CPA-Lawyers

2024, Issue No. 06
Cumulative No. 251 (Chinese Edition)

ForTran Lawyers —
Professional Lawyers with Expertise in Finance and Taxation

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Insight: Can Interest Expenses on Related Party Loans Be Fully Deducted for Corporate Income Tax?

By Susan Yang

In practice, it is common for shareholders to provide loans to the companies they invest in. However, can the interest paid by the invested company to its shareholder be fully deducted for corporate income tax purposes? There are several key considerations:

1. **Deduction Standard for Interest Expenses**

   Article 38 of the *Implementation Rules of the Corporate Income Tax Law of the People's Republic of China* states that interest expenses on loans from non-financial enterprises to non-financial enterprises are deductible only up to the amount calculated using the interest rate for loans of the same type and in the same period offered by financial institutions.

2. **Shareholder's Timely and Full Contribution of Capital**

   The *State Taxation Administration's Reply on the Deduction of Interest Expenses Incurred Due to Investor's Failure to Fully Contribute Capital*(State Taxation Administration Document [2009] No. 312) addresses that, according to Article 27 of the *Implementation Rules of the Corporate Income Tax Law*, if an investor fails to pay the required capital within the specified time, interest expenses on external loans incurred by the enterprise, corresponding to interest that should be paid for the difference between the actual paid capital and the required capital contribution within the specified period, are not considered reasonable business expenses. Therefore, these expenses should be borne by the investor and cannot be deducted when calculating the taxable income of the enterprise.

3. **Debt-related to Equity-related Investments Ratio**

   Article 46 of the *Corporate Income Tax Law of the People's Republic of China* stipulates that interest expenses are not deductible when the ratio of debt-related to equity-related investments from related parties exceeds the prescribed limit.

   The *Implementation Rules of the Corporate Income Tax Law* (Article 119) provide the definition of debt-related investment and equity-related investment. A debt-related investment refers to financing obtained directly or indirectly from related parties by an enterprise, which requires the repayment of principal and payment of interest, or compensation in other forms that involve the payment of interest. An equity-related investment refers to an investment received by an enterprise that does not require repayment of the principal or payment of interest, where the investor holds ownership of the enterprise's net assets. Meanwhile, examples of indirect debt-related investments from related parties are listed:

   - Debt-related investments provided by related parties through third parties;
   - Debt-related investments guaranteed by related parties but provided by third parties;

- Other forms of debt-related investments with a substance of liabilities obtained indirectly from related parties.

The prescribed limit of the debt-to-equity investments ratio is not specify in Article 119, but the *Ministry of Finance and the State Taxation Administration's Notice on Tax Policies for Deduction Standards of Interest Expenses Paid to Related Parties by Enterprises* (Finance and Tax [2008] No. 121) stipulates that, for non-financial enterprises, the ratio of debt-related to equity-related investments in loans from related parties must not exceed 2:1 for interest expenses to be deductible.

Regarding debt-related investments provided by a natural person, Article 1 of the 'State Taxation Administration's Notice on the Deduction of Interest Expenses for Loans from Natural Persons to Enterprises' (State Taxation Administration Document [2009] No. 777) clearly stipulates that interest expenses on loans from shareholders or other natural persons related to the enterprise must also comply with the same standard of debt-related to equity-related investments ratio.

4. **Arm's Length Principle**

   According to the *Ministry of Finance and the State Taxation Administration's Notice on Tax Policies for Deduction Standards of Interest Expenses Paid to Related Parties by Enterprises* (Finance and Tax [2008] No. 121), if an enterprise can provide relevant documentation to demonstrate that related party transactions meet the arm's length principle, interest paid to domestic related parties may be deducted when calculating taxable income.

5. **Actual Tax Burden of Lender and Borrower**

   The *Ministry of Finance and the State Taxation Administration's Notice on Tax Policies for Deduction Standards of Interest Expenses Paid to Related Parties by Enterprises* (Finance and Tax [2008] No. 121) also specifies that interest paid to domestic related parties will be deductible if the enterprise's actual tax burden is not higher than that of the related domestic party.

In conclusion, taking all the above points into account, it is clear that the interest paid by an invested company to its shareholders may not always be fully deductible for corporate income tax purposes.

Q&A Liability of Financial Sales Agencies for Violating Suitability Obligations when Selling Fund Products

By Clara Yang

In recent years, with the cyclical fluctuations in the financial market, certain financial products have faced significant losses, causing harm to investors. In practice, many financial products are distributed through sales agencies such as banks and securities firms, which aggregate large customer bases. The fulfillment of their suitability obligations is crucial for both investors and financial product issuers. However, sales agencies are often not the direct contractual counterparties in the financial product agreements (e.g., wealth management products, fund products, trust products) between investors and issuers, which leads to ambiguity regarding the legal obligations and responsibilities of sales agencies.

This article will discuss the legal relationship established between the financial sales agency, the issuer, and the investor during the sale of financial products (e.g., fund products) and the liability that sales agencies should bear when they violate the suitability obligation toward investors.

I. The Suitability Obligation of Financial Sales Agencies

At the 8th National Civil and Commercial Court Work Conference in December 2015, it was highlighted that due to the information asymmetry in the financial market, combined with investors’ limited knowledge, investors often cannot fully understand the risks and returns of investment financial products or related services. As a result, they rely heavily on the recommendations and explanations provided by product sellers and service providers. In general, the negotiating power between the two parties is unequal, so it is necessary to legally define the suitability obligations of seller institutions to ensure that financial consumers make informed and autonomous decisions based on a full understanding of the product and its risks, thus achieving contract justice. Furthermore, it was proposed that in lawsuits concerning suitability obligations, courts could apply regulatory documents from supervisory authorities that restrict the rights of the selling institution or increase its duties, and could apply the reversed burden of proof, requiring the seller to prove whether it fulfilled the suitability obligation.

Subsequently, Chinese courts have placed more emphasis on investor protection, requiring financial institutions to bear substantial suitability obligations to ensure that the recommended financial products match the investor's risk tolerance. It is no longer sufficient for financial institutions to rely solely on well-prepared written documents and the investor’s signature to avoid civil liability.

In 2019, the Supreme People's Court issued a notice regarding the "National Court Civil and Commercial Trial Work Conference Minutes" (Law [2019] No. 254, hereinafter referred to as the "9th Civil Minutes"), which inherited and developed the aforementioned conference's spirit regarding the protection of financial consumers' rights and interests. The section on "Disputes Regarding the Protection of Financial Consumers' Rights" mainly focuses on the meaning and scope of the suitability obligation, the applicable laws, responsible parties, the burden of proof, and damages. It examines whether the seller institutions (issuers, sellers, and financial service providers) fulfilled the suitability obligation in disputes arising from the sale of high-risk financial products and providing high-risk investment services to financial consumers.

The "9th Civil Minutes" elaborates on the suitability obligation of selling institutions, including the obligation to recommend products appropriately and to disclose necessary information. The core of the appropriate recommendation obligation is risk matching, which requires the seller to understand the client and the product, and based on this, recommend and sell the appropriate product (or service) to the suitable consumer. The goal of this obligation is to ensure that financial consumers make independent decisions based on a full understanding of the nature and risks of the financial products or investment activities, and bear the resulting gains and losses. The disclosure obligation requires that financial institutions adequately explain the market risks, credit risks, and key contract terms related to the product, ensuring that consumers understand the product thoroughly before making an investment decision. The entities responsible for fulfilling the suitability obligation are the selling institutions, which include financial product issuers, sellers, and financial service providers.

Commercial banks and securities companies, as the main sales agencies for financial products in the market, are legally obligated to fulfill the suitability obligation for investors. For example, Article 1(3) of the “Notice of the China Banking Regulatory Commission on Standardizing the Agency Sales of Commercial Banks” (CBRC [2016] No. 24) stipulates that “commercial banks engaged in agency sales business shall strengthen the management of investor suitability, fully disclose the risks of the products sold, and sell financial products to clients that match their risk tolerance.” Similarly, Article 2 of the “Guidance on the Suitability of Sales of Securities Investment Funds” (CSRC [2007] No. 278) defines “fund sales institutions” as those who are authorized to handle the issuance, subscription, and redemption of fund shares, including fund managers and other institutions that have obtained qualifications for fund sales. Article 3 states that “the suitability of fund sales refers to the practice of fund sales institutions paying attention to selling products of different risk levels based on the risk tolerance of fund investors, ensuring that the appropriate products are sold to suitable investors.”

II. Legal Relationship between the Sales Agency, Issuer, and Investor

1. The Agency Relationship between the Sales Agency and the Issuer

There exists an agency relationship between the financial product issuer and the seller, where the issuer is the principal, and the seller is the agent. The financial product seller, acting under the issuer’s authorization, promotes and sells the financial product to consumers. According to the “Notice of the China Banking Regulatory Commission on Standardizing the Agency Sales of Commercial Banks” (CBRC [2016] No. 24), Article 1 provides that “the agency sales business refers to the business activity in which a commercial bank accepts the entrustment of financial institutions (hereinafter referred to as cooperative institutions) with financial licenses and under the regulation of the State Council’s banking, securities, and insurance regulatory authorities, promotes or sells financial products issued by such institutions through its channels (including physical branches and electronic channels).”

Additionally, Article 74 of the 9th Civil Minutes and Article 167 of the General Principles of Civil Law indirectly confirm the agency relationship between the issuer and the sales agency. Article 74 of the 9th Civil Minutes states: “Financial consumers can request either the issuer or the seller of financial products to bear liability, or request them jointly to bear joint liability for compensation in accordance with Article 167 of the General Principles of Civil Law.” Article 167 of the General Principles of Civil Law provides that “If the agent knows or should know that the agency matter is illegal and still carries out the agency, or if the principal knows or should know that the agent’s actions are illegal but does not object, both the principal and the agent shall bear joint liability.”

Based on the agency relationship between the sales agency and the issuer, as well as the provisions of Article 162 of the Civil Code, which states that “civil legal acts conducted by the agent within the scope of their authority shall have effect on the principal,” it can be concluded that the legal acts performed by the sales agency as the issuer's agent should be attributed to the principal, i.e., the issuer of the financial products.

2. **Legal Relationship between the Sales Agency and the Investor**

The legal relationship between the sales agency and the investor is often unclear and controversial, as they do not usually establish a direct written contract with one another.

Generally speaking, in the legal relationship between the sales agency and the investor, the sales agency does not assume the rights and obligations of the financial product itself. However, if an employee of the sales agency misleads the investor by promoting a product in the name of the agency, and the investor, trusting the agency's employee, believes that the product is issued by the sales agency, a legal relationship may arise between the investor and the sales agency based on apparent authority or job-related agency.

There are two main views regarding the legal relationship between the sales agency and the investor: one is that the relationship is based on a financial management entrustment contract between the issuer’s agent (open agency) and the investor, but the final legal consequences belong to the issuer, the final contractual obligations bind the issuer and the investor. This relationship aligns with the viewpoint of the 9th Civil Minutes and can be inferred from the agency relationship between the issuer and the sales agency. The other view is that the relationship constitutes a financial services legal relationship. This type of relationship is reflected in certain judicial decisions.

The concept of “financial services legal relationship” was first raised in the case **Hu Xiangbin v. Bank of China Shanghai Tianlin Road Branch, Tort Liability Dispute (2015)**. In this case, the Shanghai First Intermediate People's Court concluded that the bank, under relevant financial management regulations, provided financial advisory services to clients, including financial analysis, investment advice, and personal product recommendations, thus forming a financial service legal relationship between the bank and the client.

After the issuance of the 9th Civil Minutes, some courts still regard the relationship between the sales agency and the investor as a personal financial service legal relationship. For instance, in the case of **China Guangfa Bank Co., Ltd. Shanghai Branch v. Tang Huiling** (2021), the court determined that a financial services legal relationship existed between the bank and the investor, despite the bank's claim that there was no contract between the two parties.

III. The Liability of Financial Sales Agencies for Violating the Suitability Obligation

Currently, there are different views on the legal nature of the suitability obligation of selling institutions and the civil liability for violating the suitability obligation. Some argue that the suitability obligation is a statutory obligation and the civil liability for violating it constitutes tort liability, while others contend that the suitability obligation is a pre-contractual duty, and that violating it constitutes pre-contractual fault liability. The author agrees with the latter view and the reasons are as follows:

1. The Legal Nature of the Suitability Obligation of Financial Institutions

The suitability obligation does not arise from the negotiation and agreement between the parties but is directly regulated by law. This statutory nature also applies to sales agencies. Regulatory documents such as the “Notice of the China Banking Regulatory Commission on Standardizing the Agency Sales of Commercial Banks” clearly define the suitability obligation as a statutory duty for sales agencies, aiming to correct the imbalance in transactions through public authority intervention.

At the same time, the 9th Civil Minutes state: “The essence of the selling institution’s suitability obligation is the specific manifestation of the duty of good faith in the field of financial product sales, primarily embodied as a pre-contractual good faith obligation. Therefore, in the absence of specific regulations for suitability systems, the suitability obligation should be viewed as a special duty of good faith, i.e., a pre-contractual obligation during the contract negotiation phase.” Pre-contractual obligations are also statutory duties that arise during the contract formation process, and the seller's duty to exercise care, inform, and recommend appropriate products can be seen as a specific manifestation of pre-contractual duties in the financial investment field.

2. Civil Disputes Arising from the Violation of the Suitability Obligation Should Be Classified as Contractual Disputes

In the book Understanding and Application of the National Court Civil and Commercial Trial Work Conference Minutes compiled by the Second Civil Tribunal of the Supreme People's Court, the determination of the civil cause of action in disputes between selling institutions and financial consumers regarding the sale of financial products is discussed as follows “The selection of the civil case cause of action reflects the nature of the civil legal relationship involved in the case, which is important for the standardization of civil and commercial trials. The cause of action should generally be based on the nature of the legal relationship asserted by the parties. Since the suitability obligation is a pre-contractual duty, the civil disputes arising from its violation should be classified as contractual disputes rather than tort liability. Since there is no specific cause of action for suitability disputes involving financial institutions in the cause of action for contract disputes, and considering that financial consumers primarily purchase financial products based on the need to entrust financial institutions with wealth management, after the implementation of this Minutes, people's courts, when hearing civil and commercial cases arising from the sale of financial products between selling institutions and financial consumers, may consider using the cause of action for financial management entrustment contract disputes."

3. Violation of the Suitability Obligation Constitutes Pre-Contractual Fault Liability

Pre-contractual fault liability differs from tort liability. Pre-contractual fault liability arises when one party breaches its duty of good faith during the contract negotiation process, causing the other party to suffer damages based on their reliance. Tort law, on the other hand, typically involves actively and intentionally infringing on another's property or personal rights.

The essence of the violation of the suitability obligation being classified as pre-contractual fault liability lies in increasing the attention duty of the selling institutions. In the pre-contractual phase, the parties transition from a general relationship to a special trust relationship, and any negligence can cause harm. In such situations, the law imposes a higher duty of care on the financial institution to protect investors, considering the unequal position between them during contract formation.

IV. Entities Bearing Pre-contractual Fault Liability

Both the sales agency and the issuer, as parties involved in the pre-contractual phase, should bear pre-contractual fault liability, either individually or jointly. According to Article 500 of the Civil Code: "If one party causes damage to the other party due to any of the following circumstances during the contract negotiation process, the party at fault shall bear liability for compensation," the entity responsible for pre-contractual fault liability is the party involved in the contract formation process. Therefore, even if there is no direct financial services contract between the sales agency and the investor, the sales agency should still bear pre-contractual fault liability as a party in the process of forming a financial management entrustment contract (i.e., a financial product contract).

V. Conclusion

Before the issuance of the 9th Civil Minutes in 2019, in cases where investors filed lawsuits solely against sales agencies, courts often adjudicated these cases under tort liability due to the lack of a direct written contract between the investor and the sales agency. By using tort liability, courts did not need to delve deeply into the contractual relationship between the parties, focusing instead on the elements of tort liability. After the issuance of the 9th Civil Minutes, investors' lawsuits against sales agencies for failing to fulfill the suitability obligation have a solid legal foundation, greatly simplifying the process of proving the legal relationship and liability.

Regulatory Updates

Measures by the China Securities Regulatory Commission to Deepen the Reform of the Sci-Tech Innovation Board (STAR Market) and Support the Development of Technological Innovation and New Productivity

To the local branches of the China Securities Regulatory Commission (CSRC), all exchanges, affiliated units, associations, and relevant departments within the CSRC:

The establishment of the Sci-Tech Innovation Board (STAR Market) at the Shanghai Stock Exchange (SSE) and the pilot implementation of the registration-based IPO system are significant reforms personally announced, deployed, and promoted by President Xi Jinping. After more than five years of efforts, the effects of the STAR Market and the registration-based IPO system have been continuously amplified, playing an increasingly important role in supporting high-level technological self-reliance, improving the fundamental institutional framework of the capital market, and other areas.

To further implement the spirit of the Central Financial Work Conference and the deployment of the "Opinions on Strengthening Supervision, Preventing Risks, and Promoting the High-Quality Development of the Capital Market" (State Council Document [2024] No. 10) issued by the State Council, improve the "1+N" policy system for the capital market, deepen the reform of the capital market comprehensively, advance the registration-based IPO system, leverage the STAR Market as an experimental platform, and promote the development of new productivity and the national strategy to accelerate the construction of the "Five Centers" in Shanghai, we propose the following measures:

1. **Strengthen the “Hard Tech” Positioning of the STAR Market.** Strictly enforce the entry requirements, resolutely apply the evaluation standards for technological attributes, and prioritize support for “hard tech” companies that make breakthroughs in key core technologies in emerging industries, new business models, and new technologies to list on the STAR Market. Further improve the mechanism for accurately identifying technology-based enterprises and enhance the role of market mechanisms. Given the characteristics of high investment, long cycles, and high uncertainty in R&D and commercialization in relation to new productivity companies, support high-quality, unprofitable tech firms with key core technologies and significant market potential to list on the STAR Market, thereby improving system inclusivity.

2. **Pilot Reform of the Issuance and Underwriting System.** Optimize the pricing mechanism for new stock issuances, adjusting the proportion of high-priced shares to be excluded in the STAR Market’s new stock pricing. Improve the allocation arrangements for new stock issuance based on market capitalization and increase the minimum market value requirements for offline investors holding STAR Market stocks. Pilot a higher lock-up ratio and longer lock-up periods for

offline investment institutions that issue public stocks for unprofitable companies, correspondingly increasing their allocation ratio. Strengthen the regulation of inquiry and pricing behaviors, and establish a “white list” system for offline professional investors, with stricter qualification restrictions for frequently high-bidding institutions.

3. **Optimize the Stock and Bond Financing System for STAR Market Listed Companies.** Establish and improve a “green channel” for stock and bond financing and M&A of “hard tech” enterprises engaged in critical core technology research. Strengthen the review process for refinancing applications and improve efficiency for tech firms’ refinancing applications. Explore establishing criteria for “light asset, high R&D investment” recognition to support the use of raised funds for R&D purposes. Promote the pilot of shelf-style refinancing issuance on the STAR Market.

4. **Increase Support for Mergers and Acquisitions (M&A) and Restructuring.** Support STAR Market listed companies in mergers and acquisitions (M&A) across upstream and downstream sectors to enhance industry synergy. Appropriately increase valuation flexibility for M&A and restructuring of STAR Market listed companies, supporting companies focused on enhancing their sustainable operational capacity to acquire high-quality, unprofitable “hard tech” firms. Expand the use of payment instruments, encourage the use of stock, cash, and convertible bonds in M&A transactions, and explore the feasibility of installment payments for stock-based deals. Support STAR Market companies in acquisitions aimed at enhancing their main business through mergers.

5. **Improve the Stock Option Incentive System.** Strengthen the incentive and constraint mechanisms to encourage STAR Market listed companies to actively use stock options, better aligning the interests of investors and the company. Reinforce the constraints on stock option pricing, performance assessment criteria, and recipients, ensuring more accurate incentives for key team members and business backbones. Optimize the procedures for implementing stock option incentives, adjusting for short-term trading and window period regulations, and researching improvements to the allocation of stock option reserves.

6. **Optimize Trading Mechanisms and Prevent Market Risks.** Strengthen trading supervision and ensure the smooth operation of the STAR Market. Research improvements to the market maker system and after-market trading mechanisms. Include STAR Market ETFs on the fund transfer platform and enhance the designated trading mechanism to improve transaction convenience. Continuously enrich the STAR Market index offerings, refine the index compilation methods, and enhance the “Shanghai Index” system. Expand STAR Market ETF categories and ETF options, and research the timely introduction of STAR 50 index futures and options. Optimize the registration mechanism for broad-based index products.

7. **Enhance the Full-Chain Regulation of STAR Market Listed Companies.**

Strengthen regulatory enforcement to ensure the protection of investors, especially the rights of small and medium investors. Combat fraudulent issuance, financial fraud, and other market irregularities with a stricter enforcement of responsibilities on issuers and intermediaries. Improve the information disclosure exemption system, supporting STAR Market companies in legally exempting the disclosure of sensitive information, such as commercial secrets. Strengthen positive incentives in regulatory policies and encourage founding teams and core technology talents to voluntarily extend their lock-up periods. Optimize the "reverse linkage" system for private equity and venture capital fund exits, supporting reasonable reduction demands. Strictly implement delisting regulations to prevent the emergence of "bad apples" or "zombie companies" in the STAR Market.

8. **Create a Positive Market Ecosystem.** Improve the judicial protection system for the STAR Market, support the Shanghai Financial Court in innovating financial trial mechanisms for STAR Market-related financial cases, and support the Shanghai Financial Arbitration Court in piloting arbitration for STAR Market-related matters. Strengthen cooperation with local governments and relevant ministries, regularly visit STAR Market-listed companies to help resolve practical difficulties, and collectively enhance the quality of STAR Market-listed companies. Implement the "Quality, Efficiency, and Return Improvement" initiative, strengthen investor education services, and advocate for rational, value, and long-term investment principles to foster a positive market culture and investment culture for the STAR Market.

Issued by the China Securities Regulatory Commission
June 19, 2024

Announcement by the Ministry of Industry and Information Technology, Ministry of Finance, and the State Taxation Administration regarding adjustments to the technical requirements for energy-saving and new energy vehicles to enjoy vehicle and vessel tax exemptions

Objective: The announcement aims to align with the development and technological advancements in the energy-saving and new energy vehicle industries, promote energy conservation, and encourage the use of new energy sources.

Key Points:

1. **Updated Fuel Consumption Standards:** The fuel consumption limits for energy-saving passenger cars, light commercial vehicles, and heavy commercial vehicles mentioned in the 2018 policy (Finance and Tax [2018] No. 74) are updated. Specific standards are provided in the attached documents.

2. **Adjustment of Technical Standards for New Energy Vehicles:** Adjustments to the technical standards for new energy vehicles, as outlined in Section 2(b) of the 2018 policy, are specified in the attachments.

3. **Continuation of Other Technical Requirements:** The remaining technical requirements for energy-saving and new energy vehicles to enjoy the vehicle and vessel tax exemptions will continue to follow the 2018 policy.

4. **Implementation Date:** The new regulations will take effect on July 1, 2024. The 2022 announcement (Announcement No. 2) will be repealed. For applications completed before July 1, 2024, the existing technical standards will continue to apply. After this date, new applications for tax exemptions must comply with the updated technical requirements outlined in this announcement.

5. **New "Directory" of Eligible Vehicles:** A new "Directory" for vehicles eligible for the tax exemptions will be announced starting from the 65th batch. The previous "Directory" (covering batches 4 to 64) will be invalidated, and eligible vehicles will automatically be transferred to the new directory. Those that do not meet the updated requirements must complete necessary adjustments before July 1, 2024.

6. **Continuation of Exemptions for Vehicles Listed in the Previous Directory:** Vehicles that have already been listed in the 4th to 64th batch of the directory will continue to benefit from the tax exemption policy, regardless of whether they are transferred, until the new directory is published.

Ministry of Industry and Information Technology
Ministry of Finance
State Taxation Administration
Date of Issue: May 27, 2024.

Announcement by the Ministry of Finance, General Administration of Customs, and the State Taxation Administration on the increase in the tax exemption limit for personal belongings carried by residents entering from Hong Kong and Macau

Objective: The announcement aims to adjust the tax exemption limits for personal belongings carried by residents entering from Hong Kong and Macau, in line with the updated provisions of the "Closer Economic Partnership Arrangement" between Mainland China and Hong Kong, and the "Closer Economic Partnership Arrangement" between Mainland China and Macau.

Key Points:

1. **Increased Exemption Limit for Personal Belongings:** For residents aged 18 and above entering from Hong Kong or Macau, personal reasonable self-use belongings with a total value of up to 12,000 RMB (including 12,000 RMB) will be exempt from tax. Additionally, for travelers arriving at ports with duty-free shops, a certain quantity of duty-free goods can be purchased, and the total value of personal belongings and duty-free goods (purchased at the port) can be up to 15,000 RMB (including 15,000 RMB) for tax exemption.

2. **Exemption Limits for Travelers Entering Hengqin:** When residents travel from Macau through the "first line" into the Hengqin Guangdong-Macao In-depth Cooperation Zone, the current exemption rules will apply to their personal

belongings. However, when traveling from Hengqin through the "second line" into Mainland China, the exemption limit for personal belongings will follow the updated rules mentioned in the first point of the announcement.

3. **Other Regulations Remain Unchanged:** The existing regulations regarding the transport of personal belongings by travelers making frequent trips between Hong Kong, Macau, and the Mainland remain unchanged.

4. **Implementation Schedule:** The new measures will be implemented from July 1, 2024, at six pilot ports: Luohu, Futian, Shenzhen Bay, West Kowloon Station of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Gongbei, and the Zhuhai section of the Hong Kong-Zhuhai-Macao Bridge. From August 1, 2024, the measures will be expanded to all entry ports (except the Hengqin "first line" port).

Ministry of Finance
General Administration of Customs
State Taxation Administration
Date of Issue: June 27, 2024.

Fortran News

1. On June 16, 2024, Attorney Haixia Liu was invited to participate in the 5th Large-Scale Forum of the National Enforcement Cases Cooperation Platform, as well as the public lecture on practical skills for tackling "Difficulties in Enforcement”.

2. In June 2024, five lawyers from Shanghai Fortran Law Firm were selected as members of the 12th Professional Committee of the Shanghai Bar Association. Among them, Attorneys Yummy Yu, Ben Lu, and Susan Yang were appointed to the Tax, Customs, and International Trade Professional Committee, Attorney Ivy Yang was appointed to the Corporate Compliance Professional Committee, and Attorney Edward Gao was appointed to the Sports Professional Committee.