CHINA

Alex Cho

CEO, Sino Corporate Services China Ltd.

+85 2258 711 22
alex.cho@sinocsl.com
sinocsl.com
irglobal.com/advisor/alex-cho

Firm profile

Sino Group is a high-quality provider of Fund, Trust and Corporate Services located in Hong Kong, China and Singapore. Our expertise and focus is the Greater China market but our strong relationships in the other major financial centres of Asia enable us to provide a seamless service to clients operating throughout the region. Our team has over 30 years' experience and has been advising clients on China business since the early 1990s.

We are not owned by a faceless group of investors; the people who own the company do the work. We are not motivated by our results, but rather the best results for our clients.

Sino Corporate Services Limited, Sino Fund Services Limited and Unity Trust Limited are limited liability companies incorporated in Hong Kong, which hold Trust or Company Service Provider Licences under section 53G of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, Cap. 615 in Hong Kong. Unity Trust Limited is a trust company registered under section 78(1) of the Trustee Ordinance (Cap. 29) in Hong Kong.

Biography

Alex joined Sino Corporate Services Limited as CEO in 2016. The firm provides a full range of services to Corporate Clients, Private Clients, Fund Managers and Business Advisory Services to business owners in different jurisdictions.

Alex worked for Intertrust Group for 25 years from 1990 to 2015 and was the Managing Director of the Hong Kong and China offices.

Alex was frequently invited by HKTDC, InvestHK, CCPIT etc as a speaker on different topics such as Cross Border Investment Structuring, China Business set up, China Outbound Investments, the use of Hong Kong as the Investment Holding Company and Regional Headquarters and how to utilize a Trust Structure as a Wealth Planning tool in Hong Kong, China, Asia and various countries in Europe.

China: the land of opportunities for foreign investors

Mainland

1. Foreign Investment Law

China's Foreign Investment Law became effective on 1 January 2020, replacing old laws each of which was applicable only to a certain type of entity set up by foreign investors. Key features of the Law include the following:

- Old laws provided incentives (such as tax holidays) and imposed restrictions on foreign investment. The main objective of the Law is to give national treatment to Foreign Invested Enterprises (FIEs) when it comes to licensing, government purchase, listing and financing as well as national standard setting.
- Protection against requisition:

  The Law states that the country will not nationalize foreign investment, except under extraordinary circumstances whereby the requisition is necessitated by public interest and compensated fairly and reasonably.
- Prohibition of forced technology transfer:

  The Law protects intellectual properties of FIEs and their foreign investors, prohibiting government officials from using administrative measures to force technology transfers upon FIEs or foreign investors.
- Commitment to incentives policies:

  When attracting foreign investment, local officials tend to overpromise. The Law requires that local governments fulfil policy commitments they have made to FIEs and foreign investors, and perform contracts they have signed with FIEs and foreign investors.
- Transparency in market entry:

  The Law administers market entry by foreign investment by means of the Negative List. Investment into areas that are not included in the List are administered in the same way, regardless the nature of the investment.

2. Corporate taxes

Significant supports have been offered to Small and Thin-Profit Enterprises (STPE). The threshold for levying VAT has been raised over the years from RMB 20,000 per month to RMB 100,000 per month. The effective corporate income tax rates for STPEs are 2.5% if the annual profit is no more than RMB 1 million, and less than 10% if the annual profit does not exceed RMB 3 million.

3. Individual Income Tax Law

China's Individual Income Tax Law and its accompanying rules and regulations (the new IIT law) mark the transformation from scheduler taxation to aggregate taxation. The new IIT law lowers the tax residency threshold from one year to 183 days, replaces the five-year taxation of global income with the six-year rule and phases out some preferential tax treatments to foreign nationals. At present, foreign nationals can claim exemption or deduction of the following benefits:

- Housing
- Tuition for schooling of kids in China
- Language training
- Foods, meals and laundry
- Relocation
- Transportation costs for home visits (up to 2 visits per year)

The Chinese government plans to apply to foreign nationals in 2022 deductions for housing and tuition that are currently available to Chinese nationals. A Chinese national can now claim a monthly housing deduction of up to RMB 1,500 and a monthly tuition of RMB 1,000 for each child. These deductions are significantly lower than those currently claimed by foreign nationals. It remains to be seen whether the remaining benefits such as exemption of foods and meals will be retained. If most of the housing and tuition allowances are taxable, or most the same expenses are not deductible, expats or their employer or both will see a sharp increase in the tax burden. For this reason, major chambers of commerce and multinationals have stepped up their lobbying efforts, hoping the government will give some concessions.

Please do not hesitate to contact us should you require any further information.