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China Watch

1. Laws and regulations which come into effect on 1st January 2007

In January 2007, a number of laws and regulations in PRC involving various aspects have come into effect and shall be implemented. Some of the laws and regulations are stated as follows :

(1) Law on Anti-money Laundering

This is the first administrative law in PRC specialized in anti-money laundering. This law pays particular attention to the preventive control, which mainly stresses on preventing and controlling the money laundering activities. The implementation of the Law of Anti-money Laundering enables the anti-corruption work under public concern to be supported by a new law. For the punishment for the offences, the Law of Anti-money Laundering has extended the scope of delinquencies and the conduct which constitute money laundering offence. This clearly shows that China will further participate in international cooperation in preventing anti-money laundering offences.

(2) Passport Law

This Law is the first specific Passport Law. The Law stipulates that: there are three types of passport in our country, which are general passport, diplomatic passport and service passport respectively; the time required to apply for passport has been shortened to half which is 15 days under general circumstances and which may be extended to 30 days in case that issue of a passport

cannot be made on time under special circumstances for remote area or due to inconvenient transportation; a passport for a holder under the age of 16 is valid for 5 years and a passport for a holder over the age of 16 is valid for 10 years.

(3) Banking Supervision Law of the People's Republic of China

The Decision of the Standing Committee of the National People's Congress on Amendments to the Banking Supervision Law of the People's Republic of China (the "Law") has been implemented from 1st January 2007. It is stipulated in the Article 43, Chapter 5 of the Law that where a person who engages in supervision and administration in a banking supervisory and regulatory institution corrupts, accepts bribes, divulges state secrets, commercial secrets or personal privacy which shall be amount to the commission of an offence, criminal liabilities shall be imposed in accordance with law; and in case that no offence has been committed, an administrative penalty shall be given.

(4) Decision on Amendments to the Organic Law of the People's Courts of the People's Republic of China

It is decided at the 24th meeting of the Standing Committee of the 10th National People's Congress of the People's Republic of China that the following amendment shall be made to the Organic Law of the People's Courts of the People's Republic of China: Article 13 shall be amended as: "All death penalties, save and except those which are adjudicated by the Supreme People's Court according to law, shall be reported to the Supreme People's Court for examination and approval." This Decision has come into force from 1st January, 2007.

(5) Measures for the Administration of the Crude Oil Market

According to the commitments of China upon the entry into the World Trade Organization, China opened the rights of wholesale operation of crude oil and refined oil to the outside world on 11th December 2006. The Ministry of Commerce has issued the

Measures for the Administration of the Crude Oil Market and the Measures for the Administration of the Refined Oil Market, which have been formally implemented from 1st January 2007. The two Measures include the contents such as crude oil, application procedures, materials to be submitted, supervisory administration etc and stipulate the main qualifications, procedures of examination and approval and legal responsibilities of departments in charge of commerce of various levels which implement the administrative licence.

(6) Measures for the Administration of Medical Advertisements

The State Administration for Industry and Commerce and the Ministry of Health have jointly amended the Measure for the Administration of Medical Advertisements which was promulgated on 10th November 2006, and implemented from 1st January 2007. From the newly amended Measures for the Administration of Medical Advertisements, there are restrictions on the contents of medical advertisements in two aspects which are the contents that medical advertisements are limited to publish and circumstances which may not be included. The contents are limited to the name, address, type of the medical institution, admission time, contact number, etc. Circumstances that may not appear are methods of treatment, name of illness, etc.

(7) Provisional Measures for Inquiries about the Registration Information of Property Ownership

Article 3 of the Provisional Measures for Inquiries about the Registration Information of Property Ownership (the “Measures”) stipulates that the registration information of property ownership mentioned in the Measures includes the original registration documentation, and the information about the property rights recorded by the property ownership registration authorities. Article 4 of the Provisional Measures for Inquiries about the Registration Information of Property Ownership stipulates that the original registration documentation includes the application form for property ownership registration, concrete basis for the

establishment, modification, transfer, elimination of or restriction on the property rights, as well as other materials submitted by the applicants of the property ownership registration.

(8) Financial Rules for Financial Enterprises

The Rules have enriched and strengthened the contents of the financial risk management of financial enterprises. Directed by risk control, the risk prevention barrier has been moved to the core of the management of financial enterprises. By a sound management system of financial information and financial evaluation system, it is to strengthen the guidance, management and supervision by the financial departments on the financial activities of financial enterprises, enhance the efficiency of capital utilization, prevent and resolve the financial risks, make full use of the effect of the financial departments in maintaining the financial stability, maintaining the socio-economic order.

(9) Measures on Self Declaration of Tax for Individual Income Tax (Trial Implementation)

From 1st January 2007, a taxpayer with an annual income of over RMB120,000 shall personally complete tax declaration for individual income tax. In November 2006, the State Administration for Taxation has formulated and promulgated the Measures on Self Declaration of Tax for Individual Income Tax (Trial Implementation) (the “Measures”). In accordance with the Measures, a taxpayer with an annual income of over RMB120,000 should, in calculating the annual income of one’s own, declare all income and report the multiple items of income which were not allowed to be deducted.

The summary is only intended to provide an outline of certain recent developments in the PRC and is not intended to be relied upon or taken as legal advice provided by Sit, Fung, Kwong & Shum or Hong Kong Sit, Fung, Kwong & Shum Xi’an Representative Office. If you have any enquiry, please contact Alex Chan, our partner in Xi’an Representative Office at Tel: (852)29097320 and fax: (852)28459292 (Hong Kong) or Tel: (8629)87203203 and fax: 8629 87203033 (Xi’an) e-mail: alexchan@sfks.com.hk