



CHINA LEGAL BRIEFING 125

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1. National

Circular on Perfect Export Tax Rebate Sharing System of Central and Local Organs

关于完善中央与地方出口退税负担机制的通知

【Issued By】 State Council

【Subject】 Tax

【Promulgated on】 August 1, 2005

【Source】 <http://www.mofcom.gov.cn/>

In order to further perfect and regulate the system of export tax rebate, the State Council released this Circular on August 1, 2005.

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The Circular specifies that Reform of Export Tax Rebate System is an important decision of Central Committee of the Party and State Council to promote reform of foreign trade regime and remain continuous and healthy development of foreign trade and economy.

It also elaborates that the State Council is willing to:

- Adjust the Export Tax Rebate proportion that Central and Local Organs shall share. Local Export Tax Rebate Radix, authorized by the State Council, remain unchanged, the exceeding part shall be shared by Central and Local Organs at a proportion of 92.57.5.
- Standardize local Export Tax Rebate Sharing Measures. All the provinces (cities, districts) shall constitute the Export Tax Rebate Sharing Measures in the light of specific conditions, without burdening the Export Tax Rebate on the enterprises or villages and towns. The provincial financial sectors shall in charge of all the related problems in the provinces.
- Improve mode of Export Tax Rebate.

Circular on Issues of Quickening the Development of Exchange Market

关于加快发展外汇市场有关问题的通知

【Issued by】 People's Bank of China

【Subject】 Exchange

【Promulgated on】 August 8, 2005

【Source】 <http://www.pbc.gov.cn/>

China's central bank announced in a Circular on August 8, 2005 that it was adopting new foreign exchange policies in a bid to secure its domestic businesses against risks brought by the Renminbi's rate change.

According to the Circular, banks that offer spot exchange settlements and sales can all apply for forward exchange settlements and sales business. Domestic companies can now sign agreements with more qualified banks for exchanges between Renminbi and a foreign currency on certain future dates at a set rate.

Moreover, the Circular also elaborates that the business is being expanded from the three major items of trade, service, and proceeds to all current transactions. Some capital and financial transactions are also included.

Meanwhile, banks with forward exchange settlement and sales business for more than six months can now apply for swap transactions between the Renminbi and foreign currencies, according to the Circular.

The new policy is expected to be an important measure to improve the formation mechanism of the Renminbi rate.

Circular on Issues of Raising the Upper Limit on Forex Holdings of Domestic Companies under Current Accounts

关于放宽境内机构保留经常项目外汇收入有关问题的通知

【Issued by】 State Administration of Foreign Exchange

【Subject】 Foreign Exchange

【Promulgated on】 August 2, 2005

【Effective from】 August 2, 2005

【Source】 <http://www.safe.gov.cn/>

China's foreign exchange regulator, the State Administration of Foreign Exchange (SAFE,) has raised the upper limit on forex holdings of domestic companies under current accounts by issuing a Circular on August 2, 2005 in a further step towards liberalizing its currency policy restrictions.

It shows once again how China is gradually moving towards an open-market economy, and follows last month's scrapping of a decade-old peg of the renminbi to the US dollar.

The issuance of this Circular is also aimed at helping companies to strengthen their international competitiveness and help improve the Yuan exchange rate mechanism.

According to the Circular local companies and institutions will be allowed to keep as much as 80 percent of their forex holdings in current accounts. In contrast, in March 2004, the upper limit was raised to 50 percent.

The release of the Circular may also reduce the amount that firms convert into yuan, relieving demand for the local currency and therefore reducing the upward pressure for the renminbi.

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