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## Foreign Exchange

### Administrative Measures for Overseas Lending by Domestic Enterprises

Issued by: People's Bank of China, State Administration of Foreign Exchange  
Issue No.: Yinfa [2026] No. 63  
Release Date: April 1, 2026  
Effective Date: April 20, 2026  
Links: <https://www.safe.gov.cn/xiamen/2026/0401/2393.html>

In line with the integrated management approach for RMB and foreign currencies, the Measures unify and improve the policies on overseas lending by domestic non-financial enterprises in both RMB and foreign currencies, with the main contents set forth as follows:

- Increased lending quota with priority for RMB usage: The upper limit for the outstanding balance of overseas lending is raised to 0.6 times (previously 0.5 times) the lender's latest audited owner's equity. A lender's outstanding balance of overseas lending shall not exceed its upper limit. The outstanding balance of overseas lending =  $\sum (\text{RMB balance} + \text{foreign currency balance}) + \sum (\text{foreign currency balance} \times \text{currency conversion factor})$ . For loans made in foreign currency, the currency conversion factor (currently 0.5) applies, meaning that foreign currency loans will consume more of the quota.
- Standardization of entity eligibility: The lender must have been registered for at least one year; both the lender and the borrower must have a sustained record of sound operations with no major violations of laws or regulations in the past three years; the two parties must have a direct or indirect equity holding relationship, or be directly or indirectly held by the same parent company; the scale of the overseas lending must be commensurate with the borrower's actual business operations; and the lender must have no outstanding non-compliant overdue amounts on its existing overseas lending.
- Strict requirements on the source of funds: The funds for overseas lending must be the lender's own funds (including its own RMB, its own foreign currency, and its own RMB funds converted into foreign currency through foreign exchange purchase). Personal funds or funds obtained through the lender's own debt financing shall not be used for overseas lending. Domestic foreign currency loans are no longer permitted as a source of funds for overseas lending.
- Strict requirements on use of funds: The use of funds must not exceed the permitted scope, circumvent regulatory requirements, or violate anti-money laundering rules. For example, funds must not be used to bypass ODI, QDII, or other policy requirements, nor be used directly or indirectly for purposes outside the borrower's business scope.
- Introduction of validity period, lending term, and extension limits: The validity period of overseas lending registration is two years. Any quota for which funds have not been remitted upon expiry of such period shall automatically become invalid. The term of overseas lending shall, in principle, be between six months and five years. For the same overseas lending, in principle, only one extension is permitted. If an extension is required, the lender shall submit an application to the local State Administration of Foreign Exchange (SAFE) at least 30 days prior to the expiry of the lending term.

## **Notice on Implementing Pilot Policies for Cross-Border Trade, Investment and Financing Facilitation in the China (Beijing) Pilot Free Trade Zone**

Issued by: State Administration of Foreign Exchange, Beijing Branch  
Issue No.: Jinghuifa [2026] No. 5  
Release Date: March 2, 2026  
Effective Date: April 1, 2026  
Links: <https://www.safe.gov.cn/beijing/2026/0302/2710.html>

The main contents of this Notice are as follows:

- Further narrowing of the negative list for the use of capital account settlement funds: Foreign exchange proceeds from non-financial enterprises' capital contributions and foreign loan, as well as RMB funds derived from the settlement thereof, may, on a genuine and compliant basis, be used for providing loans to non-affiliated enterprises.
- Optimization of the repatriation process for foreign exchange NRA accounts: In the event that funds remitted from an NRA account to the domestic market are returned due to objective reasons, and for the purpose of avoiding exchange losses, the settlement bank may temporarily hold such funds in an internal account. If the issue remains unresolved within 24 hours (holidays deferred), the bank shall repurchase the foreign currency and remit the funds back via the original route.
- Pilot area: China (Beijing) Pilot Free Trade Zone and the Daxing Airport Section (Beijing Area) of the China (Hebei) Pilot Free Trade Zone.

## **Tax**

### **Announcement of the State Taxation Administration on Several Audit Standards for the Administration of Land Appreciation Tax**

Issued by: State Taxation Administration  
Issue No.: State Taxation Administration Announcement [2026] No. 3  
Release Date: January 1, 2026  
Effective Date: January 1, 2026  
Links: <https://fgk.chinatax.gov.cn/zcfgk/c100012/c5246543/content.html>

This Announcement aims to further regulate the collection and administration of land appreciation tax nationwide and enhance the certainty of policy implementation. The key points are organized by different administrative stages of land appreciation tax as follows:

- Land Acquisition Phase

Clarified the deduction rules for "expenditures outside the red line": Where the taxpayer and a people's government at or above the county level (or its relevant department) agree in the land grant contract or its supplementary agreement to construct public facilities outside the planning scope of the real estate development project for the government, the actual expenditures incurred shall be included in the "amount

paid for obtaining land use rights" for deduction purposes.

- Tax Pre-collection Phase

Clarified the timing of tax pre-collection filing: The starting point for filing pre-collection land appreciation tax shall be determined by whichever occurs first between obtaining the pre-sale permit or receiving pre-sale income; the deadline shall be the end of the last pre-collection tax period prior to the date of issuance of the final settlement acceptance notice. Pre-collection land appreciation tax shall be filed and paid on a monthly or quarterly basis, as uniformly determined by the tax authorities of each province or municipality.

Clarified the tax base for pre-collection: The provision in State Taxation Administration Announcement [2016] No.70 stating that "the tax base for pre-collection of land appreciation tax = advance receipts - VAT payable in advance" has been abolished. The calculation formula has been uniformly revised to: advance receipts / (1 + applicable VAT rate or collection rate). The tax base for pre-collection is now smaller than under the previous regulations.

- Tax Final Settlement Phase

Clarified the deadline for aggregating sales amount and sales area for tax final settlement: The end of the last pre-collection tax period prior to the acceptance of final settlement.

Clarified that stamp duty and local education surcharges paid by taxpayers due to real estate transfer shall be deducted as "taxes related to real estate transfer" (Article 9 of Caishuizi [1995]No.48 stipulates that for real estate development enterprises, stamp duty paid in accordance with the relevant provisions of the Financial System for Construction and Real Estate Development Enterprises shall be included in administrative expenses and deducted under "real estate development expenses," and shall not be deducted separately. Other taxpayers of land appreciation tax are allowed to deduct stamp duty paid at the time of transfer when calculating land appreciation tax.

- Tail-end Sales Phase

Real estate transferred after acceptance of final settlement shall be declared and paid under the tail-end sales method, uniformly on a quarterly basis.

The declaration for real estate transferred between acceptance of final settlement and the issuance of the final settlement review conclusion shall be made within the first tax filing period after the tax authority issues the final settlement review conclusion.

Deductible amount per unit construction area for each type of real estate = Total deductible amount for the corresponding type of real estate verified by the tax authority ÷ Saleable construction area of the corresponding type of real estate. This does not include taxes related to real estate transfer incurred during tail-end sales, which shall be deducted on actual basis.

Conditions for applying the land appreciation tax exemption for tail-end sales: The appreciation amount of ordinary standard housing in the current period does not exceed 20% of the deductible amount.

## Opinions on Accelerating the Establishment of the Long-Term Care Insurance System & Implementation Plan for Accelerating the Establishment of the Long-Term Care Insurance System

Issued by: General Office of the Communist Party of China Central Committee, General Office of the State Council; National Healthcare Security Administration, Ministry of Civil Affairs, Ministry of Human Resources and Social Security, Ministry of Finance, Ministry of Agriculture and Rural Affairs, National Health Commission, State Taxation Administration, China Disabled Persons' Federation

Release Date: March 25, 2026; March 26, 2026

Links: [https://www.gov.cn/yaowen/liebiao/202603/content\\_7063789.htm](https://www.gov.cn/yaowen/liebiao/202603/content_7063789.htm)  
[https://www.nhsa.gov.cn/art/2026/3/26/art\\_104\\_20039.html](https://www.nhsa.gov.cn/art/2026/3/26/art_104_20039.html)

The General Office of the Communist Party of China Central Committee and the General Office of the State Council have issued the Opinions on Accelerating the Establishment of the Long-Term Care Insurance System. Meanwhile, the National Healthcare Security Administration and eight other authorities jointly released the supporting Implementation Plan. It is clarified that a basic long-term care insurance system framework will be established in about three years. The main contents are as follows:

- Long-term Care Insurance (LTCI) is a social insurance system that provides services or financial security for the basic daily care and closely related medical care for individuals with disabilities. As the “sixth type of social insurance”, it is listed alongside pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.
- Coverage and Enrollment Methods of LTCI
  1. Insured Objects: Employers, employees, retirees, flexible employees, and unemployed urban and rural residents.
  2. Financing Mechanism: The overall premium rate for LTCI is controlled at approximately 0.3%. Funds are raised through multiple channels including employers, individuals, and the government, with differentiated contribution policies.
    - 1) On-the-job employees: Employers and employees each contribute approximately 0.15%, with premiums paid together with contributions for the Basic Medical Insurance for Employees (the “Employee Medical Insurance”).
    - 2) Unemployed residents (rural residents and unemployed urban residents): Funds are raised on an annual basis and paid together with contributions for Urban and Rural Resident Medical Insurance. The premium rate is halved for the first year and will be gradually increased to around 0.3% within five years.
    - 3) Retirees: Individuals contribute approximately 0.15%, with no contribution from their former employers.
    - 4) Flexible Employees: They are encouraged to participate in the insurance in accordance with the standards for on-the-job employees, with an individual contribution of around 0.3%;

alternatively, they may participate in accordance with the standards for unemployed urban and rural residents.

- 5) Other Individuals: The government provides classified subsidies for the individual contribution portion of eligible disadvantaged groups. Individuals under the age of 18 participate by following their parents or other legal guardians.

- Coverage and Benefit Standards of LTCI

1. Eligibility: Individuals who have made required contributions to the insurance scheme, have been in a disabled state for more than 6 consecutive months, and have been assessed and recognized as disabled upon application. Priority shall be given to persons with severe disabilities. Insured persons who have already received living care allowances under work-related injury insurance shall not enjoy LTCI benefits on a duplicate basis.
2. Benefit Standards: Differentiated benefits are provided based on disability level and service delivery method. The fund has no deductible. The payment ratio for care service expenses is approximately 70% for employed individuals and retirees, and approximately 50% for unemployed urban and rural residents. The annual maximum payment limit of the fund shall not exceed 50% of the previous year's per capita disposable income of urban and rural residents in the pooling region.
3. Service Methods: Institutional care, home-based care, and community-based care are supported. The use of home-based and community-based care services is encouraged. Areas newly implementing LTCI must implement the nationally unified service item catalog; pilot cities shall gradually align with the national catalog within approximately three years.
4. Fund Payment: The fund is mainly used to pay for basic nursing service fees (excluding bed fees, meal fees, expenses payable by medical insurance, etc.), and in principle no cash shall be disbursed directly. Assessment fees for the first approved assessment and regular re-assessments shall be paid by the fund.
5. Incentive Mechanisms: Continuous contribution is encouraged, with the possibility of appropriately increasing the payment ratio. For individuals who have not participated or who re-enroll after an interruption (except for special circumstances such as newborns), restrictive measures shall be established, including a waiting period for benefits and a phased reduction of benefit levels. The standard fixed waiting period for benefits is set at six months in principle and shall be extended with an increase in the number of years without contribution.

## Foreign Ministry Spokesperson's Remarks on Including Canada and the UK in the Visa-Free Program & List of Unilateral Visa-Free Countries

Issuing Authorities: Ministry of Foreign Affairs; National Immigration Administration  
Dates of Issuance: February 15, 2026; February 17, 2026  
Effective Date: February 17, 2026  
Related Links: [https://www.mfa.gov.cn/web/wjdt\\_674879/zcjd/202602/t20260215\\_11860462.shtml](https://www.mfa.gov.cn/web/wjdt_674879/zcjd/202602/t20260215_11860462.shtml)  
<https://www.nia.gov.cn/n741440/n741577/c1731154/content.html>

- From February 17, 2026, to the end of 2026, China implements a unilateral visa-free policy for Canada and the United Kingdom. Nationals of the two countries holding ordinary passports may enter China visa-free for purposes such as business, tourism, visiting relatives and friends, exchange and access visits, and transit, for a stay of no more than 30 days. The duration of stay is calculated from midnight of the day following entry.
- China's unilateral visa-free policy has been extended to 50 countries, including: 35 European countries (France, Germany, Italy, the Netherlands, Spain, Switzerland, Ireland, Hungary, Austria, Belgium, Luxembourg, the United Kingdom, etc.); 2 Oceanian countries (Australia, New Zealand); 7 Asian countries (South Korea, Japan, Saudi Arabia, etc.); and 6 American countries (Brazil, Argentina, Canada, etc.).

## Accounting

### Interpretation No. 19 of the Accounting Standards for Business Enterprises

Issued by: Ministry of Finance of the People's Republic of China  
Issue No.: Cai Kuai [2025] No. 32  
Release Date: December 5, 2025  
Effective Date: January 1, 2026  
Links: [https://bgt.mof.gov.cn/zhuantilanmu/rdwyh/czyw/202512/t20251218\\_3979556.htm](https://bgt.mof.gov.cn/zhuantilanmu/rdwyh/czyw/202512/t20251218_3979556.htm)

The Ministry of Finance has issued the Interpretation No. 19 of the Accounting Standards for Business Enterprises (the "Interpretation No. 19"), providing explicit guidance on the accounting treatment for complex transactions such as business combinations and financial instruments. The main contents are as follows:

1. Accounting Treatment of Compensatory Assets in a Non-common Control Business Combination
  - Definition and Distinction

Where a contract between the seller and the purchaser stipulates that the seller will provide compensation to the purchaser for certain contingencies of the acquirer or the uncertain outcomes of specific assets or liabilities, the purchaser thereby obtains a compensatory asset.

The distinction between a compensatory asset and contingent consideration lies in the fact that a compensatory asset arises from compensation for specific uncertain outcomes existing at the acquisition date, rather than price adjustments based on the acquirer's future performance.

- Common Examples of Compensatory Assets:

- 1) Matters related to contingent liabilities — pending litigation, third-party guarantee obligations, etc.;
- 2) Matters related to specific assets or liabilities — significant receivables with uncertain collectability, inventory impairment risks, post-sale compensation for goods sold by the acquirer prior to the acquisition date, etc.;
- 3) Matters related to taxation — tax disputes prior to the acquisition date, historical tax issues that may result in future demands for additional tax payments, etc.

- Recognition, Measurement, and Financial Statement Presentation

Item	Consolidated Financial Statements	Separate Financial Statements
Timing of Recognition and Initial Measurement	The acquirer shall recognize a "Compensatory Asset" at the acquisition date concurrently with the item being compensated. The measurement basis shall be consistent with that of the compensated item. Restrictions on the compensation amount stipulated in the contract and management's estimate of its recoverability shall be considered, deducting any amount expected to be uncollectible from the amount initially recognized. If measured at fair value, separate consideration of management's estimate of recoverability is not required.	The purchaser shall follow the "Contingencies" standard. A compensatory asset shall be recognized when it is virtually certain that the compensation will be received and the amount can be measured reliably, with a corresponding reduction to the initial cost of the long-term equity investment. (This will generally occur later than recognition in the consolidated financial statements.)
Subsequent Measurement	Changes in the value of the compensatory asset that relate to changes in the value of the compensated item, after considering contractual restrictions on compensation, shall be recognized in "Investment Income". If not measured at fair value, management's estimate of recoverability shall also be considered separately.	Follow the "Contingencies" standard, while considering contractual restrictions on the compensation amount and management's estimate of its recoverability. Amounts expected to be uncollectible shall be recognized in "Investment Income".
Gain or Loss on Derecognition	The difference between the consideration received or receivable and the carrying amount of the compensatory asset shall be recognized in "Investment Income".	
Account Title and	The "Compensatory Asset" account shall be established and used for accounting.	

Item	Consolidated Financial Statements	Separate Financial Statements
Financial Statement Presentation	In the statement of financial position, compensatory assets shall be presented based on their liquidity as "Other Current Assets" or "Other Non-current Assets".	

- Transitional Provisions: Compensatory assets existing as of January 1, 2026 shall be retrospectively adjusted.
2. Capital Reserve Related to the Disposal of a Subsidiary Previously Acquired in a Business Combination Under Common Control Shall Not Be Transferred to Current Profit or Loss or Retained Earnings
    - Accounting standards stipulate that in a business combination under common control, the difference between the carrying amount of the net assets acquired and the carrying amount of the consideration paid by the combining party shall be adjusted against capital reserve. Interpretation No. 19 explicitly stipulates that upon disposal of a subsidiary acquired under common control, the related capital reserve shall not be reclassified out to current profit or loss or retained earnings. It shall remain within the capital reserve.
    - Transitional Provisions: This shall be applied retrospectively as a change in accounting policy and disclosed in the notes to the financial statements.
  3. Derecognition of Financial Liabilities Settled Using Electronic Payment Systems
    - For electronic payment transactions with extended settlement intervals (e.g., cross-border electronic payment transactions), an accounting policy choice is provided to derecognize a financial liability at a point earlier than the settlement date. An entity settling a financial liability with cash via an electronic payment system may elect to derecognize it early only when the entity has initiated the payment instruction and all of the following specific conditions are met. This accounting policy choice shall be applied consistently to all settlements made through the same electronic payment system. The specific conditions are:
      - 1) The entity has no practical ability to withdraw, stop, or cancel the payment instruction;
      - 2) The entity has no practical ability to access the cash that, as a result of the payment instruction, will be used for settlement;
      - 3) The settlement risk associated with the electronic payment system is insignificant.
    - Transitional Provisions: Upon initial application, the cumulative effect shall be retrospectively adjusted to the opening balance of retained earnings and other relevant items as of January 1, 2026. Prior period comparative figures are not required to be adjusted.
  4. Assessment of the Contractual Cash Flow Characteristics of Financial Assets (the 'SPPI Test') and Related Disclosures
    - Refinement of Judgement Criteria for Interest Components in the SPPI Test: The assessment of interest should focus on what the entity is being compensated for.
    - Entities need to assess the impact of contractual terms that could change the timing or amount of contractual cash flows due to contingent events on the conclusion of the SPPI test.
    - Transitional Provisions: Upon initial application, the cumulative effect shall be retrospectively adjusted to the opening balance of retained earnings and other relevant items as of January 1, 2026. Prior period comparative figures are not required to be adjusted.
  5. Disclosure for Equity Instruments Designated as Fair Value Through Other Comprehensive Income (FVOCI)

- According to the standards, changes in the fair value of FVOCI equity instruments are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss is transferred directly to retained earnings, not recognized in current profit or loss. This characteristic of FVOCI instruments means their fair value changes and disposal gains/losses bypass the income statement. To enhance the transparency and comparability of accounting information for this class of financial assets, Interpretation No. 19 further refines the disclosure requirements for FVOCI equity instruments as follows:
  - ① Disclose FVOCI equity instruments at least by class;
  - ② Disclose the fair value at the end of the reporting period and changes in fair value during the reporting period;
  - ③ Distinguish between changes arising from derecognized investments and those from investments still held;
  - ④ Disclose the transfer out of cumulative gains or losses upon derecognition of investments during the reporting period.

## Recent Hot Topics

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- If a partnership enterprise applies for changes or filing matters, the registration authority will require all partners to sign the relevant application documents. In case some partners are uncontactable and cannot sign, how should it be resolved?
- If a company collaborates with a university or other non-profit organization on a research and development project, can the expenses incurred be eligible for the additional deduction for R&D expenses? What is the specific deduction rate? What contract registration procedures are required, and how should they be carried out?

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