income tax. However, the credit shall not exceed the payable tax on the income abroad computed, according to the tax rate under the Joint Venture Income Tax Law.

Taxable Income. A joint venture is subject to tax on its net income from production, business, and other sources from branches within or outside the territory of China.

Taxable income is computed by the following formulae:

Industry

- Cost of production of the year = direct material used in production of the year + direct wages + manufacturing expenses.
- Cost of production of the year = inventory of semifinished product at the beginning of the year and in-production product + cost of production of the year – inventory of semifinished product at the end of the year and in-production product.
- Cost of sale of product = cost of product of the year + inventory of product at the beginning of the year – inventory of product at the end of the year.
- Net volume of sale product = total volume of sale of product – (sales returns + sales allowance).
- Profit from sale of product = net volume of sale of product – taxes on sales – cost of sale product – selling and administrative expenses.

- Amount of taxable income = profit from sale of product + profit from other operations + nonoperating income – nonoperating expenditure.

Commerce

- Net volume of sale = total volume of sale – (sales returns + sales allowance).
- Cost of sales = inventory of merchandise at the beginning of the year + net purchases and purchase expenses – inventory of merchandise at the end of the year.
- Sales profit = net volume of sales – sales tax – cost of sales – (selling expenses + overhead expenses).
- Amount of taxable income = sale profit + profit from other operations + nonoperating income – nonoperating expenditure.

Service trades

- Net business income = gross business income – (business tax + operating expenses + overhead expenses).
- Amount of taxable income = net business income + nonoperating income – nonoperating expenditure.

Other lines of operation

For other lines of operations, the taxpayer may negotiate with local tax authorities as to which of the above-mentioned formulas is best suited for the business.

Revenue and expenditure of a joint venture are to be accounted for on the accrual basis.

Depreciation. Depreciation is computed on a straight-line basis. A residual value of 10% is deducted from the cost before depreciation is computed. Assets that have a short useful life and cost less than Rmb 500 yuan can be expensed.

The useful life for computing depreciation of fixed assets is as follows:

- The minimum useful life for houses and buildings is 20 years.
- The minimum useful life for trains, ships, machines and equipment, and other facilities for the purpose of production is 10 years.

- The minimum useful life for electronic equipment and means of transportation other than trains and ships is five years.

In cases where the fixed assets of joint ventures, owing to special reasons, need to be depreciated more quickly or where methods of depreciation need to be modified, applications must be submitted to the local tax authorities for examination and to the Ministry of Finance for approval.

Inventories. Inventories are valued at cost. For the method of computation, a joint venture may use first-in, first-out (FIFO), shifting average, or weighted average. A change in the method of computation must be submitted to local tax authorities for approval.

Losses. Losses incurred by a joint venture may be carried forward up to five years and offset against income.

Other. Expenses arising during the period of organization for a joint venture may be amortized at a rate not exceeding 20% per year.

Intangible assets, such as technical know-how, patent rights, trademarks, and copyrights, are amortizable over ten years, unless the period is fixed in an agreement or contract.

Assessment and Payment. Income tax on joint ventures is levied on a calendar-year basis, which is the tax year for joint ventures.

Joint ventures must file quarterly provisional income tax returns and make provisional tax payments within 15 days after the end of each quarter. A final annual income tax return is required to be filed within three months of the end of the tax year, at which time final settlement of the tax is made.

Investment Incentives. A newly established joint venture scheduled to operate for a period of 10 years or more may, upon approval by the tax authorities, be exempted from income tax in the first profit-making year and allowed a 50% reduction in the second and third years.

With the approval of the Ministry of Finance, joint ventures engaged in low-profit operations, such as farming and forestry, or that are located in remote, economically underdeveloped outlying areas may be allowed a 15% to 30% reduction in income tax for a period of 10 years following the expiration of the periods of exemption and reductions mentioned above.

Reduction or exemption of local surtax on account of special circumstances may also be obtained from local authorities.

A participant in a joint venture that reinvests its share of profit in China for a period of not less than five years may, upon approval by the tax authorities, obtain a refund of 40% of the income tax paid on the reinvested amount.

Special incentives are granted for investment in areas of Shenzhen, Zhufai, and Shanton in Guangdong Province, which are known as special zones (5.03). The rate of income tax levied on enterprises in special zones is 15%.

Withholdings on Payments to Nonresidents. A 10% tax is levied on profit remitted from China.

8.05 Taxation in the Special Economic Zones

As mentioned previously, enterprises operating in the special economic zones enjoy certain taxation privileges. The joint-venture income tax rate has been reduced from 30% to 15%. Foreign businesses that reinvest their profits in the special zones for five years or more may apply for exemption of all income tax on the reinvested profits. Additionally, special preference will be granted to enterprises with an investment exceeding US\$5 million or enterprises involved in the importation of high technology.

8.06 Individual Income Tax

This tax is levied on individuals who are resident in China for more than one year. Tax is levied on all of the individual's income whether it arises inside or outside of China. The tax rates range from 5% to 45% on a progressive scale for wages and salaries, and the rate is a flat 20% for income other than wages and salaries. For a nonresident or an individual residing in China for less than one year, only that income derived from within China is taxable. Full details of the individual income tax laws and the rates are given in Appendix P.

8.07 Agriculture Tax

The agriculture tax is levied on agricultural concerns and varies between 13% and 19%, depending on the region. The tax is set in advance of the harvest for a certain period of years (usually three to five) and is determined on the basis of the harvests of the previous years. The local authority may levy a surcharge of up to 22% of the assessed tax.

8.08 Customs Duties

Customs duties are levied on imports on the basis of the CIF price at varying rates. Necessities are either exempt or liable at a very low

rate, whereas luxury items may be subject to duty at a rate as high as 400%. There are two further rate classifications:

- The *minimum tariff rate* is applied to items imported from countries with which China has concluded a trade agreement.
- The *general tariff rate* applies to imports from countries with which China has not concluded a trade agreement.

Equipment and other items to be used in compensation-trade agreements or joint ventures are usually exempt from customs duties.

8.09 Tax Administration

The ultimate authority for the assessment and collection of taxes is the Ministry of Finance. Assessment and collection are normally made through local tax bureaus, with payments being made through the People's Bank. The agriculture tax is normally paid in kind and is collected by the government for storage. The individual income tax is normally collected at source by withholding agents, usually employers.

Guidelines for Commencing Business in China

This chapter is intended to be of assistance to businessmen wishing to start operations in China.

9.01 Traveling to China

Visas. In order to travel to China, a visa is required from the Chinese embassy or consulate. Visas may take a considerable time to arrange for the first trip. However, the following techniques may be helpful:

- If a relationship exists with a Chinese government agency, give them the details of the trip so that they can obtain the visa.
- If no relationship exists, the China Council for the Promotion of International Trade (CCPIT) is usually helpful in arranging visas.
- Visas can be obtained directly from the Chinese department of immigration.

If the details required for a visa are given to an organization in Hong Kong prior to arrival, the visa can be obtained without additional time being spent in Hong Kong.

Airlines. China's national airline, Civil Aviation Administration of China (CAAC), has 20 international routes serving 22 cities in 18 countries and regions in Europe, North America, Asia, and Africa. More than 60 international airlines have flights to Beijing.

9.02 Staying in China

Housing. Accommodation for foreigners in China is limited to hotels and special apartment blocks. A particular form of accommodation will be allocated during the processing of the visa. Changing accommodation requires permission from the authorities.

Money. As mentioned previously, foreigners must convert foreign currency into foreign-exchange certificates. Major credit cards are becoming acceptable in large cities, as are well-known travelers checks. The most readily accepted currencies are the U.S. and Hong Kong dollars.

Transportation. Internal travel in China must be arranged through the Chinese International Travel Service and is usually by air or train. In large cities, special taxis are reserved for foreigners, or a chauffeured car may be hired.

9.03 Business Services in China

Interpreters. Interpreters are normally provided by the government agency concerned. The representative offices of established China traders and banks can also be of assistance.

Professional Services. Some foreign banks and accountancy firms have representative offices in China that provide professional services. However, Hong Kong still remains the major source of professional support for business operations in China.

Shipping. The Chinese national shipping companies have control of all shipping and freight inside China. Additionally, the People's Insurance Company of China and the Tai Ping Insurance Company handle insurance underwriting.

Part 4: Appendices

Regulations for Control of Resident Offices of Foreign Enterprises

(Promulgated by the State Council on October 30, 1980.)

Article 1

The regulations hereunder are formulated with a view to facilitating the development of international economic and trade contact and the control of the resident offices in China of foreign companies, enterprises and other economic organizations (referred to hereafter as foreign enterprises).

Article 2

Any foreign enterprise desiring to establish a resident office in China should first of all apply for permission and after securing an approval go through the registration procedure.

No foreign enterprise is allowed to start business activities in the nature of those of a resident office before such an approval is granted and the registration procedure completed.

Article 3

A foreign enterprise, when applying for the permission to establish a resident office in China, should produce the following documents and materials of reference:

- A. An application form signed by the chairman of the board of directors or the general manager of that enterprise. The content of the application form should include such details as the name of the resident office to be set up, the name(s) of the responsible member(s), the scope of activity, duration and locality of the office.
- B. The legal document sanctioning the operation of that enterprise issued by the authorities of the country or the region in which that enterprise operates.
- C. The capital creditability document issued by the banking institution(s) which has business contact with that enterprise.
- D. The credentials and brief biographies of the members of the resident office appointed by that enterprise.

A banking or insurance institution which desires to open a resident office should, apart from producing the documents and materials of reference as specified in paragraphs 1, 2 and 4 of the foregone section, produce at the same time an annual report on the assets and liabilities and losses and profits of the head office of that enterprise, its constitution and the composition of its board of directors.

Article 4

Applications of foreign enterprises for permission to establish resi-

(continued)

Appendix A (continued)

dent offices are to be approved by one of the following organizations:

- A. A trader, manufacturer or a shipping agent should apply to the Ministry of Foreign Trade of the People's Republic of China for approval;
- B. A banking or insurance institution should apply to the People's Bank of China for approval;
- C. A maritime shipping operator or a maritime shipping agent should apply to the Ministry of Communications of the People's Republic of China for approval;
- D. An air transport enterprise should apply to the General Administration of Civil Aviation of China for approval;
- E. Enterprises outside these lines of activity should, according to the nature of their operations, apply to the proper commissions, ministries or bureaus under the Government of the People's Republic of China for approval.

Article 5

When granted approval to establish a resident office, a foreign enterprise should, within 30 days of the date of approval, go to the General Administration for Industry and Commerce of the People's Republic of China on the strength of the approval document and go through the registration procedure of filling in a registration form and paying the registration fees before it is issued a registration certificate. The original approval document should be recalled in case of failure to register within the deadline.

Article 6

After the approval for the establishment of a resident office is granted in accordance with the stipulations in Article 4, the members of that office and their families should, on the strength of the approval document, apply to the local public security organ for residence permission before they are issued residence permits.

Article 7

A resident office, when desiring to change its name, its responsible member(s), scope of operation, duration or site, should apply to the original approval-issuing organization and, after securing an approval, go to the General Administration for Industry and Commerce of the People's Republic of China on the strength of the approval document and go through the procedure for effecting such a change in the registration and pay due fees. It should also go through the procedure with the local public security organ for a change in the residence permits.

(continued)

Appendix A (continued)

Article 8

A resident office should, on the strength of the registration certificate and in accordance with the relevant stipulations of the Bank of China, open an account in the Bank of China or in any bank which the Bank of China may designate.

Article 9

A resident office and its members should, in accordance with the stipulations of Chinese tax laws, go through the tax registration procedure with the local tax office and pay taxes in accordance with the regulations.

Article 10

A resident office and its members should declare to China's House of Customs the imported office articles, articles for daily use and means of transport and pay customs duties and unified industrial and commercial taxes as stipulated.

The imported vehicles and ships should be registered with the local public security organ before the license plates and permits are issued. Fees should be paid to the local tax office for the use of the license plates for such vehicles and ships.

Unauthorized transfer or sale of the above-said imported goods are not permitted. In the event of a necessary transfer or sale, an application should be put forward to the House of Customs and approval obtained before such a transfer or sale can be effected. Imported goods can be sold only to the designated shops.

Article 11

A resident office should entrust local service units for foreigners or such other units as may be designated by the Chinese government on such matters as renting a house or engaging the service of Chinese personnel.

Article 12

The Chinese government undertakes to protect, in accordance with law, the legitimate rights and interests of resident offices and their members and facilitate their normal business activities.

Article 13

The resident offices are not allowed to set up radio stations on the Chinese territory. They should apply to the local telecommunications bureaus for the renting of such commercial communications lines or communications equipment as may be necessary to their business operations.

(continued)

Appendix A (continued)

Article 14

The members of a resident office and their families should abide by Chinese laws, decrees and relevant regulations in all their activities in China and in entering and leaving China.

Article 15

In case a resident office and its members violate the "Interim Regulations" or they are engaged in other law-breaking activities, the proper Chinese authorities have the power to look into the cases and deal with them in accordance with law.

Article 16

A resident office should notify in a written form, 30 days in advance of the termination of its operation, to the original approval-granting organization when the duration of its operation expires or it decides to end its business activities before the due date and, after clearing up its debts, paying up taxes and winding up other related matters, go through the formalities with the original registration certificate issuing organization for cancelling the registration and turn in the certificate.

The foreign enterprise which the said resident office represented, should continue to be held responsible for any matter that the said resident office may leave unfinished at the time of its termination.

Article 17

Those resident offices that have already been established with approval should, within 30 days of the promulgation of the "Interim Regulations", make up for the procedure of registration with the General Administration for Industry and Commerce of the People's Republic of China on the strength of the documents of approval.

Article 18

Any other matter that may be uncovered in the "Interim Regulations" should be handled in accordance with the relevant Chinese laws, decrees and regulations.

Article 19

The "Interim Regulations" should apply to any foreign enterprise which desires to appoint a resident representative(s) as to those desiring to establish resident offices.

Article 20

The "Interim Regulations" comes into effect on the day of promulgation.

Regulations on the Registration of Joint Ventures Using Chinese and Foreign Investment

(Approved on July 26, 1980 by the State Council.)

Article 1

The present regulations are worked out in accordance with stipulations laid down in the "Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment" and for the purpose of registering such ventures to protect their legitimate operations.

Article 2

A joint venture using Chinese and foreign investment should, within one month after being approved by the Foreign Investment Commission of the People's Republic of China, register with the General Administration for Industry and Commerce of the People's Republic of China.

The General Administration for Industry and Commerce authorizes the administrative bureau for industry and commerce in the provinces, municipalities and autonomous regions to register joint ventures using Chinese and foreign investment in their localities. Licenses for operations shall be issued to the said joint ventures after examination by the General Administration for Industry and Commerce of the People's Republic of China.

Article 3

In applying for registration, a joint venture using Chinese and foreign investment should produce the following documents:

1. The document of approval issued by the Foreign Investment Commission of the People's Republic of China.
2. The agreement on the joint venture reached by the various parties involved, the contract and the articles of association of the venture, in both Chinese and foreign languages and each in triplicate, and
3. A duplicate of the license and other documents issued by the departments concerned under the government of the country (or region) from which the foreign participants in the joint venture come.

Article 4

In applying for registration of a joint venture using Chinese and foreign investment, a registration form, in triplicate, shall be filed. Items to be registered include the name of the venture, its address, scope of production and business, forms of production and business. Registered capital of the parties concerned, chairman and vice-chairmen of the board of directors, general director and deputy directors of the plant, the number and date of approval on the document, the size of the entire staff, and the number of foreign workers and staff members.

(continued)

Appendix B (continued)

Article 5

A joint venture using Chinese and foreign investment is regarded as having officially been established the day when a license for its operation is issued to it, and the legitimate production and business shall be protected by the law of the People's Republic of China.

An unregistered enterprise shall not be permitted to go into operation.

Article 6

A joint venture using Chinese and foreign investment shall, by producing the license for its operation, open an account with the Bank of China or another bank approved by the Bank of China, and register with the local tax bureau for payment of taxes.

Article 7

In cases where a joint venture using Chinese and foreign investment desires to move to a new site, shift its production, increase or cut or transfer the registered capital, or extend the contract period, the said venture shall, within one month after approval by the Foreign Investment Commission of the People's Republic of China, register the changes with the Administrative Bureau for Industry and Commerce in the province, municipality or autonomous region where it is located.

In cases where changes to other items are effected, the said venture shall have to forward at the end of the year a written report about these changes to the Administrative Bureau for Industry and Commerce in the province, municipality or autonomous region where it is located.

Article 8

In registering or getting its changes registered, a joint venture using Chinese and foreign investment shall pay the registration fee or the fee for getting its changes registered, the sum of which is to be fixed by the General Administration for Industry and Commerce of the People's Republic of China.

Article 9

A joint venture using Chinese and foreign investment, upon the expiration of the contract period of the venture or desirous of terminating the contract before its expiration date, shall upon production of the document of approval issued by the Foreign Investment Commission of the People's Republic of China register for the nullification of the contract with the Administrative Bureau for Industry and Commerce in the province, municipality or autonomous region where it is located. The license of the said venture shall be handed in for cancella-

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tion after examination by the General Administration for Industry and Commerce of the People's Republic of China.

Article 10

The General Administration for Industry and Commerce of the People's Republic of China and the Administrative Bureau for Industry and Commerce in the provinces, municipalities and autonomous regions are authorized to supervise and inspect the joint ventures using Chinese and foreign investment in the areas they govern. In cases of violations of the present regulations, the violator shall be given a warning or be fined in accordance with the varying degrees of seriousness in each specific case.

Article 11

The present regulations come into force on the date of its promulgation.

Joint Venture Law

The Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investments

(Adopted at the 2nd session of the Fifth National People's Congress on July 1, 1979.)

Article 1

With a view to expanding international economic cooperation and technological exchange, the People's Republic of China permits foreign companies, enterprises, other economic entities or individuals (hereinafter referred to as Foreign Participants) to incorporate themselves, within the territory of the People's Republic of China, into joint ventures with Chinese companies, enterprises or other economic entities (hereinafter referred to as Chinese Participants) on the principle of equality and mutual benefit and subject to authorization by the Chinese government.

Article 2

The Chinese government protects, by the legislation in force, the resources invested by a Foreign Participant in a joint venture and the profits due him pursuant to the agreements, contracts and articles of association authorized by the Chinese government as well as his other lawful rights and interests.

All the activities of a joint venture shall be governed by the laws, decrees and pertinent rules and regulations of the People's Republic of China.

Article 3

A joint venture shall apply to the Foreign Investment Commission of the People's Republic of China for authorization of the agreements and contracts concluded between the parties to the venture and the articles of association of the venture formulated by them, and the Commission shall authorize or reject these documents within three months. When authorized, the joint venture shall register with the General Administration for Industry and Commerce of the People's Republic of China and start operations under license.

Article 4

A joint venture shall take the form of a Limited Liability Company.

In the registered capital of a joint venture, the proportion of the investment contributed by the Foreign Participant(s) shall in general not be less than 25 percent.

The profits, risks and losses of a joint venture shall be shared by the parties to the venture in proportion to their contributions to the registered capital.

The transfer of one party's share in the registered capital shall be effected only with the consent of the other parties to the venture.

(continued)

Appendix C

(continued)

Article 5

Each party to a joint venture may contribute cash, capital goods, industrial property rights, etc., as its investment in the venture.

The technology or equipment contributed by any Foreign Participant as investment shall be truly advanced and appropriate to China's needs. In cases of losses caused by deception through the intentional provision of outdated equipment or technology, compensation shall be paid for the losses.

The investment contributed by a Chinese Participant may include the right to the use of a site provided for the joint venture during the period of its operation. In case such a contribution does not constitute a part of the investment from the Chinese Participant, the joint venture shall pay the Chinese government for its use.

The various contributions referred to in the present article shall be specified in the contracts concerning the joint venture or in its articles of association, and the value of each contribution (excluding that of the site) shall be ascertained by the parties to the venture through joint assessment.

Article 6

A joint venture shall have a Board of Directors with a composition stipulated in the contracts and the articles of association after consultation between the parties to the venture, and each director shall be appointed or removed by his own side. The Board of Directors shall have a Chairman appointed by the Chinese Participant and one or two Vice Chairmen appointed by the Foreign Participant(s). In handling an important problem, the Board of Directors shall reach decision through consultation by the participants on the principle of equality and mutual benefit.

The Board of Directors is empowered to discuss and take action on, pursuant to the provisions of the articles of association of the joint venture, all fundamental issues concerning the venture, namely, expansion projects, production and business programmes, the budget, distribution of profits, plans concerning manpower and pay scales, the termination of business, the appointment or hiring of the President, the Vice President(s), the Chief Engineer, the Treasurer and the Auditors as well as their functions and powers and their remuneration, etc.

The President and Vice President(s) (or the General Manager and Assistant General Manager(s) in a factory) shall be chosen from the various parties to the joint venture.

(continued)

Appendix C (continued)

Procedures covering the employment and discharge of the workers and staff members of a joint venture shall be stipulated according to law in the agreement or contract concluded between the parties to the venture.

Article 7

The net profit of a joint venture shall be distributed between the parties to the venture in proportion to their respective shares in the registered capital after the payment of a joint venture income tax on its gross profit pursuant to the tax laws of the People's Republic of China and after the deductions therefrom as stipulated in the articles of association of the venture for the reserve funds, the bonus and welfare funds for the workers and staff members and the expansion funds of the venture.

A joint venture equipped with up-to-date technology by world standards may apply for a reduction of or exemption from income tax for the first two to three profit making years.

A foreign participant who re-invests any part of his share of the net profit within Chinese Territory may apply for the restitution of a part of the income taxes paid.

Article 8

A joint venture shall open an account with the Bank of China or a bank approved by the Bank of China.

A joint venture shall conduct its foreign exchange transactions in accordance with the foreign exchange regulations of the People's Republic of China.

A joint venture may, in its business operations, obtain funds from foreign banks directly.

The insurances appropriate to a joint venture shall be furnished by Chinese insurance companies.

Article 9

The production and business programmes of a joint venture shall be filed with the authorities concerned and shall be implemented through business contracts.

In its purchase of required raw and semiprocessed materials, fuels, auxiliary equipment, etc., a joint venture should give first priority to Chinese sources, but may also acquire them directly from the world market with its own foreign exchange funds.

(continued)

Appendix C (continued)

A joint venture is encouraged to market its products outside China. It may distribute its export products on foreign markets through direct channels or its associated agencies or China's foreign trade establishments. Its products may also be distributed on the Chinese market.

Wherever necessary, a joint venture may set up affiliated agencies outside China.

Article 10

The net profit which a foreign participant receives as his share after executing his obligations under the pertinent laws and agreements and contracts, the funds he receives at the time when the joint venture terminates or winds up its operations, and his other funds may be remitted abroad through the Bank of China in accordance with the foreign exchange regulations and in the currency or currencies specified in the contracts concerning the joint venture.

A foreign participant shall receive encouragements for depositing in the Bank of China any part of the foreign exchange which he is entitled to remit abroad.

Article 11

The wages, salaries or other legitimate income earned by a foreign worker or staff member of a joint venture, after payment of the personal income tax under the tax laws of the People's Republic of China, may be remitted abroad through the Bank of China in accordance with the foreign exchange regulations.

Article 12

The contract period of a joint venture may be agreed upon between the parties to the venture according to its particular line of business and circumstances. The period may be extended upon expiration through agreement between the parties, subject to authorization by the Foreign Investment Commission of the People's Republic of China. Any application for such extension shall be made six months before the expiration of the contract.

Article 13

In cases of heavy losses, the failure of any party to a joint venture to execute its obligations under the contracts or the articles of association of the venture, force majeure, etc., prior to the expiration of the contract period of a joint venture, the contract may be terminated before the date of expiration by consultation and agreement between the parties and through authorization by the Foreign Investment Commission of the People's Republic of China and registration with the

(continued)

General Administration for Industry and Commerce. In cases of losses caused by breach of the contract(s) by a party to the venture, the financial responsibility shall be borne by the said party.

Article 14

Disputes arising between the parties to a joint venture which the Board of Directors fails to settle through conciliation or arbitration by an arbitral body of China or through arbitration by an arbitral body agreed upon by the parties.

Article 15

The present law comes into force on the date of its promulgation. The power of amendment is vested in the National People's Congress.

Appendix D

Provisional Regulations for Foreign Exchange Control

(Promulgated by the State Council on December 18, 1980.)

Chapter 1—General Provisions**Article 1**

These provisional regulations are formulated for the purpose of strengthening exchange control, increasing national foreign exchange income and economizing on foreign exchange expenditure so as to expedite the national economic growth and safeguard the rights and interests of the country.

All foreign exchange income and expenditure, the issuance and circulation of all kinds of payment instruments in foreign currency, dispatch and carriage into and out of the People's Republic of China of foreign exchange, precious metals and payment instruments in foreign currency shall be governed by these regulations.

Article 2

Foreign exchange herein mentioned refers to:

- A. Foreign currencies, including banknotes, coins, etc.
- B. Securities in foreign currency, including government bonds, treasury bills, corporate bonds and debentures, shares, interest and dividend coupons, etc.
- C. Instruments payable in foreign currency, including bills, drafts, checks, bank deposit certificates, postal savings certificates, etc.
- D. Other foreign exchange funds.

Article 3

The People's Republic of China pursues the policy of centralized control and unified management of foreign exchange by the state.

The administrative organ in charge of exchange control of the People's Republic of China is the State General Administration of Exchange Control (SGAEC) and its branch offices.

The specialized foreign exchange bank of the People's Republic of China is the Bank of China. No other financial institution shall engage in foreign exchange business, unless approved by the SGAEC.

Article 4

All Chinese and foreign organizations and individuals in the People's Republic of China must, unless otherwise stipulated by law or decree or in these regulations, sell their foreign exchange proceeds to the Bank of China. Any foreign exchange required is to be sold to them by the Bank of China in accordance with the quota approved by the state or with relevant regulations.

(continued)

Appendix D (continued)

The circulation, use and mortgage of foreign currency in the People's Republic of China are prohibited. Unauthorized sales and purchases of foreign exchange and unlawfully seizing possession of foreign exchange in whatever ways and by whatever means are prohibited.

Chapter 2—Exchange Control Relating to State Organizations and Collective Economic Units

Article 5

Foreign exchange income and expenditure of state organs, armed forces units, nongovernmental bodies, educational institutions, state enterprises, government establishments, and urban and rural collective economic units in China (hereinafter referred to as domestic organizations) are all subject to control according to plan.

Domestic organizations are permitted to retain a proportion of their foreign exchange receipts in accordance with relevant regulations.

Article 6

Unless approved by the SGAEC or its branch offices, domestic organizations shall not:

Possess foreign exchange.

Deposit foreign exchange abroad.

Offset foreign exchange expenditure against foreign exchange income.

Use the foreign exchange belonging to state organs stationed abroad or Chinese enterprises and establishments resident in foreign countries or in the Hong Kong and Macao regions by way of borrowing or acquisition.

Article 7

Unless approved by the state council, domestic organizations shall not issue securities with foreign exchange value inside or outside China.

Article 8

Departments under the state council and people's governments of various provinces, municipalities and autonomous regions shall compile annual overall plans for domestic organizations under their respective jurisdiction whereby loans may be accepted from banks or enterprises in foreign countries or in the Hong Kong and Macao regions. These plans shall be submitted to the SGAEC and the Foreign Investment Control Commission or examination and forwarding to the state council for approval.

(continued)

The procedure for examining and approving individual borrowings shall be prescribed separately.

Article 9

The portion of foreign exchange retained by domestic organizations, nontrade foreign exchange and foreign exchange under compensatory trade received in advance for later payments, funds borrowed in convertible foreign currency, and other foreign exchange held with the approval of the SGAEC or its branch offices, must be placed in foreign currency deposit accounts or foreign currency quota accounts to be opened with the Bank of China, and must be used within the prescribed scope and be subject to the supervision of the Bank of China.

Article 10

When domestic organizations import or export goods, the banks handling the transactions shall check their foreign exchange receipts and payments either against the import or export licenses duly verified by the customs or against the customs declaration forms for imports or exports.

Article 11

State organs stationed abroad must use foreign exchange according to the plan approved by the state.

The operating profits of enterprises and establishments in foreign countries or in the Hong Kong and Macao regions must, except the portion kept locally as working funds according to the plan approved by the state, be transferred back on scheduled time and be sold to the Bank of China.

No Chinese organization stationed abroad is permitted to keep foreign exchange for domestic organizations without authorization.

Article 12

Delegations and work-groups sent temporarily to foreign countries or to the Hong Kong and Macao regions must use foreign exchange according to their respective specific plans, and must, upon their return, promptly transfer back to China their surplus foreign exchange to be checked by and sold to the Bank of China.

Foreign exchange earned in their various business activities by the delegations and work-groups referred to in the above paragraph and by members thereof must be promptly transferred back to China and must not be kept abroad without the approval of the SGAEC or its branch offices.

(continued)

Chapter 3—Exchange Control Relating to Individuals

Article 13

Foreign exchange remitted from foreign countries or from the Hong Kong and Macao regions to Chinese or foreign nationals or stateless persons residing in China must be sold to the Bank of China, except the portion retained as permitted by the state.

Article 14

Chinese and foreign nationals and stateless persons residing in China are permitted to keep in their own possession foreign exchange already in China.

The foreign exchange referred to in the above paragraph shall not, without authorization, be carried or sent out of China either in person or by others or by post. If the owners wish to sell the foreign exchange, they must sell it to the Bank of China and are permitted to retain a portion thereof as convertible foreign currency to the percentage prescribed by the state.

Article 15

When foreign exchange that has been kept in foreign countries or in the Hong Kong and Macao regions by Chinese residents in China prior to the founding of the People's Republic of China, by overseas Chinese prior to their returning to and settling down in China, by Hong Kong and Macao compatriots prior to their returning to and settling down in their home places, is transferred to China, the owners are permitted to retain a portion thereof as convertible foreign currency according to the percentage prescribed by the state.

Article 16

When foreign exchange belonging personally to individuals sent to work or study in foreign countries or in the Hong Kong and Macao regions is remitted or brought back to China, the owners returning after completion of their missions are permitted to retain the entire amount as convertible foreign currency.

Article 17

The percentages of foreign exchange retention permitted under Articles 13, 14 and 15 of these regulations shall be prescribed separately.

Foreign exchange retained by individuals as permitted under Articles 13, 14, 15 and 16 of these regulations must be deposited with the Bank of China. These foreign exchange deposits may be sold to the Bank of China or remitted out of China through the Bank of China, or

(continued)

taken out of China against certification by the Bank of China. It is, however, not permitted, without authorization, to carry or send deposit certificates out of China either in person or by others or by post.

Article 18

Foreign exchange remitted or brought into China from foreign countries or from the Hong Kong and Macao regions by foreign nationals coming to China, by overseas Chinese and Hong Kong and Macao compatriots returning for a short stay, by foreign experts, technicians, staff members and workers engaged to work in domestic organizations, and by foreign students and trainees, may be kept in their own possession, or sold to or deposited with the Bank of China, or remitted or taken out of China.

Article 19

Chinese and foreign nationals and stateless persons residing in China may apply to the local branch offices of the SGAEC for the purchase of foreign exchange to be remitted or taken out of China. When approved, the required foreign exchange will be sold to the applicants by the Bank of China.

When foreign experts, technicians, staff members and workers engaged to work in domestic organizations require foreign exchange to be remitted or taken out of China, the Bank of China will deal with their applications in accordance with the stipulations in the contracts or agreements.

Chapter 4—Exchange Control Relating to Foreign Representations in China and Their Personnel

Article 20

Foreign exchange remitted or brought into China from foreign countries or from the Hong Kong and Macao regions by foreign diplomatic missions, consulates, official commercial offices, offices of international organizations and nongovernmental bodies resident in China, diplomatic officials and consuls as well as members of the permanent staff of the above units, may be kept in their own possession, or sold to or deposited with the Bank of China, or remitted or taken out of China.

Article 21

The conversion into foreign currency, if required, of visa and certification fees received in renminbi (yuan) from Chinese citizens by foreign diplomatic missions and consulates in China is subject to approval by the SGAEC or its branch offices.

(continued)

Chapter 5—Exchange Control Relating to Enterprises with Overseas Chinese Capital, Enterprises with Foreign Capital, and Chinese and Foreign Joint Ventures and Their Personnel

Article 22

All foreign exchange receipts of enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures must be deposited with the Bank of China, and all their foreign exchange disbursements must be paid from their foreign exchange deposit accounts.

The enterprises referred to in the above paragraph must submit periodic reports and statements of their foreign exchange business to the SGAEC or its branch offices, all of which are empowered to inspect their activities with respect to their foreign exchange receipts and payments.

Article 23

Except where otherwise approved by the SGAEC or its branch offices, renminbi should in all cases be used in the settlement of accounts between enterprises with overseas Chinese capital, enterprises with foreign capital, Chinese and foreign joint ventures and other enterprises and individuals residing in the People's Republic of China.

Article 24

Enterprises with overseas Chinese capital, enterprises with foreign capital and foreign partners in Chinese and foreign joint ventures may apply to the Bank of China for remitting abroad their net profits after tax as well as other legitimate earnings by debiting the foreign exchange deposit accounts of the enterprises concerned.

The enterprises and foreign partners referred to in the above paragraph should apply to the SGAEC or its branch offices for transferring foreign exchange capital abroad by debiting the foreign exchange deposit accounts of the enterprises concerned.

Article 25

An amount not exceeding 50% of their net wages and other legitimate earnings after tax may be remitted or taken out of China in foreign currency by staff members and workers of foreign nationality and those from the Hong Kong and Macao regions employed by enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures.

(continued)

Appendix D (continued)

Article 26

Enterprises with overseas Chinese capital, enterprises with foreign capital and Chinese and foreign joint ventures which wind up operations in accordance with legal procedure should be responsible for the liquidation within the scheduled period of their outstanding liabilities and taxes due in China, under the joint supervision of the relevant departments in charge and the SGAEC or its branch offices.

Chapter 6—Control Relating to Carrying Foreign Exchange, Precious Metals and Payment Instruments in Foreign Currency into and out of China

Article 27

No restriction as to the amount is imposed on the carrying into China of foreign exchange, precious metals and objects made from them, but declaration to the customs is required at the place of entry.

To carry foreign exchange out of China or to carry out of China the foreign exchange previously brought in shall be permitted by the customs against certification by the Bank of China or against the original declaration form at the time of entry.

To carry out of China precious metals and objects made from them or to carry out of China precious metals and objects made from them previously brought in shall be permitted by the customs according to the specific circumstances as prescribed by government regulations or against the original declaration form at the time of entry.

Article 28

Renminbi traveler's checks, traveler's letters of credit and other renminbi payment instruments convertible into foreign currency may be brought into China against declaration to the customs, and taken out of China against certification by the Bank of China or against the original declaration form at the time of entry.

Article 29

Unless otherwise approved by the SGAEC or its branch offices, the carrying or sending out of China either in person or by others or by post of the following documents and securities held by Chinese residing in China is not permitted.

Bonds, debentures, share certificates issued abroad.

Title deeds for real estate abroad.

Documents or deeds necessary in dealing with creditor's right or owner's right to possession regarding inheritance, real estate and other foreign exchange assets abroad.

(continued)

Appendix D (continued)

Article 30

The carrying or sending out of China of renminbi checks, drafts, pass-books, deposit certificates and other renminbi instruments held by Chinese or foreign nationals or stateless persons residing in China is not permitted, either in person or by others or by post.

Chapter 7—Supplementary Provisions

Article 31

All units and individuals have the right to report any violation of these regulations. Reward shall be given to such units or individuals according to the merit of the report. Violators shall be penalized by the SGAEC, its branch offices or by the departments of public security, or by the departments of administration of industry and commerce, or by the customs. According to the seriousness of the offense, the penalties may take the form of compulsory exchange of the foreign currency for renminbi, or fine or confiscation of the properties or both, or punishment by judicial authorities according to law.

Article 32

The exchange control regulations for special economic zones, for trade in border areas, and for personal dealings between inhabitants across the border shall be formulated by the people's governments of the provinces, municipalities and autonomous regions concerned in the spirit of these regulations and in the light of specific local conditions, and shall be enforced upon the approval of the state council.

Article 33

Detailed provisions for the enforcement of these regulations shall be formulated by the SGAEC.

Article 34

These regulations shall come into force on March 1, 1981.

Appendix E

**Detailed Rules Concerning
Exchange Control Relating to Individuals**

*(Promulgated by the Administration of Exchange Control
effective January 1, 1982.)*

1. These detailed rules are formulated for the purpose of implementing Chapter III in the "Provisional Regulations for Exchange Control of the People's Republic of China".

2. Foreign exchange remitted from foreign countries or from the Hong Kong and Macao regions to Chinese and foreign nationals and stateless persons residing in China must be sold to the Bank of China. The recipients may retain a portion of 10% thereof as convertible foreign currency when the foreign exchange in a single remittance is equivalent to Rmb3,000 or more.

Preferential treatment for overseas remittance will be applied to the renminbi acquired by selling the foreign exchange referred to in the above paragraph to the Bank of China.

3. When foreign exchange kept in foreign countries or in Hong Kong or Macao regions by Chinese nationals residing in China before the founding of the People's Republic of China, by overseas Chinese prior to their returning to and settling down in China and by Hong Kong and Macao compatriots prior to their returning to and settling down in their native places, and foreign exchange acquired by inheriting property in foreign countries or in the Hong Kong or Macao regions after the founding of the People's Republic of China or their returning and settling down in their native places or elsewhere in China is transferred to China through the Bank of China, the owners are permitted to retain a portion of 30% thereof as convertible foreign currency. Preferential treatment for overseas remittance will be applied to the renminbi acquired by selling the remaining 70% of the foreign exchange to the Bank of China.

The percentage for exchange retention prescribed in the above paragraph applies to foreign nationals and stateless persons residing in China when their foreign exchange kept abroad or their foreign exchange acquired by inheriting property outside China is transferred to China through the Bank of China.

4. When foreign exchange is brought or remitted into China by overseas Chinese and Hong Kong and Macao compatriots returning to and settling down in their native places or elsewhere in China, the owners are permitted to retain a portion of 30% thereof as convertible foreign currency against applications forwarded to the bank within two months after their entry into the country. Preferential treatment for overseas remittance will be applied to the renminbi acquired by selling the remaining 70% of the foreign exchange to the Bank of China.

(continued)

Appendix E (continued)

Applications for exchange retention as prescribed in the above paragraph shall be dealt with against declaration forms at the customs.

5. Personnel sent by the state to work in foreign countries or in Hong Kong and Macao regions must, when returning upon the completion of their missions, bring or remit back into China their surplus wages and allowances in foreign exchange which belong to them personally; and must not keep them abroad. However, they are permitted to retain the entire amount thereof as convertible foreign currency, against certification of permanent offices of Chinese organizations stationed abroad.

6. Students, trainees, research students, scholars, teachers, coaches and other personnel sent to study in foreign countries or in the Hong Kong and Macao regions must, when returning, promptly bring or remit back into China their surplus foreign exchange they receive abroad and must not keep it abroad. These personnel are permitted to retain the part thereof as convertible foreign currency that belongs to them personally, against certification of permanent offices of Chinese organizations stationed abroad.

7. Foreign exchange acquired by individuals as royalties, copyright fees, prizes, grant-in-aid subsidies and contribution fees for their inventions, creations and writings printed or published abroad, or for their speeches or lectures made abroad in their own names or for their contributions to newspapers, magazines and specialized journals outside China must be promptly transferred to China and must not be kept abroad. These individuals are permitted to retain thereof as convertible foreign currency the part of exchange that belongs to them personally, in accordance with the relevant regulations approved by the State Council and ministries or commissions under the State Council, or with the consent of the State General Administration of Exchange Control.

8. Foreign exchange that individuals are permitted to retain thereof as convertible foreign currency in the categories specified above must be deposited with the Bank of China. These foreign exchange deposits may be remitted or taken out of China, against certification of the Bank of China. Preferential treatment for overseas remittance applies to the renminbi acquired by selling such foreign exchange. It is, however, not permitted, without authorization, to carry or send deposit certificates out of China either in person or by others or by mail.

Disposal of foreign exchange retained by individuals must in no way violate the stipulation specified in the second paragraph of Article 4

(continued)

of the “Provisional Regulations for Exchange Control of the People’s Republic of China”.

9. Chinese and foreign nationals and stateless persons residing in China are permitted to keep in their own possession foreign exchange already in China. It is, however, impermissible to carry or send out of China such exchange either in person or by others or by post. If the owners wish to sell the exchange, they must sell it to the Bank of China in accordance with the stipulations prescribed in Article 2 of these detailed rules.

10. Foreign exchange remitted or brought into China from foreign countries or from the Hong Kong and Macao regions by foreign nationals coming to China, by overseas Chinese and Hong Kong and Macao compatriots returning for a short stay, by foreign experts, technicians, staff members and workers engaged to work in domestic organizations, and by foreign students and trainees may be kept in their own possession, or sold to or deposited with the Bank of China, or remitted or taken out of China against the original declaration forms to the customs upon their entry.

11. When foreign experts, technicians, staff members and workers engaged to work in domestic organizations require foreign exchange to be remitted or taken out of China, the Bank of China will deal with their applications in accordance with the stipulations in the contracts or agreements.

12. These detailed rules are approved by the State Council and promulgated by the State General Administration of Exchange Control for implementation.

The Detailed Rules for Approval of Applications by Individuals for Possession of Exchange

(Promulgated by the Administration of Exchange Control effective January 1, 1982.)

- 1.** The "Detailed Rules for Approval of Applications by Individuals for Possession of Exchange" are formulated for the purpose of implementing Article 19 of the "Provisional Regulations for Exchange Control of the People's Republic of China".
- 2.** The individuals mentioned in these detailed rules refer to the Chinese and foreign nationals and stateless persons residing in China (hereinafter called individuals).
- 3.** The categories of exchange which individuals are permitted to apply for possession include: incidental remittances to be remitted out of China, exchange needed to cover travel and miscellaneous expenses outside China, transference out of China of overseas Chinese investment and deposits and sums required by individuals migrating to foreign countries.
- 4.** A certain amount of exchange may be supplied to individuals applying for incidental exchange when directly related family members of theirs are in extraordinary troubles (serious illnesses, deaths, accidents, etc.), against certification of the work units of the applicants and certification of the authorities in the residential places of the directly-related family members of the applicants.
- 5.** Exchange needed to cover travel and miscellaneous expenses for the shortcut route from the departure port in China to the destination may be supplied to individuals who have acquired exit permits from public security organs and valid entry visas from the destination country (for Chinese nationals, "exit receipts" must also be obtained from public security organs).

In addition to exchange needed to cover travel and miscellaneous expenses, applications by individuals holding passports with one-way exit visas shall be handled in accordance with the following stipulations: 1. Such individuals are permitted to remit out of China the entire amount of their retirement pay, severance pay, subsidies for temporary absence from work and pensions given to them by their work units in China against certification of their work units, and with the ratification of higher authorities and the approval of the People's Bank of China. 2. Exchange may be supplied to individuals without retirement pay, severance pay, subsidies for temporary absence from work and pensions, the amount of which shall depend on the concrete situations of the individuals.

(continued)

No exchange shall be supplied to individuals holding passports with return exit and entry visas who apply for the remittance out of China of their retirement pay, severance pay, subsidies for temporary absence from work or pensions.

6. When individuals permitted to leave China by public security organs receive foreign exchange remitted from abroad to cover their travel and miscellaneous expenses, they may keep in their possession the exchange in the original currencies if they make requests before the payment is effected by the bank, and are permitted to remit or take it out of China upon their departure.

7. In cases where overseas Chinese and Hong Kong and Macao compatriots invest foreign exchange in state or local overseas Chinese investment corporations, a part of shares and dividends due for payment in foreign exchange under the corporation's articles of association shall be paid by the investment corporations and the holders are permitted to remit it out of China. However, no exchange will be supplied for that part due to be paid in renminbi.

8. Exchange may be supplied, depending on the situation, to overseas Chinese and Hong Kong and Macao compatriots who have deposited their renminbi with banks in China in their own name if they apply for the remittance of the money out of China.

9. It is impermissible to remit out of China overseas Chinese deposits in renminbi that domestic banks have kept at the request made at the time of departure by individuals with families migrating with the approval of public security organs, in accordance with the rules and regulations concerning bank deposits. Nevertheless, exchange may be supplied against certification if the depositors apply for remittances out of China on account of financial difficulties.

10. Applications for possession of exchange in the above categories shall be filed to the local administrations of exchange control or authorized branches of the Bank of China. When approved through examination, the required exchange may be remitted or taken out of China.

11. These detailed rules are promulgated for implementation by the State General Administration of Exchange Control.

Regulations of PRC on Special Economic Zones in Guangdong Province

(Approved by the 15th session of the Standing Committee of the Fifth National People's Congress on August 26, 1980.)

Chapter 1—General Principles

Article 1

Certain areas are delineated from the three cities of Shenzhen, Zhuhai and Shantou in Guangdong Province to form special economic zones (hereinafter referred to as special zones) in order to develop external economic cooperation and technical exchanges and promote the socialist modernization program. In the special zones, foreign citizens, overseas Chinese, compatriots in Hong Kong and Macao and their companies and enterprises (hereinafter referred to as investors) are encouraged to open factories or set up enterprises and other establishments with their own investment or undertake joint ventures with Chinese investment, and their assets, due profits and other legitimate rights and interests are legally protected.

Article 2

Enterprises and individuals in the special zones must abide by the laws, decrees and related regulations of the People's Republic of China. Where there are specific provisions contained in the present regulations, they have to be observed as stipulated herewith.

Article 3

A Guangdong Provincial Administration of Special Economic Zones is set up to exercise unified management of the special zones on behalf of the Guangdong Provincial People's Government.

Article 4

In the special zones investors are offered a wide scope of operation, favourable conditions for such operation are created, and stable business sites are guaranteed. All items of industry, agriculture, livestock breeding, fish breeding and poultry farming, tourism, housing and construction, research and manufacture involving high technologies and techniques that have positive significance in international economic cooperation and technical exchanges, as well as other trades of common interest to investors and the Chinese side, can be established with foreign investment or in joint venture with Chinese investment.

Article 5

Land-levelling projects and various public utilities in the special zones such as water supply, drainage, power supply, roads, wharves, communications and warehouses, are undertaken by the Guangdong Provincial Administration of Special Economic Zones. When neces-

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Appendix G (continued)

sary, foreign capital participation in their development can be considered.

Article 6

Specialists at home and abroad and personages who are enthusiastic about China's modernization program will be invited by each of the special zones to form an advisory board as a consultative body for that special zone.

Chapter 2—Registration and Operation

Article 7

Investors wishing to open factories or take up various economic undertakings with investment should apply to the Guangdong Provincial Administration of the Special Economic Zones, and will be issued licenses of registry and use of land after examination and approval.

Article 8

Investors can open accounts and deal with matters related to foreign exchange in the Bank of China in the special zones or other banks set up in the special zones with China's approval.

Investors can apply for insurance policies at the People's Insurance Company of China in the special zones and other insurance companies set up in the special zones with China's approval.

Article 9

Products of the enterprises in the special zones are to be sold on the international market. If an enterprise wants to sell its products in the domestic market in China, it must have the approval of the Guangdong Provincial Administration of Special Economic Zones and pay customs duties.

Article 10

Investors can operate their enterprises independently in the special zones and employ foreign personnel for technical and administrative work.

Article 11

If investors want to terminate their business in the special zones, they should submit the reasons for their termination to the Guangdong Provincial Administration of Special Economic Zones, go through related procedures and clear the debts. The assets of the closed enterprises can be transferred and the funds can be remitted out of China.

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Appendix G (continued)

Chapter 3—Preferential Treatment

Article 12

The land in the special zones remains the property of the People's Republic of China. Land to be used by investors will be provided according to the actual needs, and the length of tenure, rent and method of payment will be given favourable consideration according to the different trades and uses. Concrete methods will be specified separately.

Article 13

Machinery, spare parts, raw materials, vehicles and other means of production for the enterprises in the special zones are exempted from import duties. The necessary consumer goods shall be subjected to full or lower import duties or exempted, depending on the merits of each case. Imports of the above-mentioned goods and exports of products of the special zones must go through existing customs procedures.

Article 14

The rate of income tax levied on the enterprises in the special zones is to be 15%. Special preferential treatment will be given to enterprises established within two years of the promulgation of these regulations, enterprises with an investment of US\$5 million or more, and enterprises involving higher technologies or having a longer cycle of capital turnover.

Article 15

Legitimate after-tax profits of the investors, salaries and other proper earnings after paying personal income tax of the foreign, overseas Chinese and Hong Kong and Macao workers and staff members of the enterprises in the special zones can be remitted out of China through the Bank of China and other banks in the special zones in line with the zone's foreign exchange control measures.

Article 16

Investors who reinvest their profits in the special zones for five years and longer may apply for exemption of income tax on profits from such reinvestment.

Article 17

Enterprises in the special zones are encouraged to use China-made machinery, raw materials and other goods. Preferential prices will be offered on the basis of the export prices of China's similar commodities and settled in foreign exchange. These products and materials

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Appendix G (continued)

can be shipped direct to the special zones with the vouchers of the selling units.

Article 18

Entry and exit procedures will be simplified and convenience offered to the foreigners, overseas Chinese and compatriots in Hong Kong and Macao going in and out of the special zones.

Chapter 4—Labour Management

Article 19

Labour service companies are to be set up in each of the special zones. Chinese staff members and workers to be employed by enterprises in the special zones are to be recommended by the local labour service companies or recruited by the investors with the consent of the Guangdong Provincial Administration of Special Economic Zones. Enterprises can test them before employment and sign labour contracts with them.

Article 20

The employees of the enterprises in the special zones are to be managed by the enterprises according to their business requirements, and if necessary, can be dismissed in line with the provisions of the labour contracts.

Employees of the enterprises in the special zones can submit resignation to their enterprises according to the provisions of the labour contracts.

Article 21

Scales and forms of the wages, award methods, labour insurance and various state subsidies of the Chinese staff members and workers in the enterprises are to be included in the contracts signed between the enterprises and the employees in accordance with the stipulations of the Guangdong Provincial Administration of Special Economic Zones in Guangdong province.

Article 22

Enterprises in the special zones should have the necessary measures for labour protection to ensure that the staff members and workers work in safe and hygienic conditions.

Chapter 5—Administration

Article 23

The Guangdong Provincial Administration of Special Economic Zones

(continued)

Appendix G (continued)

exercises the following functions:

1. Draw up development plans for the special zones and organize for their implementation.
2. Examine and approve investment projects of investors in the special zones.
3. Deal with the registration of industrial and commercial enterprises in the special zones and with land allotment.
4. Coordinate the working relations among the banking, insurance, taxation, customs, frontier inspection, postal and telecommunications and other organizations in the special zones.
5. Provide staff members and workers needed by the enterprises in the special zones and protect the legitimate rights and interests of these staff members and workers.
6. Run education, cultural, health and other public welfare facilities in the special zones.
7. Maintain law and order in the special zones and protect according to law the persons and properties in the special zones from encroachment.

Article 24

The Shenzhen Special Zone is under the direct jurisdiction of the Guangdong Provincial Administration of Special Economic Zones. Necessary agencies are to be set up in the Zhuhai and Shantou Special Zones.

Article 25

A Guangdong Provincial Special Economic Zones Development Company is to be set up to cope with the economic activities in the special zones. Its scope of business includes fund-raising and trust investment, operating enterprises or joint ventures with investors in the special zones, acting as agents for the investors in the special zones in matters related to sales and purchases with other parts of China outside the special zones, and providing services for business talks.

Chapter 6—Appendix

Article 26

These regulations shall be enforced after their adoption by the Guangdong Provincial People's Congress and after they have been submitted to and approved by the Standing Committee of the National People's Congress of the People's Republic of China.

Provisional Regulations on Registration of Enterprises in Special Economic Zones of Guangdong Province

(Adopted at the 13th Session of the Standing Committee of the Fifth Guangdong Provincial People's Congress on Nov. 17, 1981.)

Article 1

The present Provisional Regulations have been worked out in accordance with the laws and decrees of the People's Republic of China and the Regulations on the Special Economic Zones of Guangdong Province.

Article 2

Enterprises set up by foreign capital, joint ventures using Chinese and foreign investment and enterprises engaged in coproduction in the special economic zones (hereinafter referred to as enterprises in these zones), should apply for registration with the Administration for Industry and Commerce in the special economic zones and get registration certificates and licenses for operations before they are put into operation. If an enterprise wants to engage in a special trade as stipulated by China, it should apply for registration and obtain a registration certificate or a license for that special trade.

An enterprise that has not registered and has not been granted a registration certificate or license for operation shall not be permitted to go into operation.

Procedures for registration by banks or other financial organizations financed by foreign capital will be stipulated separately.

Article 3

In applying for registration, an enterprise should produce the following documents:

1. The document issued by the People's Government of the Special Economic Zone (or city) or the Administrative Committee of the Special Economic Zone where the said enterprise operates.
2. A duplicate of the agreement signed on the establishment of the enterprise, the contract and the articles of association of the enterprise, and a list of the members of the enterprise's board of directors, in both Chinese and foreign languages; and
3. A duplicate of the registration certificate or other documents of credit issued by the related departments under the government of the country (or region) where the foreign businessmen come from.

Article 4

In applying for the registration of an enterprise to be set up in a special economic zone, a registration form, in triplicates, shall be filled in

(continued)

Appendix H (continued)

both Chinese and foreign languages. Items to be registered include the name of the enterprise, its address, scope of production and business, forms of production and business, registered capital of the enterprises and parties concerned (the latter's respective equity share in case of joint equity ventures or participation share in case of cooperative ventures), a list of the members of the board of directors, general manager and deputy general managers or director and deputy directors of the enterprise, the office granting the approval, the registration number of the document, the date of approval, the size of the entire staff, and the number of foreign workers and staff members.

Article 5

The resident offices set up in a special economic zone by foreign firms, firms run by overseas Chinese, firms in Hong Kong and Macao and Taiwan should, within 30 days after being approved, register with the Administration for Industry and Commerce in the Special Economic Zone by producing the application for setting up the resident offices and duplicates of the registration certificate and other documents of credit standing issued by the related departments under the government of the country (or region) where the foreign businessmen come from.

Article 6

An enterprise is regarded as having officially been established the day when a registration certificate is issued to it, and its legitimate operation and production shall be protected by the laws of the People's Republic of China.

Article 7

An enterprise or a resident office shall, by producing the registration certificate, open an account with the Bank of China or other bank approved by the Chinese side, and register with the local tax bureau for payment of taxes.

Article 8

When an enterprise wants to move to another site, shift its production, increase or cut or transfer the registered capital, extend the contract period or change other items, the said enterprise shall ask for approval by the People's Government of the Special Economic Zone (or city) or the Administrative Committee of the Special Economic Zone, and register the changes with the Administration for Industry and Commerce and the Tax Bureau in the Special Economic Zone.

Article 9

The registration certificate for an enterprise or a resident office shall be changed and reissued once every year.

(continued)

Article 10

In applying for registration, getting its changes registered, or receiving or changing its registration certificates, or registering its resident office, an enterprise should pay a registration fee or a fee for changing its registration certificates, the sum of which is to be fixed by the People's Government of the Special Economic Zone (or city) and the Administrative Committee of the Special Economic Zone.

Article 11

An enterprise, upon the expiration of the contract period or desirous of terminating the contract before its expiration date, shall, upon production of the document of approval issued by the People's Government of the Special Economic Zone (or city), the Administrative Committee of the Special Economic Zone or the organization authorized by it, register for cancellation with the Administration for Industry and Commerce and the Tax Bureau in the Special Economic Zone, and the registration certificate and license for operation of the said enterprise shall be handed in for cancellation.

Article 12

The Administration for Industry and Commerce in a Special Economic Zone has the right to supervise and inspect the enterprises in the zone. In cases of violations of the present regulations, the violator shall be given a warning, or be ordered to close down in accordance with the varying degrees of seriousness in each specific case.

Article 13

The present Provisional Regulations shall come into force as of January 1, 1982.

Provisional Regulations on Labour and Wages in the Enterprises in Special Economic Zones of Guangdong Province

*(Adopted at the 13th Session of the Standing Committee of the
5th Guangdong Provincial People's Congress on November 17, 1981)*

Article 1

The present Provisional Regulations are formulated in accordance with the relevant laws and decrees of the People's Republic of China and the Regulations on the Special Economic Zones of Guangdong Province.

Article 2

Enterprises set up by foreign capital, joint ventures using Chinese and foreign investment and cooperative enterprises in the special zones (hereinafter called enterprises in the special zones for short) shall use the contract system in employing workers and staff, and labour contracts will be signed between the enterprise and the workers and staff. The labour contract should include the following: employment, dismissal and resignation of the workers and staff; production and work tasks; labour service fees and stipulations on rewards and penalties; work time and vacation; labour insurance and welfare benefits; labour protection; and labour discipline.

The labour contracts shall be approved by the special zone (city) labour bureaus.

Article 3

Labour service companies are to be set up in the Shenzhen Special Zone and in Zhuhai and Shantou (Swatow) cities and, under the guidance of the special zone (city) labour bureaus, they will assist the enterprises in the special zones in recruiting and training workers and staff, be responsible for giving guidances to workers and staff in employment or in signing contracts with the enterprises.

Article 4

For the employment of workers and staff by the enterprises in the special zones, after being approved by the labour bureaus of the special zone (city), the labour service companies can make recommendations or the enterprises may undertake the recruitment themselves and, in line with the principle of taking those most suited to the job, they may employ them through examinations. Those recruited may undergo a three to six months' probation.

Article 5

The age of the workers and staff members employed by the enterprises in the special zones should be 16 and above.

(continued)

Appendix I (continued)

Article 6

The workers and staff members employed by the enterprises in the special zones can be managed in accordance with the provisions of the contracts and the requirements of the enterprises concerned. Enterprises may sponsor technical schools or training courses to train managerial personnel and skilled workers.

Article 7

Workers and staff members employed by the enterprises in the special zones should be paid labour service fees per person. The scale of the labour service fees can be negotiated at the time when the contract is signed according to the different lines of the enterprise and types of work, and there shall be an average annual increase rate of 5 to 15% for the workers and staff members in accordance with their proficiency.

Article 8

The labour service fees paid by the enterprises shall be distributed according to the following proportions:

70% going directly to the workers and staff members as wages (including the basic wages and floating wages);

5% reserved by the enterprises to subsidize the welfare costs for the workers and staff; and

The remaining 25% used as social labour insurance and for compensating for various state subsidies.

Article 9

The forms of wage and the reward and subsidies systems for the workers and staff members of the enterprises in the special zones are determined by the enterprises themselves. The wage forms in the enterprises in the special zones may follow the piece-rate wage system or the system of payment by the hour, by the day or by the month in accordance with the need of the different enterprises.

Article 10

The enterprises in the special zones follow the six-day work week, eight-hour day (the work time for special types of work to be fixed separately). Extra pay shall be given to overtime work.

Article 11

The workers and staff of the enterprises in the special zones enjoy the rest days, legal holidays and leaves to visit their families, wedding, funerals of their next of kin as stipulated in China, and other rights and interests provided for the labour contracts.

(continued)

Appendix I (continued)

Article 12

The enterprises in the special zones must implement the rules and regulations of the People's Republic of China concerning labour protection and environmental protection, and ensure safe and civilized production. The relevant authorities in the special zones have the right to check and supervise.

Article 13

The enterprises in the special zones should give particular care to the women workers in accordance with the relevant stipulations of the People's Republic of China on the protection of women workers.

Article 14

Injuries, disability or deaths as a result of industrial accidents in enterprises in the special zones should be dealt with by the enterprises concerned in line with relevant stipulations of the People's Republic of China on the labour insurance.

Article 15

In special circumstances, workers and staff members in enterprises in the special zones can apply for resignation and the enterprises should approve it. Those who have been trained by the enterprise for more than three months, are not allowed to resign within one year after winding up their studies, and if they persist in the resignation or quit without approval, they should compensate the enterprise for the losses incurred for their training.

Article 16

The enterprises in the special zones can dismiss the excessive workers and staff members resulting from changes in production and technical conditions and those who, after training, fail to meet the needs and cannot be transferred to other types of work in the same enterprise. Those dismissed workers and staff members who have worked for more than one year will be given an additional one month's basic wages; and those on probation, an additional half month basic wages.

Article 17

For those workers and staff members who violate the rules and regulations of the enterprises in the special zones and cause harmful consequences, the enterprises can give them such penalties as warning, demerit recording, wage decrease and even discharge on the merit of each case. The decisions on the penalties for the discharged personnel should be submitted to the special zone (city) labour bureaus for examination and record.

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Article 18

If the discharged or penalized workers and staff members dissent on their cases, they may apply to the enterprises for settling the matter through consultations; if it cannot be resolved through consultation, requests can be presented to the special zone (city) labour bureaus for mediation; if either party deems the handling of the labour bureau inappropriate, the case may be brought to the people's court in the special zone.

Article 19

The employment, dismissal, resignation, pay, rewards, penalties, welfare, social insurance and other matters with regard to the workers and staff members of foreign nationality or those of Hong Kong, Macao and Taiwan shall be decided by the board of directors of the enterprises and provided for in the employment contracts separately.

Article 20

The present Provisional Regulations shall come into force on January 1, 1981.

Provisional Entry/Exit Rules for the Special Economic Zones in Guangdong Province

(Adopted at the 13th Session of the Standing Committee of the Fifth Guangdong Provincial People's Congress on Nov. 17, 1981.)

Article 1

These rules are formulated in accordance with the relevant laws and decrees of the People's Republic of China and the "Regulations on Special Economic Zones in Guangdong Province."

Article 2

All foreigners, overseas Chinese, compatriots from Hong Kong and Macao, and compatriots from Taiwan who either enter the special zones from the open ports within the special economic zones and from the special zones' special open ports or leave the special economic zones will come under the control of these rules. Those who enter China from the open ports for other parts of the country or leave the country via the special zones from other parts of China will still be handled in accordance with the original rules.

Those who enter or leave the country are subject to examination by the port inspection authorities.

Article 3

People who enter the special zones from Hong Kong and Macao should, in view of their different circumstances, go through the entry procedures in line with the following stipulations:

1. Foreigners and overseas Chinese should apply, against their own passports, to the tourist agencies in Hong Kong and Macao and other agencies entrusted by the Chinese authorities for entry and exit visas from the Chinese visa-issuing offices, and shall be subject to inspection at the Chinese frontier inspection stations.

Foreigners and overseas Chinese who invest and set up factories or run various business undertakings or buy houses or reside permanently in the special economic zones shall apply, against certificates granted by the development company of the special zones, for multiple entry-exit visas.

2. Compatriots from Hong Kong and Macao will enter the special zones against the home-visiting certificates provided to them together with supplementary sheets or supplementary cards. Compatriots from Hong Kong and Macao who invest and set up factories or run business undertakings or buy houses or reside permanently in the special zones and who must enter or leave the special zones daily, shall apply, against certificates issued by the development company of the special zones or residence permits for compatriots from Hong Kong and Macao, for visas from the public security bureaus in the special

(continued)

Appendix J

(continued)

economic zones (cities) without having to file supplementary sheets or cards. Those who are permitted to be exempt from filing supplementary sheets or cards will be granted the permanent personal-use goods registers, to be filled by themselves and checked by the customs.

3. Compatriots from Taiwan who enter the special economic zones from Hong Kong or Macao may apply, against their identity cards, to the tourist organizations in Hong Kong and Macao and other agencies entrusted by the Chinese authorities for entry-exit certificates from the visa-issuing offices.

Article 4

Foreigners who apply directly for entry into the special economic zones from other countries or regions (excluding Hong Kong and Macao) shall enter the zones against entry visas issued by the Chinese visa-issuing authorities.

Article 5

Tourist groups of foreigners or overseas Chinese who visit the special zones from Hong Kong or Macao shall enter against group visas.

Article 6

Foreigners, overseas Chinese, compatriots from Hong Kong, Macao and Taiwan who buy houses and reside in the special zones for more than six months but less than a year shall be granted temporary residence permits by the public security bureaus in the special economic zones (cities) and those whose residence exceeds one year will be given residence permits. The residence permits are checked once a year.

Article 7

The luggage and goods of those persons from Hong Kong and Macao or from foreign countries who enter the special economic zones shall be handled in accordance with the relevant administrative regulations concerning the special economic zones issued by the customs of the People's Republic of China.

Article 8

People and goods that enter the zones from plagued areas or are covered by the quarantine list in the "Health and Quarantine Regulations of the People's Republic of China" and the "Animal and Plant Quarantine Regulations of the People's Republic of China" should, upon their entry, be subject to quarantine at ports and by the animal and plant quarantine offices.

(continued)

Article 9

Foreigners who go to other parts of China from the special economic zones, or enter the special economic zones from other parts of the country, shall go through the necessary formalities as described in the original rules.

Article 10

The movement of transport vehicles between the special economic zones and Hong Kong and Macao must be subject to approval from the People's government in the special zones (cities) and shall enter or leave against the passes issued by the public security bureaus in the special economic zones (cities).

Article 11

Chinese cadres, workers, staff members and other personnel who work in the special economic zones shall go through the entry/exit formalities as described in the original regulations.

Article 12

These provisional rules shall come into force on January 1, 1982.

Provisional Provisions on Land Control in Shenzhen Special Economic Zone

(Adopted at the 13th session of the Standing Committee of the Fifth Guangdong Provincial People's Congress on November 17, 1981.)

Chapter 1—General Principles

Article 1

These provisions are formulated in accordance with the related laws and decrees of the People's Republic of China and the Regulations on Special Economic Zones in Guangdong province.

Article 2

Mineral deposits, waters, wasteland, farmland, mountains, forests and other sea and land resources which have been developed or are yet to be developed within the Shenzhen Special Economic Zone are all placed under the unified management of the city people's government in Guangdong province; the city people's government may purchase, requisition construction and the stipulations of related decrees.

Article 3

All units and individuals must observe and implement the confirmed overall construction program of the special zone. Without prior approval, they are not allowed to change the topographic features of the land within the special zone, to occupy land privately or to construct any kind of buildings.

Article 4

All units and individuals, when in need of the use of land, must apply with the Shenzhen City People's Government. Land is available only after approval has been granted and all necessary procedures have been completed. All contracts on the use of land signed by those through direct talks with the former land-using unit or individual without prior approval of the office in charge are null and void.

Article 5

Units and individuals who have obtained the use of land upon approval shall only have the right to use the land and no right of ownership; it is forbidden to buy and sell land or to do so in a disguised way, to let or transfer land without prior permission, or to mine, use or damage underground resources and other resources.

Article 6

Compensation for the land requisitioned, civilian houses and other buildings demolished for construction purposes shall be handled in accordance with the related stipulations of the People's Republic of China and the Guangdong Provincial People's Government.

(continued)

Appendix K (continued)

Article 7

The land development projects in the special zone shall be funded and undertaken by the Development Company of the Shenzhen Special Zone and may also be undertaken with foreign investment participation. Revenues and expenditures in land development and utilization shall be arranged by the development company.

Chapter 2—Land Management and Control

Article 8

Overseas investors who require the use of land in building factories or running various undertakings in the special zone may fill out application forms for the use of land on the strength of the documents approved by the Shenzhen City People's Government, contracts, agreements and related data on the undertakings to be run with their investment. Plots shall be determined and delineated and "certificates for the use of land" issued after the applications are verified by the city's planning department and the fees for the use of land are paid.

Article 9

Within six months after the "certificates for the use of land" take effect, overseas investors must put forward the overall designing blueprints for project construction and plans for construction and production. Within nine months, investors must begin construction according to the overall design for the project. Otherwise, the "certificates for the use of land" shall be revoked and the fees paid shall not be reimbursed. The project's production plan must be fulfilled on schedule, failing which they must produce evidence and documents and, after the approval office confirms after examination that they have the justified reasons for the delay, the time limit can be extended appropriately. The "certificates for the use of land" shall be revoked for those who delay the projects without reasons.

Article 10

When the projects of overseas investors are completed as required by the contracts or agreements on construction, they can go into official operation only after examination and verification by the department in charge. Without prior approval of the city's planning department, investors are not allowed to demolish, renovate or rebuild the buildings at will on the land for their use.

Article 11

Buildings on the land for overseas investors' use must be constructed in accordance with the stipulations of the city's planning department

(continued)

Appendix K (continued)

on the ratio between buildings, gardens and afforestation. No wilful expansion or reduction is allowed.

Article 12

All buildings on the land for overseas investors' use must meet China's architectural standards and fire prevention's safety requirements. Projects in violation of the stipulations are not allowed to go into operation or to be put into use. If any accident occurs as a result of production or use of the project without permission, the investor shall compensate for the loss and bear the responsibility of the law.

Article 13

Overseas investors must engage in construction on the land for their use according to the purpose as stipulated in the contracts or agreements, and are not allowed to convert the land for other purposes at will.

Article 14

Overseas investors are not allowed to occupy for whatever reason any land beyond what is stipulated in the "certificates for the use of land". If they need the use of more land, they must go through the procedure as stipulated in Article 8.

Chapter 3—Time Limit and Fees for the Use of Land

Article 15

The time limit for the land used by overseas investors shall be determined through consultations according to the amount of the investment in the projects and actual needs. The longest time limit is as follows:

1. 30 years for industrial use;
2. 20 years for commercial use (including restaurants);
3. 50 years for residential property development;
4. 50 years for educational, scientific, technological, medical and health use;
5. 30 years for tourist undertakings;
6. 20 years for planting, animal husbandry, poultry raising and fish breeding.

If overseas investors wish to continue operation on the land used by their projects upon the expiration of the time limit, they may renew contract subject to verification by and approval of the department in charge in the special zone.

(continued)

Appendix K (continued)

Article 16

When enterprises with exclusive overseas investment (wholly-owned) or joint ventures with overseas and Chinese investment use land, be it newly acquired or on the site of original enterprises, land use fees shall be collected. The standards for land use fees are set according to different areas and conditions, different trades and time limits for use. The standard for annual fees (Rmb) per square meter of land are:

Rmb 10 to 30 for industrial use;

Rmb 70 to 200 for commercial use;

Rmb 30 to 60 for residential property development, and

Rmb 60 to 100 for construction of tourist undertakings.

The standards for planting, animal husbandry, poultry raising and fish breeding will be set separately.

From the day when these regulations are made public, land use fees shall be readjusted once every three years, and the change shall not exceed 30%.

Article 17

Special preferential treatment on land use fees shall be granted to the educational, cultural, scientific, technological, medical, health and public welfare undertakings run by overseas investors in the special zone. Land use fees may be exempted for projects involving the most advanced technology and non-profit making projects.

Article 18

Methods of payment of land use fees: the sum may be paid in one lump sum within two years, and no interest shall be charged; the sum may be paid in instalments, and an annual interest of 8% shall be charged. If prices are readjusted in this period, the payment shall be made according to the sum after the price readjustment.

Article 19

The above provisions on charging land use fees are applicable to all units that run enterprises and institutions in the special zone.

Chapter 4—Public Utilities

Article 20

Public utilities to be undertaken and built within the area of the land used by overseas investors as stipulated in the contracts or agreements must be built in accordance with the requirements of the urban construction program.

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Article 21

Power supply, water supply, drainage, sewers, gas pipes and telecommunications equipment within the area of land used by overseas investors must be built on their own, and the fees for linking these facilities with various trunk lines outside the area of the land for their use should be paid by overseas investors.

Article 22

The discharge and treatment of waste residues, waste gas and waste water within the area of the land used by overseas investors must meet the discharge standards and treatment requirements of the People's Republic of China, and shall be inspected and supervised by the city's environmental protection department. Overseas investors shall pay the treatment fees as stipulated.

Article 23

These provisional provisions come into force as of January 1, 1982.

Regulations on Labour Management in Joint Ventures Using Chinese and Foreign Investment

(Approved on July 26, 1980 by the State Council.)

Article 1

Labour management problems concerning joint ventures using Chinese and foreign investment (hereinafter referred to as joint ventures) should be handled in accordance with the regulations, in addition to the pertinent stipulations in article 6 of the "Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment".

Article 2

Matters pertaining to employment, dismissal and resignation of the workers and staff members, tasks of production and other work, wage and awards and punishment, working time and vacation, labour insurance and welfare, labour protection and labour discipline in joint ventures shall be stipulated in the labour contracts signed.

A labour contract is to be signed collectively by a joint venture and the trade union organization formed in the joint venture. A relatively small joint venture may sign contracts with the workers and staff members individually.

A signed labour contract must be submitted to the labour management department of the provincial, autonomous regional or municipal people's government for approval.

Article 3

The workers and staff members of a joint venture either recommended by the authorities in the locality in charge of the joint venture or the labour management department, or recruited by the joint venture itself with the consent of the labour management department, should all be selected by the joint venture through examination for their qualification.

Joint ventures may run workers' schools and training courses for the training of managerial personnel and skilled workers.

Article 4

With regard to the surplus workers and staff members as a result of changes in production and technical conditions of the joint venture, those who fail to meet the requirements after training and are not suitable for other work can be discharged. However, this must be done in line with the stipulations in the labour contract and the enterprise must give compensation to these workers.

The dismissed workers and staff members will receive assignments for other work from the authorities in charge of the joint venture or the labour management department.

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Appendix L (continued)

Article 5

The joint venture may, according to the degree of seriousness of the case, take action against those workers or staff members who have violated rules and regulations of the enterprise that result in certain bad consequences. Punishment by discharges must be reported to the authorities in charge of the joint venture and the labour management department for approval.

Article 6

With regard to the dismissal and punishment of workers and staff members by the joint venture, the trade union has the right to raise an objection if it considers them unreasonable, and send representatives to seek a solution through consultation with the board of directors. Should the consultation fail to arrive at a solution, the matter will be handled in accordance with the procedures set forth in Article 14 of the present regulations.

Article 7

When workers and staff members of a joint venture, on account of special conditions, submit resignation to the enterprise through the trade union in accordance with the labour contract, the enterprise should give its consent.

Article 8

The wage level of the workers and staff members in a joint venture will be determined at 120% to 150% of the real wages of the workers and staff members of state-owned enterprises of the same trade in the locality.

Article 9

The wage standards, the forms of wages paid, and bonus and subsidy systems are to be discussed and decided upon by the board of directors.

Article 10

The bonuses and welfare funds drawn by the joint venture from the profits must be used as bonuses, awards and collective welfare and should not be misappropriated.

Article 11

A joint venture must pay for the Chinese workers' and staff members' labour insurance, cover their medical expenses and various kinds of government subsidies in line with the standards prevailing in state-owned enterprises.

(continued)

Appendix L (continued)

Article 12

The employment of foreign workers and staff members and their dismissal, resignation, pay, welfare and social insurances and other matters concerned should all be stipulated in the employment contracts.

Article 13

Joint ventures must implement the relevant rules and regulations of the Chinese government on labour protection and ensure safety in production and civilized production. The labour management department of the Chinese government is authorized to supervise and inspect their implementation.

Article 14

Labour disputes occurring in a joint venture should first of all be solved through consultation by both parties. If consultation fails to arrive at a solution, either party or both parties may request arbitration by the labour management department of the people's government of the province, autonomous region or municipality where the joint venture is located. Either party that disagrees to the arbitration may file a suit at the people's court.

Article 15

The right of interpretation of the present regulations belongs to the State Bureau of Labour of the People's Republic of China.

Article 16

The regulations come into force on the date of their promulgation.

The Income Tax Law of the People's Republic of China Concerning Joint Ventures with Chinese and Foreign Investment

(Adopted at the third session of the Fifth National People's Congress on September 10, 1980 promulgated by an order of Ye Jianying, Chairman of the NPC standing committee, the same day.)

Article 1

Income tax shall be levied in accordance with this law on the income derived from production, business and other sources by any joint venture with Chinese and foreign investment (hereinafter called joint venture for short) in the People's Republic of China.

Income tax on the income derived from production, business and other sources by branches within or outside the territory of China of such joint ventures shall be paid by their head office.

Article 2

The taxable income of a joint venture shall be the net income in a tax year after deduction of costs, expenses and losses in that year.

Article 3

The income tax rate on joint ventures shall be 30%. In addition, a local surtax of 10% of the assessed income tax shall be levied.

The income tax rates on joint ventures exploiting petroleum, natural gas and other resources shall be stipulated separately.

Article 4

In the case of a foreign participant in a joint venture remitting its share of profit from China, an income tax of 10% shall be levied on the remitted amount.

Article 5

A newly established joint venture scheduled to operate for a period of 10 years or more may, upon approval by the tax authorities of an application filed by the enterprise, be exempted from income tax in the first profit-making year and allowed a 50% reduction in the second and third years.

With the approval of the Ministry of Finance of the People's Republic of China, joint ventures engaged in such low-profit operations as farming and forestry or located in remote, economically underdeveloped outlying areas may be allowed a 15-30% reduction in income tax for a period of 10 years following the expiration of the term for exemptions and reductions mentioned in the preceding paragraph.

Article 6

A participant in a joint venture which reinvests its share of profit in China for a period of not less than five years may, upon approval by

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Appendix M (continued)

the tax authorities of an application filed by the said participant, obtain a refund of 40% of the income tax paid on the reinvested amount. A participant which withdraws its reinvested funds within five years shall pay back the tax amount refunded.

Article 7

Losses incurred by a joint venture in a tax year may be carried over to the next tax year and made up with a matching amount drawn from that year's income. Should the income in the subsequent tax year be insufficient to make up for the said losses, the balance may be made up with further deductions against income year by year over a period not exceeding five years.

Article 8

Income tax on joint ventures shall be levied on an annual basis and paid in quarterly instalments. Such provisional payment shall be made within 15 days after the end of each quarter. The final settlement shall be made within 3 months of the end of a tax year. Excess payments shall be refunded by the tax authorities or deficiencies made good by the taxpayer.

Article 9

Joint ventures shall file their provisional income tax returns with the local tax authority within the period prescribed for provisional payments. The taxpayer shall file its final annual income tax return together with its final accounts within 3 months of the end of the tax year.

Article 10

Income tax levied on joint ventures shall be computed in terms of renminbi (RMB). Income in foreign currency shall be assessed according to the exchange rate quoted by the State General Administration of Exchange Control of the People's Republic of China and shall be taxed in renminbi.

Article 11

When joint ventures go into operation or when they change the nature of their business, change their address, close down, and make changes in or transfer registered capital, such joint ventures shall register with the General Administrative Bureau for Industry and Commerce of the People's Republic of China, and within 30 days of such registration, present the relevant certificates to the local tax authority for Tax registration.

Article 12

The tax authorities have the right to investigate the financial affairs, account books and tax situation of any joint venture. Such joint ven-

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Appendix M

(continued)

ture must make reports according to the facts and provide all relevant information and shall not refuse to cooperate or conceal the facts.

Article 13

A joint venture must pay its tax within the prescribed time limit. In cases of failure to pay within the prescribed time limit, the appropriate tax authority, in addition to setting a new time limit for tax payment, shall surcharge overdue payments at one half of 1 per cent of the overdue tax for every day in arrears, starting from the first day of default.

Article 14

The tax authorities may, acting at their discretion, impose a penalty on any joint venture which has violated the provisions of Articles 9, 11 and 12 of this Law.

In dealing with any joint venture which has evaded or refused to pay tax, the authorities may, in addition to pursuing the tax, impose a penalty of not more than five times the amount of tax underpaid or not paid, according to the seriousness of the offense. Cases of gross violation shall be handled by the local People's Courts according to Law.

Article 15

In cases of disputes with tax authorities about tax payment, joint ventures must pay tax according to the relevant regulations first before applying to higher tax authorities for reconsideration. If they do not accept the decisions made after such reconsideration, they can bring the matter before the local People's Courts.

Article 16

Income tax paid by a joint venture or its branch in other countries may be credited against the assessed income tax of the head office as foreign tax credit.

Where agreements on avoidance of double taxation have been concluded between the government of the People's Republic of China and the government of another country, income tax credits shall be handled in accordance with the provisions of the related agreements.

Article 17

Detailed rules and regulations for the implementation of this Law shall be formulated by the Ministry of Finance of the People's Republic of China.

Article 18

This Law shall come into force from the date of promulgation.

Rules and Regulations for the Implementation of the Income Tax Law of the People's Republic of China Concerning Joint Ventures with Chinese and Foreign Investment

Article 1

These detailed rules and regulations are formulated in accordance with the provisions of Article 17 of the Income Tax Law of the People's Republic of China Concerning Joint Ventures with Chinese and Foreign Investment (hereinafter called Tax Law for short).

Article 2

“Income derived from production and business” mentioned in Article 1 of the Tax Law means income from the production and business operations in industry, mining, communications, transportation, agriculture, forestry, animal husbandry, fisheries, poultry farming, commerce, tourism, food and drink, service and other trades.

“Income from other sources” mentioned in Article 1 of the Tax Law covers dividends, bonuses, interest and income from lease or transfer of property, patent right, ownership of trade marks, proprietary technology, copyright, and other sources.

Article 3

“A local surtax of 10 per cent of the assessed income tax” in Article 3 of the Tax Law means a surtax to be computed and levied according to the actual amount of income tax paid by joint ventures.

Reduction or exemption of local surtax on account of special circumstances shall be decided by the people's government of the province, municipality or autonomous region in which the joint venture is located.

Article 4

A foreign participant in a joint venture, who wants to remit its share of profits from China, shall report to the local tax authorities. The remitting agency shall withhold an income tax of 10 per cent from the remittance. No tax shall be levied on that part of its share of profits which is not remitted from China.

Article 5

“The first profit-making year” mentioned in Article 5 of the Tax Law means the year in which a joint venture has begun making profit after its losses in the initial stage of operation have been made up in accordance with the provisions of Article 7 of the Tax Law.

Article 6

A participant in a joint venture, who reinvests its share of profit in this enterprise or in other joint ventures with Chinese and foreign in-

(continued)

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(continued)

vestment for a period of not less than five years in succession, may receive a refund of 40 per cent of the income tax already paid on the reinvested amount upon the examination and approval of the certificate of the invested enterprise by the tax authorities to which the tax was paid.

Article 7

The tax year for joint ventures starts from January 1 and ends on December 31 on the Gregorian calendar.

Article 8

The amount of taxable income shall be computed by the following formulae:

1. Industry:

A. Cost of production of the year = direct material used in production of the year + direct wages + manufacturing expenses.

B. Cost of production of the year = inventory of semi-finished product at the beginning of the year and in-production product + cost of production of the year – inventory of semi-finished product at the end of the year and in-production product.

C. Cost of sale of product = cost of product of the year + inventory of product at the beginning of the year – inventory of product at the end of the year.

D. Net volume of sale of product = total volume of sale of product – (sales returns + sales allowance).

E. Profit from sale of product = net volume of sale of product – taxes on sales – cost of sale product – (selling expenses + administrative expenses).

F. Amount of taxable income = profit from sale of product + profit from other operations + non-operating income – non-operating expenditure.

2. Commerce:

A. Net volume of sale = total volume of sale – (sales returns + sales allowance).

B. Cost of sales = inventory of merchandise at the beginning of the year + [purchase of the year – (purchase returned + purchase discount) + purchase expenses] – inventory of merchandise at the end of the year.

C. Sale profit = net volume of sale – sales tax – cost of sales – (selling expenses + overhead expenses).

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(continued)

D. Amount of taxable income = sale profit + profit from other operations + non-operating income – non-operating expenditure.

3. Service trades:

A. Net business income = gross business income – (business tax + operating expenses + overhead expenses).

B. Amount of taxable income = net business income + non-operating income – non-operating expenditure.

4. Other lines of operation:

For other lines of operations, refer to the above-mentioned formulae for calculation.

Article 9

The following items shall not be counted as cost, expense or loss in computing the amount of taxable income:

1. expenditure on the purchase or construction of machinery, equipment, buildings, facilities and other fixed assets;
2. expenditure on the purchase of intangible assets;
3. interest on capital;
4. income tax payment and local surtax payment;
5. penalty for illegal operations and losses in the form of confiscated property;
6. overdue tax payment and tax penalty;
7. losses from windstorms, floods and fire risks covered by insurance indemnity;
8. donations and contributions other than those for public welfare and relief purposes;
9. that part of the entertainment expenses for operating purposes above the quota of three per thousand of the total sale income in the tax year or above the quota of ten per thousand of the total operational income and those entertainment expenses that are not relevant to production and operation.

Article 10

Depreciation of fixed assets in use shall be calculated on an annual basis. Fixed assets of joint ventures cover houses, buildings, machinery and other mechanical apparatus, means of transport and other equipment for the purpose of production with useful life of more than one year. But items with a per-unit value of less than Rmb 500 yuan and a short useful life can be itemized as expenses according to the actual number in use.

(continued)

Article 11

Fixed assets shall be assessed according to the original price.

For fixed assets used as investment, the original price shall be the price agreed upon by the participants at the time of investment.

For purchased fixed assets, the original price shall be the purchase price plus transport fees, installation expenses and other related expenses incurred before they are put to use.

For self-made and self-built fixed assets, the original price shall be the actual expenditures incurred in the course of manufacture or construction.

Article 12

In depreciating fixed assets, the residual value shall be assessed first and deducted from the original price, the principle being making the residual value at 10 per cent of the original price; those requiring to retain a little or no residual value shall be submitted for approval to the local tax authorities.

The depreciation of fixed assets shall generally be computed in average by the method of straight line.

Article 13

The useful life for computing depreciation of fixed assets is as follows:

1. the minimum useful life for houses and buildings is 20 years;
2. the minimum useful life for trains, ships, machines and equipment and other facilities for the purpose of production is 10 years;
3. the minimum useful life for electronic equipment and means of transport other than trains and ships is 5 years.

For cases where the fixed assets of joint ventures, owing to special reasons, need to accelerate depreciation or where methods of depreciation need to be modified, applications shall be submitted by the said ventures to the local tax authorities for examination and then relayed level by level to the Ministry of Finance of the People's Republic of China for approval.

Article 14

Expenditures arising from the increase of value of fixed assets in use as a result of technical reform shall not be listed as expense.

The fixed assets continuing in use after full depreciation shall no longer be depreciated.

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(continued)

Article 15

The balance of the gain of joint ventures derived from sale of fixed assets at the current price after the net sum of non-depreciated assets or the residual value is deducted shall enter the year's loss and gain account.

Article 16

Intangible assets such as technical know-how, patent right, ownership of trade marks, copyright, ownership of sites and other royalties used as investment shall be assessed by amortization according to the sums provided in the agreements or contracts from the year they begin in use; for the intangible assets that are bought in at a fixed price, the actual payment shall be assessed from the year they are put in use.

The above-mentioned intangible assets with provision of time limit for use, shall be assessed by amortization according to the provision of time limit for use; those without the provision shall be assessed by amortization in ten years.

Article 17

Expenses arising during the period of preparation for a joint venture shall be amortized after it goes into production or business, with the amount of amortization not exceeding 20 per cent each year.

Article 18

Inventory of merchandise, raw materials, in-production products, semi-finished products, finished products and by-products shall be computed according to the cost price. For the method of computation, the joint ventures may choose one of the following: first-in first-out, shifting average and weighted average. In those cases where a change in the method of computation is necessary, it shall be submitted for approval to the local tax authorities.

Article 19

Income tax to be paid in quarterly installments as prescribed in Article 8 of the Tax Law may be computed as one-fourth of the planned annual profit or the actual income in the preceding year.

Article 20

Joint ventures shall file their income tax returns and their final accounting statements with the local tax authorities within the prescribed period irrespective of profit or loss in the tax year and send the reports on auditing by the chartered public accountants registered in the People's Republic of China.

(continued)

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(continued)

The accounting statements submitted by branches of joint ventures within China to their head offices shall be submitted to the local tax authorities at the same time for reference.

Article 21

Joint ventures shall file tax returns within the time limit set by the Tax Law. In case of failure to submit the tax returns within the prescribed time limit owing to special circumstances, application should be submitted in the said time limit, and the time limit may be appropriately extended upon the approval of the local tax authorities.

The final day of the time limit for tax payment and filing tax returns may be extended if it falls upon an official holiday.

Article 22

Income of joint ventures in foreign currency shall be assessed according to the exchange rate quoted by the State General Administration of Foreign Exchange Control on the day when the tax payment certificates are made out and shall be taxed in renminbi.

Article 23

The accounting on the accrual basis shall be practiced for revenue and expenditure of joint ventures. All accounting records shall be accurate and perfect and shall have lawful vouchers as the basis for entry account.

Article 24

The method of finance and accounting of joint ventures shall be submitted to local tax authorities for reference.

When the method of finance and accounting of joint ventures contradicts the provisions of the Tax Law, tax payments shall be computed according to the provisions of the Tax Law.

Article 25

Vouchers for accounting, accounting books and reports used by joint ventures shall be recorded in the Chinese language or in both Chinese and foreign languages.

Accounting vouchers, accounting books and reports shall be kept for at least 15 years.

Article 26

Sales invoices and business receipts shall be submitted for approval to the local tax authorities before they are used.

Article 27

Officials sent by tax authorities shall produce identification cards

(continued)

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(continued)

when investigating the financial affairs, accounting book and tax situation of a joint venture and undertake to keep secret.

Article 28

Tax authorities may impose a penalty of not more than Rmb 5,000 yuan on a joint venture which has violated the provisions of Articles 9, 11 and 12 of the Tax Law according to the seriousness of the case.

Article 29

Tax authorities may impose a penalty of not more than Rmb 5,000 yuan on a joint venture which has violated the provisions of paragraph 2 of Article 25, and Article 26 of these detailed rules and regulations.

Article 30

Tax authorities shall serve notices on cases involving penalty in accordance with the relevant provisions of the Tax Law and these detailed rules and regulations.

Article 31

When a joint venture applies for reconsideration in accordance with the provisions of Article 15 of the Tax Law, the tax authorities concerned are required to make decisions within three months after receiving the application.

Article 32

Income tax paid abroad by joint ventures or their branches on their income earned outside China may be credited against the amount of income tax to be paid by their head offices upon presenting the foreign tax payment certificate. But the credit amount shall not exceed the payable tax on the income abroad computed according to the tax rate prescribed by China's Tax Law.

Article 33

Income tax returns and tax payment certificates used by joint ventures are to be printed by the General Taxation Bureau of the Ministry of Finance of the People's Republic of China.

Article 34

The right of interpreting the provisions of these detailed rules and regulations resides in the Ministry of Finance of the People's Republic of China.

Article 35

These detailed rules and regulations come into force on the same date as the publication and enforcement of the "Income Tax Law of the People's Republic of China Concerning Joint Ventures with Chinese and Foreign Investment".

Appendix O

Foreign Enterprise Income Tax Law

(Adopted at the 4th session of the Fifth National People's Congress on December 13, 1981 and promulgated by an order of Ye Jianying, chairman of the NPC standing committee, on the same day, and comes into force on January 1, 1982.)

Article 1

Income tax shall be levied in accordance with this law on the income derived from production, business and other sources by any foreign enterprise operating in the People's Republic of China.

"Foreign enterprises" mentioned in this law refer, with the exception of those for whom separate provisions are stipulated in Article 11, to foreign companies, enterprises and other economic organizations which have establishments in the People's Republic of China engaged in independent business operation or cooperative production or joint business operation with Chinese enterprises.

Article 2

The taxable income of a foreign enterprise shall be the net income in a tax year after deduction of costs, expenses and losses in that year.

Article 3

Income tax on foreign enterprises shall be assessed at progressive rates for the parts in excess of a specific amount of taxable income. The tax rates are as follows:

Range of Income	Tax Rate (%)
Annual income below 250,000 yuan	20
That part of annual income from 250,000 to 500,000 yuan	25
That part of annual income from 500,000 to 750,000 yuan	30
That part of annual income from 750,000 to 1,000,000 yuan	35
That part of annual income above 1,000,000 yuan	40

Article 4

In addition to the income tax levied on foreign enterprises in accordance with the provisions of the preceding article, a local income tax of 10 per cent of the same taxable income shall be levied.

Where a foreign enterprise needs reduction in or exemption from local income tax on account of its small-scaled production or business, or

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low-profit rate, this shall be decided by the people's government of the province, municipality or autonomous region in which that enterprise is located.

Article 5

A foreign enterprise scheduled to operate for a period of 10 years or more in farming, forestry, animal husbandry or other low-profit occupations may, upon approval by the tax authorities of an application filed by the enterprise, be exempted from income tax in the first profit-making year and allowed a 50 per cent reduction in the second and third years.

With the approval of the Ministry of Finance, a 15-30 per cent reduction in income tax may be allowed for a period of 10 years following the expiration of the term for exemptions and reductions mentioned in the preceding paragraph.

Article 6

Losses incurred by a foreign enterprise in a tax year may be carried over to the next year and made up with a matching amount drawn from that year's income. Should the income in the subsequent tax year be insufficient to make up for the said losses, the balance may be made up with further deductions against income year by year over a period not exceeding five years.

Article 7

Income tax on foreign enterprises shall be levied on an annual basis and paid in quarterly instalments. Such provisional payments shall be made within 15 days after the end of each quarter. The final settlement shall be made within 5 months after the end of a tax year. Excess payments shall be refunded by the tax authorities or deficiencies made good by the taxpayer.

Article 8

Foreign enterprises shall file their provisional income tax returns with the local tax authorities within the period prescribed for provisional payments. The taxpayer shall file its final annual income tax return together with its final accounts within 4 months after the end of the tax year.

Article 9

The method of financial management and the system of accounting of foreign enterprises shall be submitted to local tax authorities for reference.

(continued)

Appendix O

(continued)

Where the method of financial management and the system of accounting of foreign enterprises are in contradiction to the provisions of the tax law, tax payments shall be assessed according to the provisions of the tax law.

Article 10

Foreign enterprises shall present relevant certificates to the local tax authorities for tax registration when they go into operation or close down in accordance with law.

Article 11

A 20 per cent income tax shall be levied on the income obtained from dividends, interest, rentals, royalties and other sources in China by foreign companies, enterprises and other economic organizations which have no establishments in China. Such tax shall be withheld by the paying unit at each of its payments.

For the payment of income tax according to the provisions in the preceding paragraph, the foreign companies, enterprises and other economic organizations which earn the income shall be the taxpayer, and the paying unit shall be the withholding agent. Taxes withheld on each payment by a withholding agent shall, within 5 days, be turned over to the state treasury and the income tax return submitted to the tax authorities.

Income from interest on loans given to the Chinese government or China's state banks by international finance organizations shall be exempted from income tax. Income from interest on loans given at a preferential interest rate by foreign banks to China's state banks shall also be exempted from income tax.

Income derived from interest on deposits of foreign banks in China's state banks and on loans given at a normal interest rate by foreign banks to China's state banks shall be taxed. However, exemption from income tax shall be granted correspondingly to those foreign banks in whose countries income from interest on deposits and loans of China's state banks is exempted from income tax.

Article 12

The tax authorities have the right to investigate the financial affairs, account books and tax situation of any foreign enterprise, and have the right to investigate the withholding situation of any withholding agent. Such foreign enterprise and withholding agent must make reports on facts and provide all relevant information and shall not refuse to cooperate or conceal any facts.

(continued)

Appendix O (continued)

Article 13

Income tax levied on foreign enterprises shall be computed in terms of renminbi (RMB). Income in foreign currency shall be assessed according to the exchange rate quoted by the State General Administration of Exchange Control of the People's Republic of China and taxed in renminbi.

Article 14

Foreign enterprises and withholding agents must pay their tax within the prescribed time limit. In case of failure to pay within the prescribed time limit, the appropriate tax authorities, in addition to setting a new time limit for tax payment, shall surcharge overdue payment at one half of 1 per cent of the overdue tax for every day in arrears, starting from the first day of default.

Article 15

The tax authorities may, acting at their discretion, impose a penalty on any foreign enterprise which has violated the provisions of Articles 8, 9, 10 and 12 of this law.

In dealing with those withholding agents who have violated the provisions of Article 11 of this law, the tax authorities may, in addition to setting a new time limit for the payment of the part of tax that should have been withheld and, at their discretion, impose a penalty of not more than the amount that should have been withheld.

In dealing with foreign enterprises which have evaded or refused to pay income tax, the tax authorities may, in addition to pursuing the tax, impose a fine of not more than five times the amount of tax underpaid or not paid, according to how serious the offense is. Cases of gross violation shall be handled by the local people's courts according to law.

Article 16

In case of disputes with tax authorities about tax payment, foreign enterprises must pay tax according to the relevant regulations first before applying to higher tax authorities for reconsideration. If they do not accept the decisions made after such reconsideration, they can bring the matter before the local people's courts.

Article 17

Where agreements on tax payment have been concluded between the government of the People's Republic of China and the government of another country, matters concerning tax payment shall be handled in accordance with the provisions of these agreements.

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(continued)

Article 18

Detailed rules and regulations for the implementation of this law shall be formulated by the Ministry of Finance of the People's Republic of China.

Article 19

This law comes into force as of January 1, 1982.

(An unofficial translation by NCNA.)

Individual Income Tax Law of the People's Republic of China

(Adopted at the third session of the Fifth National People's Congress on September 10, promulgated by an order of Ye Jianying, Chairman of the NPS standing committee the same day.)

Article 1

An individual income tax shall be levied in accordance with the provisions of this law on the incomes gained within or outside China by any individual residing for one year or more in the People's Republic of China.

For individuals not residing in the People's Republic of China or individuals residing in China less than one year, individual income tax shall be levied only on that income gained within China.

Article 2

Individual income tax shall be levied on the following categories of income:

1. Wages and salaries;
2. Compensation for personal services;
3. Royalties;
4. Interest, dividends and bonuses;
5. Income from lease of property; and
6. Other kinds of income specified as taxable by the Ministry of Finance of the People's Republic of China.

Article 3

Individual income tax rates:

1. Income from wages and salaries in excess of specific amounts shall be taxed at progressive rates ranging from 5 per cent to 45 per cent (see appended tax rate table).
2. Income from compensation for personal services, royalties, interest, dividends, bonuses and lease of property, and other kinds of income shall be taxed at a flat rate of 20 per cent.

Article 4

The following categories of income shall be exempted from individual income tax:

1. Prizes and awards for scientific, technological or cultural achievements;
2. Interest on savings deposits in the state banks and credit cooperatives of the People's Republic of China;

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(continued)

3. Welfare benefits, survivors' pensions and relief payments;
4. Insurance indemnities;
5. Military severance pay, decommission or demobilization pay for cadres and fighters of the armed forces;
6. Severance pay or retirement pay for cadres, staff members and workers;
7. Salaries of diplomatic officials of foreign embassies and consulates in China;
8. Tax-free incomes as stipulated in international conventions to which China is a party or as stipulated in agreements China has signed;
9. Incomes approved as tax-free by the Ministry of Finance of the People's Republic of China.

Article 5

The amount of taxable income shall be computed as follows:

1. For income from wages or salaries, a monthly deduction of 800 yuan shall be allowed; that part in excess of 800 yuan shall be taxed.
2. For income from compensation for personal services, royalties or lease of property, a deduction of 800 yuan shall be allowed for expenses if the amount in a single payment is less than 4,000 yuan; for single payments in excess of 4,000 yuan a deduction of 20 per cent shall be allowed. The balance remaining after deduction shall be taxed.
3. Interest, dividends, bonuses or other kinds of income shall be taxed on the full amount received in each payment.

Article 6

For individual income tax, the income earner shall be the party responsible for paying the tax and the paying unit shall be the withholding agent. Taxpayers not covered by withholding are required personally to file declarations of their income and pay tax themselves.

Article 7

Taxes withheld each month by a withholding agent and those to be paid each month by taxpayers filing personal returns shall be turned in to the State Treasury and the tax return submitted to the tax authority within the first seven days of the following month.

Any taxpayer who earns income outside China shall pay the tax due to the State Treasury and submit a tax return to the tax authority within 30 days of the end of each year.

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Article 8

All incomes shall be computed in terms of renminbi (RMB). Income in foreign currency shall be assessed according to the exchange rate quoted by the State General Administration of Foreign Exchange Control of the People's Republic of China, and shall be taxed in renminbi.

Article 9

The tax authorities have the right to conduct investigations concerning the payment of tax. Withholding agents and taxpayers filing personal returns must report according to the facts and provide all relevant information and shall not refuse or conceal the facts.

Article 10

A commission of 1 per cent of the tax amount withheld shall be paid to the withholding agents.

Article 11

A withholding agent or a taxpayer filing personal returns must pay the tax due within the prescribed time limits. In cases of failure to pay within the prescribed time limits, the appropriate tax authority, in addition to setting a new time limit for tax payment, shall surcharge overdue payments at one half of 1 per cent of the overdue tax for every day in arrears, starting from the first day of default.

Article 12

The tax authorities may, acting at their discretion, impose a penalty on a withholding agent or on a taxpayer filing personal returns who has violated the provisions of Article 9 of this law.

In dealing with those who have concealed income or evaded or refused to pay tax, the tax authorities may, in addition to pursuing the tax, impose a penalty not more than five times the amount of tax underpaid or not paid, according to the seriousness of the offense. Cases of gross violation shall be handled by the local people's courts according to the law.

Article 13

In case of disputes with the tax authorities over the payment of taxes, the withholding agent or taxpayer filing personal returns must pay taxes according to the relevant regulations first before applying to higher tax authorities for reconsideration. If they do not accept the decisions made after such reconsideration, they can bring the matter before the local people's courts.

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(continued)

Article 14

Detailed rules and regulations for the implementation of this law shall be formulated by the Ministry of Finance of the People's Republic of China.

Article 15

This law shall come into force from the date of promulgation.

Rules and Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China

Article 1

These detailed rules and regulations are drawn up in accordance with the provisions of Article 14 of the Individual Income Tax Law of the People's Republic of China (hereinafter called Tax Law for short).

Article 2

Any individual residing for one year or more in the People's Republic of China mentioned in Article 1 of the Tax Law means any individual who resides in China for a full 365 days within a tax year. No subtractions shall be made of the number of days of temporary absence from Chinese territory within the tax year.

A tax year starts from January 1 and ends on December 31 of the Gregorian calendar.

Article 3

Individuals residing in the People's Republic of China for one year or more but less than five years shall pay tax only on that part of their income gained abroad which is remitted to China; individuals whose period of residence in China exceeds five years shall pay tax on all their income gained outside China beginning from the sixth year of residence.

Article 4

The range of the various categories of income mentioned in Article 2 of the Tax Law is as follows:

1. "Wages and salaries" means wages, salaries, bonuses and year-end extras gained from work in offices, organizations, schools, enterprises, undertakings and other units.

Bonuses mentioned in the preceding paragraph do not include prizes and awards for scientific, technological or cultural achievements.

2. "Compensation for personal services" means earnings from personal services in designing, installation, drafting, medical treatment, law practising, accounting, consultation, lecturing, news reporting, radio and television broadcasting, contributions to publications, translation, calligraphy and painting, sculpture, cinema, drama and opera, music, dancing, acrobatics, ballad singing and comic talk, sports and technical services.

3. "Royalties" means income from the provision and transfer of patent right, copyright, the right to use proprietary technology and other rights.

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4. "Interest, dividends and bonuses" means interest on deposits, loans and various kinds of securities and dividends and bonuses from investments.

5. "Income from lease of property" means income from lease of houses, warehouses, machinery and equipment, motor vehicles and boats, and other kinds of property.

6. "Other kinds of income" means income specified as taxable by the Ministry of Finance of the People's Republic of China other than that provided in the preceding items.

Article 5

The following categories of income from sources in China, regardless of whether the place of payment is in China or not, shall be taxed according to the Tax Law:

1. Individual income from work and compensation for services within China. But, for individuals whose period of residence in China does not exceed 90 days, the above compensation paid by employers outside China shall be exempted from taxation.

2. Dividends and bonuses gained by any individual within China. But dividends and bonuses derived from joint ventures and from urban and rural cooperative organizations shall be exempted from taxation.

3. Remuneration for staff members sent to work abroad by governmental offices at all levels of the People's Republic of China.

4. Royalties and interest derived by any individual within China and from lease of property within China as well as other kinds of income specified as taxable by the Ministry of Finance of the People's Republic of China.

Article 6

For a taxpayer, who has two or more categories of taxable income as provided in Article 2 of the Tax Law, income tax shall be computed and levied separately.

Article 7

If a taxpayer's taxable income is paid in kind or in marketable securities, that part of the income thus paid shall be computed in terms of money according to the market price at the time of its acquirement.

Article 8

"Prizes and awards for scientific, technological or cultural achievements" mentioned in Item 1, Article 4, of the Tax Law means prizes and awards given to individuals by the Chinese government or

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Appendix Q (continued)

Chinese or foreign scientific, technological or cultural organizations for inventions or creations in the fields of science, technology and culture.

Article 9

“Interest on savings deposits in the state banks and credit cooperatives of the People’s Republic of China” mentioned in Item 2, Article 4, of the Tax Law includes interest on savings deposits in renminbi and foreign currency and interest on savings deposits in other banks entrusted by the state banks.

Dividends in investments by individuals in local construction (investment) companies in China, which pay no bonuses and whose dividends are not higher than the interest on savings deposits in state banks and credit cooperatives, are also exempt from tax.

Article 10

“Salaries of diplomatic officials of foreign embassies and consulates in China” mentioned in Item 7, Article 4, refer to salaries of diplomats in foreign embassies, consuls and other persons enjoying the same treatment as diplomats.

Tax exemption for salaries earned by other persons in foreign embassies and consulates in China shall be kept at the same level as the tax exemption for persons of similar status in Chinese embassies and consulates granted by the relevant countries.

Article 11

Compensation for personal services, royalties and income from lease of property gained in China by individuals not residing in China shall be taxed on the full amount received in such payment.

Article 12

“Income from compensation for personal services, royalties or lease of property” “in a single payment” mentioned in Article 5 of the Tax Law means income gained on one single occasion or income from performance of only one piece of task of matter, and the amount so paid is counted as a single payment. For succeeding income from the same item that cannot be obviously divided into separate payments, such income received within a month is combined and counted as a single payment.

Article 13

For the same item of income gained by two or more persons in collaboration, deduction for expenses, if eligible according to the Tax Law, may be made from each share separately.

(continued)

Appendix Q (continued)

Article 14

The withholding agents in making various kinds of taxable payment shall withhold the taxes according to the Tax Law, turn them in to the state treasury in time and put them in itemized records for future reference.

The various kinds of taxable payment referred to in the preceding paragraph include payments in cash, payment by remittance, payment by the transfer of accounts and payment in marketable securities or in kind, the value of which is computed in terms of money.

Article 15

Withholding agents and taxpayers filing personal returns shall submit tax returns within the time limit prescribed by the Tax Law. In cases of failure to submit the returns within the prescribed time limit on account of special circumstances, applications for extension shall be submitted within the prescribed time limit for approval to the local tax authorities.

The final day for tax payment and submission of tax returns may be extended if it falls upon an official holiday.

Article 16

For individuals residing in China for one year or more, the income gained outside China shall be computed and taxed separately from the taxable income earned within China. The amount of taxable income shall be computed after deducting expenses for different categories as provided in Article 5 of the Tax Law.

Income tax paid by taxpayers outside China for income earned abroad may be credited against the amount of income tax computed according to the tax rate prescribed by the Tax Law of China through applications by presenting tax payment certificate.

Article 17

Individual income in foreign currency shall be assessed according to the exchange rate quoted by the State General Administration of Foreign Exchange Control on the day when the tax payment certificate is made out and shall be taxed in renminbi.

Article 18

Individuals liable to the tax in China who desire to leave the country are required to pay off the tax to the local tax authorities seven days before departure from China and only then can they go through exit formalities.

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Article 19

In conducting investigations concerning the payment of tax by withholding agents or taxpayers filing personal returns, the tax officials sent by tax authorities are required to produce identification cards and undertake to keep secret.

Article 20

For the commission of one per cent of the tax amount paid to the withholding agents provided in Article 10 of the Tax Law, the local tax authorities shall make out refund notice for the withholding agents on the monthly basis in accordance with the actual amount of tax withheld and the withholding agents may go through refunding formalities at the designated banks.

Article 21

A withholding agent or taxpayer filing personal returns who has violated the provisions of Article 9 of the Tax Law shall be penalized Rmb 500 yuan or less by the tax authorities according to the seriousness of the case.

Article 22

A withholding agent or a taxpayer filing personal returns who has violated the provisions of Articles 14 and 15 of these detailed rules and regulations shall be penalized Rmb 500 yuan or less by the tax authorities.

Article 23

The tax authorities shall serve notices on cases involving penalty in accordance with the relevant provisions of the Tax Law and these detailed rules and regulations.

Article 24

For cases of applying for reconsideration by a withholding agent or a taxpayer filing personal returns according to the provisions of Article 13 of the Tax Law, the tax authorities concerned are required to make decisions within three months after the application is received.

Article 25

Tax returns and tax payment certificates for individuals' income tax are to be printed by the General Tax Bureau of the Ministry of Finance of the People's Republic of China.

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Article 26

The right of explanation of the present detailed rules and regulations resides in the Ministry of Finance of the People's Republic of China.

Article 27

These detailed rules and regulations come into force on the same date as the publication and enforcement of the "Individual Income Tax Law of the People's Republic of China".

Appendix R

Industrial and Commercial Consolidated Tax

Taxable Items	Tax Rate (%)
Alcohol:	
Made from grains	30
Made from a substitute	20
Made from sweet wood	20
Alkalis:	
Sodium carbonate, caustic soda, caustic potash, sodium sulphide	12
All kinds of Incense Products	55
All kinds of vegetable oils	12.5
Aluminium household Utensils	15
Asbestos Products	6
Bamboo	5
Batteries:	
Dry-cell batteries, storage batteries	12
Bicycles and Spare Parts	13
Books, Periodicals	2.5
Bricks and Tiles:	
Special red bricks and tiles, colored glazed bricks and tiles, firebricks, clinkers, hollow bricks	11
Bristles	16
Cameras	25
Canned food	10
Carpets	6
Cement and cement products:	
Cement	20
Cement products	6
Cereals	4
Chemical acid:	
Sulphuric acid, nitric acid, hydrochloric acid, acetic acid, sulphur chloride	10
Chemical fertilizer	5
Cigarette paper	18

(continued)

Appendix R
(continued)

Taxable Items	Tax Rate (%)
Cigarettes:	
Grade A	69
Grade B	66
Grade C	63
Grade D	60
Grade E	40
Cigars	55
Clocks and Watches:	
Clocks	25
Wrist watches, pocket watches	35
Coal and Coal Products:	
Coal	7.5
Briquet	2.5
Coal Gas	2
Coke and Its Byproducts:	
Coke	7
Byproducts	13
Cosmetics:	
Perfume, perfume essence, face powder, toilet water, lipstick, nail varnish, rouge, vanishing cream, hair oil, pomade, hair lotion, depilatory, moisturizer	51
Cotton Blanket, Flannel Blanket	6
Cotton Clothes:	
Unbleached	1.5
Dyed and printed	5
Cotton Yarn:	
High quality yarn) if more than 30 threads	26
Fine soft yarn) if less than 30 threads	23
Hand made yarn)	
Cut Tobacco	40
Dairy Produced Food	10
Earthenware Utensils, China Utensils	11
Electric Bulbs:	
Electric light bulbs, neon, fluorescent lamp, electric light, pearlshid bulbs	15

(continued)

Appendix R
(continued)

Taxable Items	Tax Rate (%)
Electric Fans:	
Hanging fan, standing fan, house fan	25
Electric Wiring	11
Electricity	5
Enamel Ware	15
Firecrackers, Fireworks	35
Flax Sacks, Flax Clothes:	
Machine made, semi-machine made	10
Flour	10
Fountain Pens:	
Quality fountain pen, ball-point pen	22
Iridium-point pen, normal fountain pen	17
Spare parts for a fountain pen	17
Fresh Cow Milk, Fresh Sheep Milk	2.5
Fresh Water Food:	
Fish, shrimp, crab	5
Fruit Wines	30
Fur	20
Glassware	15
Glues:	
Glue made from animal extracts, liquid glue, waterproof glue, printing and dyeing glue, yellow and white glue powder	16
Gourmet, Powder, Machine-Processed Oil	25
Gramophone Records	15
Gunny Clothes:	
Ramie clothes, linen clothes	15
Hides	20
Hose	15
Industrial Manufactured Woolen Clothes	25
Lacquer:	
Raw lacquer, chemical varnish	16
Machines and Machinery	5

(continued)

Appendix R
(continued)

Taxable Items	Tax Rate (%)
Manufactured Compound Papers: Stencil paper, art paper, photographic paper, glazed paper, decorated wallpaper, crepe paper, a roll of crepe paper, moisture-proof paper, blueprint paper, decorated fancy paper	10
Matches	23
Metal Ores and Metallurgical Products: Pig iron, steel ingot, copper	5
Other smelt metal products	10
Milk Powder, Condensed Milk, Thin Milk	10
Mineral Oil and Its Byproducts: Mineral oil	20
Byproducts	13
Motor-Driven Boats	4.5
Nails, Chains	15
Native Tobacco Leaf	40
Natural Sweet Gum	16
Nonferrous Metal Products: Talc, dolomite, mica, graphite, asbestos, magnesium, sodium borate, sulphur, yellow ginseng, gypsum	7
Normal Paper	10
Other Industrial Products	5
Other Metal Deposits	5
Paper Pulp, Silk Pulp	3
Pencils	6
Perfumed Soap, Toothpaste, Clam Oil	17
Pigment, Dyestuff	16
Plate Glass	17
Prickly-Heat Powder	15
Printing Ink	10
Radio, Loudspeaker, Tape Recorder, Television, Reproduced Wines	30

(continued)

Appendix R

(continued)

Taxable Items	Tax Rate (%)
Rolled Metal Products:	
Iron and steel products	15
Others	11
Rolls of Films, Films	35
Rubber Products:	
All kinds of tyres (inner as well as outer)	10
Other rubber products	18
Running Water	2
Seafood:	
Sea cucumber, fish maw, shark's fin, shark's lip, abalone, dried scallop	35
Other seafood	5
Sheep's Wool, Cashmere, Camel Hair, Camel Hair Cloth, Horse's Mane, Horse's Tail, Feather	10
Silk:	
Natural silk, spun silk yarn, silk and cotton mixtures, imitation silk	15
Silk and Satin:	
Undyed and printed	2
Dyed and printed	6
Smoked Tobacco Leaf	50
Soap, Medicated Soap	12
Soda Water, Fruit Juice, Fruit Syrup, Fruit Squash	25
Special Types of Paper:	
Gold paper, silver paper, copper paper, tinfoil (paper), aluminum foil, cellophane paper	20
Substitute Wines	20
Sugar:	
Machine made	44
Native made	39
Saccharine	44
Malt sugar	27
Talcum Powder	30
Tea	40

(continued)

Appendix R
(continued)

Taxable Items	Tax Rate (%)
Thermos Flask:	
Thermos bottles	19
Bamboo thermos bottles	14
Glass liner of a thermos flask	14
Timber	10
Tooth Powder, Shoe Cream, Shoe Powder, Glycerine	6
Treated Leather:	
Leather of cattle	40
Others	20
Tremella, Edible Bird's Nest	35
Tungsten Ore	10
Wines Made from Grain:	
White wine, yellow rice wine	60
Beer	40
Native sweet wines	40
Woollen Fabrics:	
Felt, woollen blankets, woollen sweaters, woollen hats, felt shoes, felt boots, woollen stockings, felt hats, semi-finished woollen products	12
Woollen Blankets	15
Woollen Clothes:	
Locally made	15
Imported	35
Woollen Yarn, Knitting Wool:	
Locally made	15
Imported	35
Woven Cotton Clothes:	
Machine and handwoven	8
Only handwoven	12

Appendix S

Tax Rates**Industrial and Commercial Income Tax**

Annual Taxable Income
(after deduction of possible
exempt amounts)
(in RMB)

	Tax Rate (%)
Under 300	5.75
300- 400	6.90
400- 500	8.05
500- 600	9.20
600- 700	10.35
700- 800	11.50
800- 900	12.65
900- 1,000	13.80
1,000- 1,100	14.95
1,100- 1,200	16.10
1,200- 1,300	17.25
1,300- 1,400	18.40
1,400- 1,500	19.55
1,500- 1,700	20.70
1,700- 2,000	21.85
2,000- 2,500	23.00
2,500- 3,500	25.30
3,500- 5,000	27.60
5,000- 7,500	29.90
7,500-10,000	32.20
10,000 and above	34.50

Individual Income Tax Rates
(applicable to wages and salaries)

Grade	Monthly Income (RMB)	Tax Rate (%)
1	0- 800	exempt
2	801- 1,500	5
3	1,501- 3,000	10
4	3,001- 6,000	20
5	6,001- 9,000	30
6	9,001-12,000	40
7	12,000-upward	45

Sample Tax Return Forms

中华人民共和国财政部税务总局
People's Republic of China
Ministry of Finance
General Taxation Bureau

中外合资经营企业年度所得税申报表 Joint Venture Annual Income Tax Return

表式: J-2
Form:

纳税年度: 一九 年
Taxable Year: Calendar Year 19

开业日期 Date of Establishment
, 19

营业时间: 自 月 日至 月 日
Business Period: Beginning, Ending

申报日期: 一九 年 月 日
Date Filed: , 19

金额单位: 人民币元
Monetary Unit: R. M. B. ¥

企业名称 Venture's Name	地址 Address	市或县 City or County	电话号码 Tel. No.
类别 Kind of Business	注册资本 Registered Capital	实收资本 Paid-in Capital	工商登记证号 License No.
分支机构名称 Branch's Name	地址 Address	从业人员人数 Number of Employees	
		合计 Total	工人 Workers
		其中: 外籍 Including Number	其中: 外籍 Including Number
		其中: 外籍 Including Number	其中: 外籍 Including Number
		其中: 外籍 Including Number	其中: 外籍 Including Number
		其中: 外籍 Including Number	其中: 外籍 Including Number
应纳税额计算 Computation of Tax	营业收入 Operating Revenue	弥补以前年度 亏损 Previous Years Losses to be Covered	应纳税所得额 Taxable Income
	纯益(亏损) Profit or Loss	税率 Tax Rate	所得税额 Income Tax
		减征率 Reductive Rate	减征后所得税额 Income Tax after Reduction
			地方所得税 Local Income Tax
			年度应纳税额 Total Annual Tax Due
应补(退)税额计算 Computation of Tax Due or Over Payment	年度应纳税额 Total Annual Tax Due		外国税额抵免后应纳税额 Tax Due after Foreign Tax Credit
	金额 Amount	其中: 地方所得税 Including Local Income Tax	其中: 地方所得税 Including Local Income Tax
	减: 外国税额抵免 Less: Foreign Tax Credit	减: 全年预缴税额 Less: Estimated Tax Payment for the Year	应补(退)所得税额 Income Tax Due or Over Payment
		其中: 地方所得税 Including Local Income Tax	其中: 地方所得税 Including Local Income Tax
		金额 Amount	金额 Amount
		其中: 地方所得税 Including Local Income Tax	其中: 地方所得税 Including Local Income Tax
		金额 Amount	金额 Amount
		其中: 地方所得税 Including Local Income Tax	其中: 地方所得税 Including Local Income Tax
附送会计决算表和计算所得税、所得税额(包括外国税额计算、弥补以前年度亏损)的说明材料 Thereturn is accompanied by venture's balance sheet, profit and loss statement and other documents necessary for calculating income and income tax due thereon, including computation of tax abroad and previous year's losses to be covered.			

(企业盖章)
(J. V. Seal)

负责人(签字或盖章)
Responsible Officer (Signature or Seal)

会计主管人(签字或盖章)
Accountant General (Signature or Seal)

以下由税务机关填写 (Hereunder to be Filled by the Tax Authority):

收到日期	审核日期
审核记录	
完税证字号	纳税日期

主管税务机关:

专管员:

(continued)

Appendix T
(continued)

中华人民共和国财政部税务总局
People's Republic of China
Ministry of Finance
General Taxation Bureau
中外合资经营企业季度所得税申报表
Joint Venture Quarterly Income Tax Return

表式: J-1
Form: J-1

一九 年 第 季度

For _____ Quarter of the Calendar Year 19 _____

开业日期 Date of Establishment
_____ , 19 _____

申报日期: 一九 年 月 日

Date Filed: _____ , 19 _____

金额单位: 人民币元

Monetary Unit: R. M. B. ¥

企业名称 Venture's Name	地址 Address		市或县 City or County		电话号码 Tel. No.			
业别 Kind of Business	注册资本 Registered Capital	实缴资本 Paid-in Capital		工商登记证字号 License No.				
分支机构名称 Branch's Name	地 址 Address	从 业 人 员 人 数 Number of Employees						
		合 计 Total		工 人 Workers		职 员 Staff Members	其 它 Others	
		人 数 Number	其中: 外籍 Including Foreigners	人 数 Number	其中: 外籍 Including Foreigners	人 数 Number	其中: 外籍 Including Foreigners	
上年度应纳税所得额 (亏损) Last Year's Taxable Income (Loss)	上年度每季预缴税额 Estimated Quarterly Tax Payments of Last Year		本年度计划利润额 The Planned Profit for this Taxable Year		本季前已缴税额累计 Paid for the Year Before this Quarter		本季预缴所得税额 Estimated Tax Payment for this Quarter	
	金 额 Amount	其中: 地方所得税 Including Local Income Tax			金 额 Amount	其中: 地方所得税 Including Local Income Tax	金 额 Amount	其中: 地方所得税 Including Local Income Tax

(企业盖章)
(J. V. Seal)

负责人
(签字或盖章)
Responsible Officer
(Signature or Seal)

会计主管人
(签字或盖章)
Accountant General
(Signature or Seal)

以下由税务机关填写(Hereunder to be Filled by the Tax Authority):

收到日期	审核日期	
审 核 记 录		
完税证字号	纳税日期	

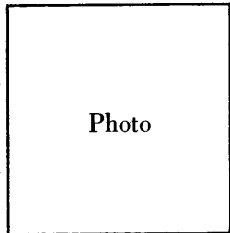
主管税务机关:

专 管 员:

Sample of Visa Application Form

*Note: Please write clearly with pen and ink or typewriter.
Use separate piece of paper if blank space is insufficient.*

Information for Application of Entry Visas



Name in full
(In block letters & underline the surname)

Nationality (state change, if any)

Sex Date & place of birth

Languages known to applicant Religion & political party

Passport type number date of issue
issued by valid until

Present occupation & place of work

.....

Present address telephone no.

Previous occupation (give post, name of organization, place and time)

.....

.....

.....

Ever been in China? (if so, state place, time and purpose of stay)

.....

Relatives and friends in China:

Name	Nationality	Present occupation and place of work	Address	Relationship to applicant
.....
.....
.....
.....

(continued)

Appendix U
(continued)

Purpose of journey and destination in China

.....

Intended duration of stay in China

Itinerary of travel and means of transport in China

.....

Date and port of entry into China, where from and by what means of transport

.....

Date and port of exit from China, and by what means of transport

.....

What country will you proceed to after leaving China? Whether entry permit to that country has been obtained?

.....

Accompanying family members (names, sex, age, nationality and relationship to applicant)

.....

Date of application Signature

Remarks

Remarks

.....

.....

To be filled by the visa officer



Appendix V

Useful Addresses**Embassy of the United States of America**

Beijing: 17 Guanghua Lu, Jianguomenwai

Telephone: 52-2033

Guangdong: Dongfang Hotel

11th Floor New Wing

Telephone: 69-900 x 1000

United Kingdom Embassy

11 Guanghua Lu, Jianguomenwai, Beijing

Telephone: 52-1961, 2, 3, 4, 5

Telex: 22191 PRDRM.CN

Ministry of Commerce

45 Fuxingmennei Dejie, Beijing

Telephone: 66-8581

Ministry of Economic Relations with Foreign Countries

Andingmenwai, Beijing

Telephone: 44-5678

Ministry of Finance

Xichengqu, Beijing

Telephone: 86-8451

Ministry of Foreign Affairs

225 Chaoyangmennei Dajie, at Dongsì, Beijing

Telephone: 55-5831, 55-3831

Ministry of Foreign Trade

2 Dong Changan Jie, Beijing

Telephone: 55-3031, 55-6631

Telex: 22168 MFTPK CN

**China Council for the Promotion of
International Trade (CCPIT)**

4 Taipingqiao Dajie, Beijing

Telephone: 66-2835

Telex: 22315 CCPIT CN

China International Travel Service

6 Dong Changan Jie, Beijing

Telephone: 55-4192, 55-3121, 55-7558

(continued)

Appendix V
(continued)

**Chinese People's Association for Friendship
with Foreign Countries**

1 Taijichang Jie, Beijing

Telephone: 55-1010, 55-3610, 55-1973

Chinese People's Institute for Foreign Affairs

Nanchizi, Beijing

Telephone: 55-1997, 55-1875, 55-7321

People's Insurance Company of China

108 Xijiaominxiang

PO Box 2149

442001 Beijing

Telephone: 33-

Telephone: 33-4714, 33-5150

Telex: 22102 PICC CN

Tai Ping Insurance Co. Ltd.

Xijiaominxiang, Beijing

Telephone: 33-5150

Beijing Hotel

Dong Changan Jie

Telephone: 55-2231, 55-6531, 55-8331

People's Bank of China

Xijiaominxiang, Beijing

Telephone: 33-6905

Bank of China

17 Xijiaominxiang

6892 Beijing

Telephone: 33-8521

Telex: 22254, 22289, 22321 MCHO CN

Appendix W

Reference Sources

Investment and Taxation in the People's Republic of China (3rd expanded edition). Engen Jehle International Bureau of Fiscal Documentation, Amsterdam.

Accounting Journal—Shanghai Certified Public Accountants.

The New Trend of China's Foreign Trade, Economic Information and Agency.

China's Foreign Trade and its Management, Economic Information and Agency.

The China Business Review, a monthly magazine published by the National Council for US-China Trade.

Economic Reporter, a monthly magazine published by Economic Information and Agency.

China Economic News, a monthly magazine published by Economic Information and Consultancy Co.

China Newsletter, a monthly magazine published by Japan External Trade Organization.

China, a general survey, Foreign Language Press.

Business Profile Series: The People's Republic of China, The Hong Kong and Shanghai Banking Corporation.

The Constitution of the People's Republic of China, Foreign Language Press.

Human Geography by C. H. Speak.