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Announcement on Issues Concerning the Verification of the Basis of Individual Income Tax Calculation for Equity Transfers

关于股权转让所得个人所得税计税依据核定问题的公告

【Issued by】 The State Administration of Taxation

【Subject】 Individual Income Tax Calculation

【Promulgated on】 December 14, 2010

【Effective from】 January 14, 2011

【Source】 <http://www.jsgs.gov.cn>

For the purpose of enhancing the management on collecting individual income tax from equity transfer by individual shareholders (the "Individual"), on December 14, 2010, the State Administration of Taxation (the "SAT") issued the Announcement on Issues Concerning the Verification of the Basis of Individual Income Tax Calculation for Equity Transfers (the "Announcement"). It entered into force on January 14, 2011. This Announcement clarifies the types, in which the basis of individual income tax calculation will be decided as obviously low and the relevant means, which the competent administration of taxation is entitled to take in case the basis is obviously low.

1. Fair transaction price

As a general principle, calculation of tax from income acquired by Individuals by equity transfer shall base on a fair transaction price.

2. Specific types of tax calculation on an obviously low basis

If any of the following occurs without justifiable causes, then the basis of such tax calculation will be decided as an obviously low price.

- 1) The declared equity transfer price is lower than the cost of initial investment or the aggregate payment of the purchase price, tax, and other relevant expenses for acquiring this proportion of equity by the seller;
- 2) The declared equity transfer price is lower than the value of the net assets corresponding to that proportion of equity;
- 3) The declared equity transfer price is lower than the equity transfer price offered by the same shareholder or another shareholder in the same enterprise under the same conditions or alike;
- 4) The declared equity transfer price is lower than that of an enterprise in the same trade under the same conditions or alike; and
- 5) Other types of calculation on an obviously low basis as decided by competent administration of taxation.

"Justifiable cause" here means:

- 1) The enterprise invested by the shareholder has been running in red for over three years in a row (including three years);
- 2) Resulted from the adjustment of governmental policy;

- 3) Equity transfer to a spouse, parents, children, grandparents, grandchildren, siblings and the person who is directly responsible for nursing the transferor; or
- 4) Other justifiable causes decided by competent administration of taxation.

Once the basis for calculating the individual income tax is decided as obviously low, the competent administration of taxation is entitled to take the following measures to check and re-decide the basis:

- 1) Based on the net asset represented by each share or the net assets corresponding to the proportion or equity held by the tax payer;

In case the IP rights, land use right, house, exploration right, mining right, and/or equity interest consist more than 50% of certain enterprise's total assets, then the value of the net assets shall be evaluated and verified by an appraisal agency.

- 2) Based on equity transfer price offered by the same shareholder or other shareholders in the same enterprise under the same conditions or alike;
- 3) Based on the equity transfer price of an enterprise in the same trade under the same conditions or alike; or
- 4) If the tax payer disagrees with the measures taken by the competent administration of taxation, such tax payer shall submit relevant evidence. Once the evidence is adopted, other justifiable measures will be taken to check and verify the basis.

This Announcement clearly provides that equity transfer contained in it excludes share transfer in a listed company.

Notice of Shanghai Municipal Human Resources and Social Security Bureau on Several Issues in Implementing the Interim Measures for the Transfer and Continuation of Basic Pension Insurance for Urban Enterprise Workers

关于贯彻《城镇企业职工基本养老保险关系转移接续暂行办法》若干问题处理意见的通知

【Issues by】 Shanghai Municipal Human Resources and Social Security Bureau

【Subject】 Transfer and Continuation of Basic Pension Insurance

【Promulgated on】 December 10, 2010

【Effective from】 December 10, 2010

【Source】 <http://www.12333sh.gov.cn>

On December 10, 2010, Shanghai Municipal Human Resources and Social Security Bureau issued the Notice on Several Issues in Implementing the Interim Measures for the Transfer and Continuation of Basic Pension Insurance for Urban Enterprise Workers (the "Notice"). This local Notice provides detailed grounds for relevant social security department in practical operation.

1. Cross-province movement of an insured person

- 1) Pooling funds: the amount to be transferred shall be 12% of the actual wage based on which the insurance premium is paid in each year after January 1, 1998;
- 2) Individual account: referring to funds deposited before January 1, 1998, the amount to be transferred shall be the cumulative total sum of the principal of individual payments as well as interest accrued; money deposited after January 1, 1998 but before December 31, 2005, the amount to be transferred shall be the total amount of 11% of the wage based on which the insurance premium is paid (including the interest accrued) during such period; and money deposited after January 1, 2006, the amount to be transferred shall be the total amount of 8% of the wage based on which the insurance premium is paid (including the interest accrued) during such period.

2. Insured person who moves the Hukou to Shanghai

In case the insured person previously employed by a unit in another province, and the period during which such insured person did not pay premiums pursuant to the local regulations but allowed to be calculated consecutively as work years according to national rules, then such period is allowed to be regarded as the number of years when the insurance premium has been paid.

3. Cross-province move of a public servant

This Notice also provides the measures on cross-province movement of public servant. Pursuant to relevant notice¹ in relation with it, the previous unit, which the public servant was working for, shall provide subsidies on pension insurance as a lump sum. Such lump sum shall be transferred to this public servant's individual basic pension account.

4. Army officers transferred to civilian work

Army officers transferred to civilian work are entitled to join the basic pension insurance since the first working month. The period during which they served in the army shall be regarded as the number of years when the insurance premium has been paid. The same as those public servants, such officers shall be given a lump sum as compensation by the State, which will be deposited on their individual account.

¹ Relevant notice is the "Notice on Handling the Social Security When Staff move from Institutional Organization to Enterprises", pursuant to this notice, the subsidy standard is: average wage per month in the last year before the leave of the staff * working years in the Institutional Organization * 0.3% * 120 months.

Guidelines for Information Barrier Systems in Securities Companies

证券公司信息隔离墙制度指引

【Issued by】 Securities Association of China

【Subject】 Information Barrier Systems

【Promulgated on】 December 29, 2010

【Effective from】 January 01, 2011

【Source】 <http://www.sac.net.cn>

The Securities Association of China (the “SAC”) released the Guidelines for Information Barrier Systems in Securities Companies (the “Guideline”) on December 29, 2010. It took effect on January 01, 2011. This Guideline clarifies the requirements of establishing barrier systems, and the control of sensitive information improperly flowing and being used between businesses which have mutual conflict of interests. Moreover, information barrier systems are required between securities companies / investment bank and research business, self-operation and assets management business, securities companies and subsidiaries directly invested by such securities companies.

In Chapter one, this Guideline explains two key terms:

(1) Information Barrier System

It means a series of measures taken by securities companies for the sake of controlling the improper flow and use of sensitive information.

(2) Sensitive Information

It means any insider information grasped or known by securities companies during the business operation, or any other undisclosed information which may bring material impact on investments.

Chapter two of this Guideline provides general rules for the information barrier system. As a principle, sensitive information shall only be accessible to staff who have to know that information as result of the reasonable need of business operation and management obligation. Furthermore, securities companies shall take measures to prevent the improper flow and use of sensitive information, like: i) the securities companies shall enter confidential information agreement with their staff; ii) enhancing the management of the facilities which contain sensitive information; and iii) supervising the emails or messages sent by staff that may access sensitive information through information exchange system and electronic facilities allotted by such securities company. Securities companies shall also physically separate the office areas of department having conflict of interests and restrict the communication of staff belonging to departments having conflict of interests.

Chapter three stipulates detailed rules for information barrier system based on specific businesses. For example, at which stage or under what kind of condition shall a securities company include concerned companies or securities in a watch list² or restrictive list³; information barrier system in publishing security research report; information barrier system between self-operation business and assets management business; and information barrier system between a securities company and its directly invested subsidiaries.

Chapter four provides rules for staff to obey for the purpose of preventing such staff to make unjustifiable benefits through the sensitive information.

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² Watch list: in the event that a securities company holds or may hold sensitive information, it shall include the companies or securities related to such sensitive information in the watch list. The watch list is a highly confidential list and shall be confined to those performing the relevant duties of management and monitoring.

³ Restrictive list: in the event that a securities company has difficulty in effectively managing the conflict of interest by taking the measures of information isolation and disclosure, it shall include the companies or securities related to the sensitive information in the restricted list. The securities company shall determine the release scope of the restricted list where necessary.