

China to rev up streamlining and de-regulation

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In brief

- » From 1 July 2021, the new practice of "separation of licenses from permits" will be implemented nationwide to streamline government services in a larger scope and more industries.

Feedback

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In detail

From 1 July 2021, per State concile’s announcement, China will institute a nationwide reform of cancelling approval certificates, simplifying the government services procedures, implementing a transparent “list management” system on operation permits, and promoting the use of electronic licenses. This is another important reform since the concept of "decentralization, management and servicing" was introduced in 2015.

» “Decentralization, management and servicing” refers to the decentralization of government and improvments in regulations and services. In the "separation of licenses from permits" reform, the term "licenses" refers to the business licenses issued by the State Administration for Market Regulation (SAMR); the term "permits" refers to the specific operation permits issued by a sector regulator, some which require an approval, some do not.

- For those permits requiring an approval, the State Council has proposed four reform approaches:

Approach	Sectors	Affected Permits	Results
Cancellation of approval	Foreign trade, engineering construction, transportation and logistics, intermediary services	Nationwide: 68 items In FTZ*: 15 items	Business can start after obtaining a business license
By filing	Trade distribution, education and training, medical, food, finance	Nationwide: 15 items In FTZ: 15 items	Business can start after obtaining a business license
By a commitment	Agriculture, manufacturing, production services, consumption, telecommunications, energy	Nationwide: 37 items In FTZ: 40 items	Much clearer and practical criteria to follow
Streamlined approval	1) Production of important industrial products (except foodstuffs and fertilizers); 2) Security services; 3) Establishment of accounting firms; 4) Warehousing of goods under customs supervision; 5) Business premises for internet access services, etc.	Nationwide: 1) 15 items 2) 256 items 3) 140 items 4) 18 items 5) 13 items	Decentralizing the approval authority, streamlining the permit conditions and documents, and reducing the approval time, etc.

*FTZ: Free Trade Zone

- For those permits not subject to an approval, they will be integrated into the business license per the "one integrated license" practice.
- » In addition, the "separaton of licenses from permits" reform is put under the following supervision:

- **Daily supervision**

For general sections, a supervision model of "two random and one public act" will be implemented, which means randomly selecting a target, randomly appointing inspectors and disclosing the result to the public.

- **Performance supervision**

The new measures will include combining the corporate credibility ranking system with the system for individuals. Enterprises and individuals listed in the “blacklist” will face a series of restrictive measures. For example, their credibility will be taken into consideration in the review of any official applications, registrations, administrative licenses, qualifications, record recognition, and subject to corresponding restrictions or prohibitions.

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- **Post-event supervision**

Big data, cloud computing and the internet plus regulatory system will be utilised to achieve a highly efficient supervision.

WTS China observation

It was not long ago that China overhauled its market entry systems via some innovative practices, propagated in Chinese slogans as "licensing comes before permitting" (issuing a business license to a company even before it has an operation permit), "three in one" (combining three licenses into one), and "one code for one license" (using one code for one company to capture all registration details).

The recent move has elevated the reform to the greatest extent possible that some approvals will be replaced by a simple filing or even removed. This aims at resolving the longstanding difficulty of obtaining an operation permit after getting a business license, and eliminating the confusion caused by numerous certificates issued to a single company. "One for all" is the ultimate goal of the reform, to streamline the bureaucratic process and to enhance the supervision over compliance.

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