

CEPA Newsletter ♦ February 2006 Edition ♦ Issue no. 14

Published by Macao Economic Services

Contents:

1. A review on the implementation of CEPA Macao
2. A transitional period for Computer Information System Integration (SI) Qualification Certification will be in place allowing Macao enterprises entering into the Mainland market under preferential conditions
3. Five Macao Lawyers were appointed by the Ministry of Justice of the People's Republic of China as the first batch of Appointed Attesting Officers
4. Reduction on the working capital requirements for foreign banks offering Renminbi businesses in the Mainland under CEPA.
5. Amended individual income tax law is implemented in the Mainland in 2006

Editor's Note:

Among all the achievements of CEPA attained in 2005, the most notable one would be the significant increase in trade in goods. The value of goods exported under CEPA reached MOP7,162,000, with MOP639,000 tariffs exemption, reflecting the increases of 290% and 446.9%, respectively, over last year. Since the Mainland allows zero-tariff importations of Macao products and relaxes the market access requirements on certain service industries in the year, greater opportunities for economic development between the Mainland and Macao have been brought forth.

Benefited by Supplement II to CEPA, Macao enterprises are granted a one-year transitional period when applying for the "Mainland Computer Information System Integration (SI) Qualification Certification". During the transitional period, Macao enterprises that apply for the qualification certification will enjoy more relaxed market access conditions.

The Ministry of Justice of the People's Republic of China has awarded Appointed Attesting Officer Certificates to 5 qualified Macao lawyers in February this year. The appointment not only proved the successful implementation of the Macao Appointed Attesting Officer System under CEPA, but also promoted the harmonization in the areas of economics, trade and legal services between the two places.

1. A review on the implementation of CEPA Macao

The implementation of Trade in Goods under CEPA

After CEPA came into effect in 2004, until the end of 2005, the Macao Economic Services received a total of 230 applications for products to be included on the zero-tariff product list and issued 182 CEPA “certificates of origin”. Among all the certificates issued, 156 certificates had been used, with total exports value of MOP8,998,000 and tariff exemption of MOP756,000. The products exported included plastic bags, electric conductors, cement, textiles and clothing, confectioneries, biscuits, coffee beans, recordable compact discs, printing ink, ribbons for typewriters and yarn. Among all, 4 new items (ribbons and ink for typewriters, coffee beans, and biscuits) came as new products eligible for zero-tariffs benefits under CEPA in 2005. Besides, the exportation of electric conductors, textiles and clothing, and cement accounted for over 80% of total exports under CEPA in the last two years, equivalent to a total amount of MOP7,731,000.

In 2005, Macao Economic Services issued 116 CEPA Certificates of Origin, involving a total export amount of MOP8,462,000. 95 Certificates of Origin have been used, recording a total exports of MOP7,162,000 and tax exemption of MOP639,000. These figures represented the increases of 55.7%, 290% and 446.9%, respectively, compared with those in 2004. With regards to customs clearance, there are now 5 checkpoints in place, namely Shanghai, Guangzhou, Jiangmen and Beijing, in addition to the original Gongbei checkpoint.

The implementation of Trade in Services under CEPA

By the end of 2005, Macao Economic Services had issued 225 Macao Service Supplier certificates to 30 enterprises from different sectors, including freight forwarding agency, logistics, transportation, storage and warehousing, convention and exhibition, advertising, distribution, telecommunications and legal services. Among these enterprises, 20 companies were engaged in transportation services in a broad sense and were issued 85.8% of the total Macao Service Supplier Certificates.

With regards to the operation of these enterprises in China, based on their replies to the enquiries of CEPA Information Centre, 14 enterprises have set up branches in Zhuhai, Shenzhen, Zhongshan, Shanghai, Guangzhou and Beijing in the Mainland. On the side of individually owned stores, the Identification Service Bureau of the Macao Special Administrative Regions had issued 405 Permanent Resident Identity Certificates by the end of 2005. According to the statistics, there were 193 Macao residents registered as individually owned store proprietors in the Mainland by the end of November 2005. These stores employed 381 persons and contributed a total registered capital of RMB7,020,000.

2. A transitional period for Computer Information System Integration (SI) Qualification Certification will be in place allowing Macao enterprises entering into the Mainland market

under preferential conditions

After consultations with the Mainland, Macao SAR Government had devised special arrangements applicable to Macao information technology (IT) companies when they apply for the relevant qualifications certifications in the Mainland during a transitional period. In the one-year transitional period, preferential treatments will be granted to Macao enterprises, such as further relaxing the registered capital requirements, lowering the requirements on the total value of integrated system projects completed by the enterprises, and certification of relevant technicians. These measures not only create productive conditions for Macao enterprises, but also enable them to obtain the certification as quickly as possible for development in the Mainland.



Keynote speakers answered questions of the participants
(Courtesy photo from the Government Information Bureau)

In order to allow the local IT industry to understand the latest development and the specific requirements of the qualification certification in the Mainland, especially the preferential treatments that Macao enterprises may enjoy during the transitional period, Macao Economic Services, the Bureau of Telecommunications Regulation and the Macao Productivity and Technology Transfer Center (CPTTM) jointly arranged an explanatory session on the “Application of the Computer Information System Integration Qualification Certification in the

Mainland” on 22nd February. In the session, relevant issues in relation to the implementation of the qualification certification and the respective application procedures were explained to the participants.

3. Five Macao Lawyers were appointed by the Ministry of Justice of the People’s Republic of China as the first batch of Appointed Attesting Officers

Five Macao lawyers who had successfully completed the training course and passed the examination arranged by the Ministry of Justice of the People’s Republic of China were appointed as the first batch of Appointed Attesting Officers of the Ministry of Justice of P.R.C. under CEPA. They were awarded the certificates of appointment by the Ministry of Justice at the Great Hall of the People in Beijing on 8th February.

To implement the system of Macao Appointed Attesting Officers under CEPA, experts from the Ministry of Justice and the Ministry of Commerce of the People’s Republic of China have arranged training programs for Macao lawyers since the end of last year. Five Macao lawyers, upon completing

the training and examinations, were officially appointed as Appointed Attesting Officers in China by the Ministry of Justice. The emergence of the first batch of Macao Appointed Attesting Officers under CEPA was marked as a milestone in promoting the economic exchanges and the prosperity of the two places. Furthermore, closer association between Macao lawyers and the legal and certification organizations in the Mainland would be expected after the appointment. Given the current market opening conditions for legal services under CEPA, it is believed that a more nurturing environment for Macao legal service providers entering into the Mainland will be created and their business will also be developed further.



Five Macao Lawyers were appointed as the first batch of Appointed Attesting Officers under CEPA by the Ministry of Justice of the People's Republic of China.

4. Reduction on the working capital requirements for foreign banks offering Renminbi businesses in the Mainland under CEPA

In accordance with the notification of the Ministry of Commerce of the People's Republic of China, the working capital requirements for foreign banks offering Renminbi businesses in China to all kinds of clients has been lowered from RMB500 million to RMB400 million from 5th December, 2005. The new measure is put in place to comply with China's WTO commitments and to conform to the overall arrangements for the liberalization of China's banking sector. In this regards, the capital requirements of financial service providers in Supplement II to CEPA were revised accordingly to RMB400 million as mentioned above.

5. Amended individual income tax law has been implemented in the Mainland in 2006

The newly amended individual income tax law came into force on 1st January, 2006 in the Mainland. The new law stipulates that taxable incomes should include wages and salaries above the tax allowance of RMB 1600.

Compared with the individual income tax law before the amendment, the tax allowance deductible from wages and salaries has increased from RMB800 to RMB1600.

Taxable incomes for individual income tax should include:

(1) Wages and salaries; (2) Incomes from production or operation of individually owned stores; (3) Income from contracted management or leasehold management for enterprises or institutions;	(7) Interest, dividends, and bonuses; (8) Income from property leasing; (9) Income from transfer of property;
(4) Remuneration for labor services;	(10) Contingent income;
(5) Income from author's remuneration;	(11) Any other incomes considered taxable by the Finance Department of the State Council.
(6) Income from royalties;	

Remarks: the above information is only extraction from the original content. For detailed laws and regulations, please refer to the website of State Administration of Taxation of the People's Republic of China: <http://www.chinatax.gov.cn/zswd.jsp>