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## Legal

### Measures for the Administration of Beneficiary Owner Information

Issued by: The People's Bank of China, State Administration for Market Regulation  
Issue No.: Order No. 3 [2024], PBOC and SAMR  
Issue Date: April 30, 2024  
Effective Date: November 1, 2024  
Links: <http://www.pbc.gov.cn/tiaofasi/144941/144957/5342579/index.html>

The Measures advance the scope of “penetration” of beneficiary owner information to the stage of market entity registration. Market entities should file the beneficiary owner information through the registration system with Administration for Market Regulation (the “SAMR”), which will be shared with the People's Bank of China (the “PBOC”). Next step, PBOC and SAMR will issue implementation rules for the Measures in due course.

The main contents of the Measures are outlined as follows:

#### 1. Filing entity

Companies, partnership enterprises and branches of foreign companies are required to file their beneficiary owners, while domestic branches are temporarily exempt from the filing.

#### 2. Identification of the beneficiary owner

A beneficiary owner refers to a **natural person** who ultimately owns or actually controls the entity or enjoys the ultimate benefits of the said entity. It is identified by the following criteria:

- 1) A natural person who ultimately owns, either directly or indirectly, more than 25% of the equity, shares or partnership interest of the entity;
- 2) A natural person who does not satisfy criterion 1) but ultimately enjoys more than 25% of the earnings rights or the voting rights of the entity;
- 3) A natural person who does not satisfy criterion 1) but alone or jointly exercises actual control over the entity;
- 4) In the absence of the above three criteria, the person in charge of daily operation and management shall be regarded as the beneficiary owner.

#### 3. Filing information

Beneficiary owner information to be filed includes:

- 1) Basic information (such as the natural person's name, gender, nationality, date of birth, identity document information, etc.);
- 2) The type of beneficiary owner, starting and ending dates of the relationship (if any);
- 3) The specific ratio of interest, or proportion of earnings and voting rights, or the method of actual control.

#### 4. Filing method

The entity shall file the beneficiary owner information through the relevant registration system within 30 days from the date of establishment or the date when the beneficiary owner changes.

The existing companies shall file the beneficiary owner information by November 1, 2025.

## Tax

### Announcement on Individual Income Tax Policies relating to Equity Incentives from Listed Companies

Issued by: Ministry of Finance, State Taxation Administration  
Issue No.: Announcement No.2 of 2024 of Ministry of Finance, State Taxation Administration  
Issue Date: April 17, 2024  
Effective Date: January 1, 2024  
Links: <https://fgk.chinatax.gov.cn/zcfgk/c102416/c5223339/content.html>

To alleviate the tax burden on individuals resulting from one-time payment of tax, the Ministry of Finance and the State Taxation Administration have issued this Announcement, extending the deferred tax payment period for individual income tax related to equity incentives from domestic listed companies from 1 year to 3 years, as follows:

- Individuals who are granted with stock options, restricted stocks, and equity rewards by domestic listed companies may pay individual income tax within a period not exceeding 36 months from the date of exercise of stock options, lifting of restrictions on restricted stocks, or acquisition of equity rewards (“Exercise”), after filing with the competent tax authority. Taxpayers who resign during this period should pay all taxes before leaving.
- This Announcement shall be effective from January 1, 2024 to December 31, 2027. Taxpayers who exercise their rights during this period, or after January 1, 2023 but have not yet paid all taxes are eligible for the preferential tax policy according to this Announcement. The period for paying taxes in installments shall be calculated from the date of Exercise.

### Notice on Preferential Policies for Enterprise Income Tax in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone

Issued by: Ministry of Finance, State Taxation Administration  
Issue No.: Caishui (2024) No.13  
Issue Date: March 27, 2024  
Links: [https://qh.sz.gov.cn/sygnan/xxgk/xxgkml/zcfg/zzwj/content/post\\_11250460.html](https://qh.sz.gov.cn/sygnan/xxgk/xxgkml/zcfg/zzwj/content/post_11250460.html)

This Notice extends the preferential tax policies as stipulated in Caishui [2021] No. 30 to the entire Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (the “Cooperation Zone”), with an implementation period from January 1, 2023 to December 31, 2025. The specific preferential policies for enterprise income tax are summarized as follows:

#### **1. Preferential tax rate**

For eligible enterprises located in the Cooperation Zone, enterprise income tax will be levied at a reduced rate of 15%.

#### **2. Conditions for enjoying the preferential tax rate**

The main business of the enterprises shall be those of the industrial projects specified in the “Catalogue of Enterprise Income Tax Preferential Policies for the Cooperation Zone (2021 Edition)”, and the main business income shall account for more than 60% of the total income.

### 3. Taxation on head office and branch offices

For enterprises with their head offices located in the Cooperation Zone, the 15% tax rate shall apply to the income of their head offices and branch offices that meet the conditions specified in Article 1 of the Notice; For enterprises whose head offices are located outside the Cooperation Zone, the 15% tax rate applies only to income from their branches within the Zone that also satisfy the criteria set forth in Article 1.

### 4. Substantive operational requirements

Substantive operations require the resident enterprises registered in the Cooperation Zone and engaged in eligible industrial projects to operate within the zone, with personnel, accounting, and assets located there. Enterprises that are merely registered in the Cooperation Zone without conducting actual business activities in the zone are not entitled to these preferential policies.

## **Notice on Preferential Policies for Individual Income Tax in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone**

Issued by: Ministry of Finance, State Taxation Administration  
Issue No.: Caishui (2024) No.12  
Issue Date: March 19, 2024  
Links: [https://qh.sz.gov.cn/syqnan/xxgk/xxgkml/zcfg/zzwj/content/post\\_11250478.html](https://qh.sz.gov.cn/syqnan/xxgk/xxgkml/zcfg/zzwj/content/post_11250478.html)

This Notice specifies the individual income tax benefits for Hong Kong residents, as well as the time and scope of income for enjoying the benefits. The specific details are as follows:

- Exempt Hong Kong residents working in Qianhai from individual income tax to the extent that their tax liability exceeds the tax liability in Hong Kong;
- The income that falls within the scope of the aforementioned provisions includes comprehensive income from Qianhai (including wages and salaries, compensation for labor services, payment for literary works and royalty fees), operational revenues, and talent subsidy income as recognized by local governments.
- Implementing period of the Notice is from 1 January 2023 to 31 December 2027.

Compared to the previous policy of providing individual income tax subsidies for overseas high-end talents in short supply, this benefit can be enjoyed earlier in March to June each year during the annual filing of individual income tax.

## Foreign Exchange

### Guidelines for Foreign Exchange Business under Capital Projects (2024 Edition)

Issued by: State Administration of Foreign Exchange  
Issue No.: Huifa (2024) No.12  
Issue Date: April 3, 2024  
Effective Date: May 6, 2024  
Links: <http://m.safe.gov.cn/safe/2024/0412/24226.html>

The Guidelines for Foreign Exchange Business Under Capital Projects (2024 Edition) (the “2024 Edition Guidelines”), in comparison to the 2020 Edition, have been updated to align with the most recent foreign exchange regulations and rules. In addition to these updates, the significant changes are as follows:

#### **1. Foreign loan registration**

Application documents for foreign loan registration have been simplified. Under the Investment Gap mode, the entities no longer need to provide supporting documents for the quota of their foreign loan. Instead, State Administration of Foreign Exchange (“SAFE”) shall check the total investment and registered capital in the Foreign Direct Investment (FDI) system and confirm the quota for foreign loan based on this information.

#### **2. Foreign exchange registration of SPVs for domestic residents (the “No. 37” registration)**

Overseas entities that shall be registered have been increased. In addition to the registration of the first-tier Special Purpose Vehicles (SPVs) established overseas by domestic individual residents, banks should also note in the remarks the name, location, and other relevant information of the overseas entities conducting financing and the overseas entities implementing round-trip investment. If there are any changes to the aforementioned overseas entity information, banks should update the relevant information in the remarks accordingly.

#### **3. Remittance of company profits**

Business reviewing has been enhanced for company profit remittance. It’s added that banks should check whether the company has completed the annual report filing of FDI and whether there is any problem with the filing information through appropriate means in the course of profit remittance.

#### **4. Account opening and fund remittance in other locations**

It’s clarified that the company must adhere to the principle of actual needs when apply for account opening and fund remittance in other locations. The abovementioned refer to the company applying for opening capital account, capital settlement account, or remittance of funds derived from the divestment of foreign investors (e.g., liquidation, capital decrease, and equity transfer, etc.) at banks outside the jurisdiction of the SAFE branch at provincial level where the company is registered.

## **Notice on Further Optimizing the Management of Foreign Exchange Business for Trading**

Issued by: State Administration of Foreign Exchange  
Issue No.: Huifa (2024) No.11  
Issue Date: April 7, 2024  
Effective Date: June 1, 2024  
Links: <http://m.safe.gov.cn/safe/2024/0407/24204.html>

The Notice is designed to enhance the efficiency and quality of foreign exchange collection and payment services for trading. It encompasses six key policy initiatives, the principal aspects of which are outlined below:

- Optimize the management on the registration of the “Enterprise List of Foreign Exchange Collection and Payment for Trading”, shifting from approval by SAFE to a process managed directly by banks.
- Expand the authority of banks in processing exceptional refunds for Class A enterprises in the trade of goods (non-original route return or refund exceeding 180 days), elevating the current transaction cap from USD 50,000 to USD 200,000 for a single instance.
- Allow eligible Class B and Class C enterprises, after registering with SAFE, for deferred foreign exchange collection or payment services exceeding 90 days.

## **Industries**

### **Announcement Regarding the Pilot Program for Further Opening-up the Value-added Telecommunications Services**

Issued by: Ministry of Industry and Information Technology  
Issue No.: Gongxinbu Tongxihuan [2024] No. 107  
Issue Date: April 8, 2024  
Links: [https://www.gov.cn/zhengce/zhengceku/202404/content\\_6944441.htm](https://www.gov.cn/zhengce/zhengceku/202404/content_6944441.htm)

Under current legal frameworks, the shareholding of foreign investment in value-added telecommunication businesses is limited to 50%. With the lifting of restrictions on foreign equity ratios in this Announcement, foreign investors will be permitted to hold a full 100% equities in the pilot categories of value-added telecommunications sector within the designated pilot zones. This policy change marks a new stage in the opening up of China's telecommunications market to the internal world.

#### **1. Pilot Zones**

The four Pilot Zones include: 1) Beijing Comprehensive Demonstration Zone for Further Opening Up of Service Industries (i.e. the whole city of Beijing); 2) Linggang New Area of Shanghai Pilot Free Trade Zone, and Socialist Modernization Leading Area (i.e. the Pudong New Area of Shanghai); 3) Hainan Free Trade Harbour (i.e. the whole island of Hainan); 4) Shenzhen Pilot Demonstration Zone of Socialism with Chinese Characteristics (i.e. the whole city of Shenzhen).

## 2. Pilot categories of value-added telecommunications services

- Internet data center (IDC): hosting and leasing of operational server storage space; sale and leasing of operational cloud services; Rental and other services of network bandwidth;
- Content delivery network (CDN): operational content delivery and acceleration services, i.e., improving the speed of access to content through clusters of node servers in different regions;
- Internet service provider (ISP): provide access to the network of public communications and internet, but the scope of services is limited to the pilot zones. Such access must be facilitated through the infrastructure of basic telecommunications services;
- Online data processing and transaction processing (EDI): including transaction processing business (e.g., e-commerce platforms), electronic data interchange business (e.g., Internet clearing and settlement services), and network/electronic equipment data processing business (e.g., Internet of Things platform services);
- Internet Content Provider (ICP): includes information distribution platforms and delivery services (e.g., application stores), information protection and processing services (e.g., virus query, security filtering services), but excludes services of internet news and information, internet publishing, internet audio-visual, and internet cultural business.

## 3. Implementation Time

The Pilot Announcement does not specify a specific implementation timeline. Instead, the governments of the 4 zones are required to formulate their pilot implementation plans in accordance with their specific circumstances and seek approval from the Ministry of Industry and Information Technology.

## **Regulations on the Supervision and Administration of Non-Banking Payment Institutions and the Implementing Rules (Draft)**

Issued by: The State Council, The People's Bank of China

Issue No.: Guoling No. 768

Issue Date: December 9, 2023

Effective Date: May 1, 2024

Links: [https://www.gov.cn/zhengce/zhengceku/202312/content\\_6920725.htm](https://www.gov.cn/zhengce/zhengceku/202312/content_6920725.htm)  
<http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/5334235/index.html>

Regulations on the Supervision and Administration of Non-Banking Payment Institutions (the “Regulation”) primarily clarify the following:

- Payment institutions must operate with a special permit, following a “Pre-permit before the Business License” approach, with stringent entry requirements. All non-banking payment entities must obtain the approval from PBOC and acquire a payment services permit before they can engage in the subsequent registration process with SAMR.
- The name and business scope of non-banking payment institutions shall indicate the word “payment”.
- It specifies the prerequisites for the establishment of non-banking payment institutions, including



stipulations on the registered capital, qualifications of major shareholders, identity of actual controllers, and the senior management team. Additionally, it mandates the approval process for substantial modifications concerning these aspects.

On April 22, 2024, PBOC initiated a public consultation on the draft of the Implementing Rules of the Regulation. The main contents of the draft include:

- It specifies the conditions and documentation required for the establishment, modification, and termination of non-banking payment institutions.
- It provides clear definition for key terms such as “major shareholders” and “actual controllers” within the context of non-banking payment institutions.
- It outlines the necessary filing procedures for the establishment of branches by non-banking payment institutions.
- It categorizes the stored-value account operation and payment processing business into Class I and Class II, and elucidates the relationship between the old and new classification systems.
- It offers transitional provisions for non-banking payment institutions that were established prior to the implementation of this Regulation.

## Recent Hot Topics

- What actions has the Chinese government taken in optimizing the business environment, facilitating market entry, providing tax and financial support, and facilitating the entry of foreign personnel in order to attract and utilize foreign investment?
- Recently, the tax authorities have initiated a new round of random inspections. The inspections are no longer limited to conventional tax categories such as enterprise income tax and value-added tax. Individuals and entities may also be subject to self-assessment and potential supplementary payments for individuals income tax and environmental taxes. Are you prepared for this?
- Have you made tax adjustments for the zero-rated invoices your company received for the purchase of prepaid cards? Is the individual income tax associated with prepaid cards always subject to withholding and paying on behalf of the taxpayer?



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