

# REPORT ON CPA AUSTRALIA'S CHINA ECONOMIC AND BUSINESS SENTIMENT SURVEY 2021

RESILIENT GROWTH AND SEIZING NEW OPPORTUNITIES

JANUARY 2021

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# CPA AUSTRALIA ECONOMIC AND BUSINESS SENTIMENT SURVEY 2021 CHINA

## BUSINESS CONFIDENCE AND KEY FACTORS IN 2021



of respondents expect their company's profit will remain the same or increase



of respondents believe their company will maintain or increase its headcount

### DRIVERS

- Recovery of the global economy
- A universally available Covid-19 vaccine
- Improved China-US relations
- Government initiative to build a dual circulation economy
- Policies to support innovation

### CHALLENGES

- Economic uncertainty caused by the Covid-19 pandemic
- Slowing global economy
- Ageing population and low birth rate
- High and rising corporate debt
- Slowing domestic growth

### INNOVATION AND TECHNOLOGY

**57%**

of respondents expect their business will slightly or significantly increase investment into new technologies

#### Top-three focus areas in 2021

- Product/Services
- Customer Experience
- Business Process

### TAX REFORM

**79%**

of respondents stated that tax reform and fees reduction measures were beneficial to their business in 2020

#### Major focus of tax reform in 2021

- Individual income tax
- Corporate income tax
- Value-added tax

### GOING GLOBAL AND RCEP

**38%**

of respondents expect the signing of RCEP will create more trade opportunities for Chinese businesses



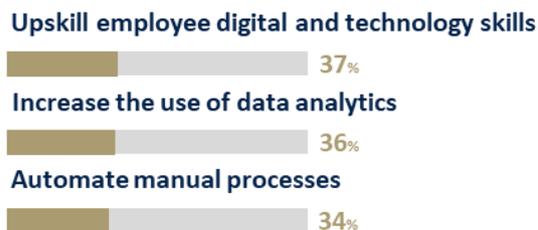
# CPA AUSTRALIA ECONOMIC AND BUSINESS SENTIMENT SURVEY 2021 CHINA

## KEY STRATEGIC FOCUS FOR BUSINESSES IN 2021

### TOP-THREE BUSINESS STRATEGIC FOCUSES



### TOP-THREE INNOVATION AND TECHNOLOGY FOCUSES



### TOP-THREE EMPLOYEE SKILLSETS



## RECOMMENDATIONS FOR BUSINESSES



Review and utilise existing business data to inform innovations in areas such as products / services, customer experience and business operations.



Access training and advice so the business is better placed to keep abreast of recent tax relief and fees reduction measures, as well as to take advantage of tax reforms that may be introduced in 2021.



Control costs to a level consistent with the firm's needs rather than just cutting costs. Longer-term and recurring savings are better than short-term wins.



Encourage a corporate-wide innovative culture through training programs that develop or improve the digital and technical skills of employees, as well as increasing their flexibility and adaptability.



Keep up to date with reforms to the financial sector, such as the expansion of the registration-based IPO system, the Digital Currency Electronic Payment (DCEP) and increasing environmental, social and governance (ESG) disclosures.



Embrace the dual-circulation economy model and cautiously explore new opportunities to diversify and expand businesses in both domestic and overseas markets, such as taking advantage of the Hainan Free Trade Port, the Greater Bay Area Initiative and the RCEP.

## KEY HIGHLIGHTS

While the COVID-19 pandemic has led to a deep global economic recession, data from China shows that the domestic economy has largely recovered after a contraction in the first quarter of 2020. China's full-year GDP grew 2.3 per cent in 2020, with fourth quarter GDP growing 6.5 per cent compared to the same period in 2019 and accelerating from a 4.9 per cent growth in the third quarter.

Exports in December grew 18.1 per cent year-on-year in US dollar terms, the seventh consecutive month of growth, while imports grew 6.5 per cent year-on-year, rising from an expansion of 4.5 per cent in November. The manufacturing sector also recorded positive news with activity expanding for the tenth consecutive month in December, while China's non-manufacturing activity also expanded in December although the pace of expansion was slower than in November.

Yet, while the economic data in 2020 was mainly positive, the domestic economy continues to be restrained by COVID-19-related uncertainties as well as global economic weakness. The availability and successful roll-out of COVID-19 vaccines, coupled with the continuation of targeted government fiscal support, should provide a direct boost to the economy and business confidence in China in 2021.

This report summarises the expectations of CPA Australia members residing in Mainland China for China's economic and business environment in 2021.

### Economic expectations

When asked what will most positively impact China's economy in 2021, respondents were most likely to choose a recovery of the global economy (44 per cent), a universally available COVID-19 vaccine (42 per cent), and improved China-US relations (39 per cent).

With promoting domestic and foreign markets, and technology innovations being key focuses in the 14<sup>th</sup> Five Year Plan, respondents also identified government initiatives to build a dual circulation economy (36 per cent) and policies to support innovation and technology adoption (27 per cent) as factors that will support China's economy in 2021.

Unsurprisingly, economic uncertainties caused by the COVID-19 pandemic (73 per cent) and a slowdown of the global economy (55 per cent) are considered to be the most significant challenges to China's economy in 2021.

Other challenges include slowing domestic growth, high and rising corporate debt, and an ageing population and low birth rate (all at 29 per cent).

### Business conditions

Respondents' expectations for their company's profit in 2021 remain largely positive with 71 per cent of accounting professionals expecting their company's profit to either increase or remain largely the same, although this was slightly lower than the 75 per cent reported in 2020.

This trend is also reflected in expectations for changes in company headcounts in 2021, with 64 per cent of respondents expecting their employer's headcount will either increase or remain the same, down by 2 percentage points from 2020. These results suggest that while most of our members surveyed remain largely confident in their outlook for their business in 2021, weaker global economic conditions are weighing on business sentiment in China.

Reflecting both a proactive and innovative culture of many Chinese businesses in the face of strong headwinds, respondents consider digital transformation (33 per cent) and exploring new markets for potential expansion (26 per cent) as two of the top three key strategic focuses for their businesses in 2021. Additionally, 28 per cent of respondents said their business will also focus on cost management, suggesting that businesses are also addressing near term challenges.

Echoing the emphasis on innovation and technology in 2021, many respondents also chose innovation and research (25 per cent), attracting and retaining talent, and staff reskilling / upskilling (both at 22 per cent) as key strategic focuses in 2021.

With more companies focusing on digitalising their business, it comes as no surprise that respondents are most likely to nominate digital and technical skills (53 per cent) as the top skill they believe employees should possess in 2021. Related to that, flexibility and adaptability (46 per cent), and creativity and innovation (also 46 per cent) were the second and third most chosen skills respondents believe employees should possess.

### **Innovation and technology trends**

In 2021, 57 per cent of respondents expect their businesses to increase investment in new technologies, up 7 percentage points from 2020. This indicates that many businesses in China are not only digitalising through increased technology investment to adapt to changing work environments but are also focusing on long-term growth opportunities, staying ahead of competitors by making greater use of technology to improve productivity and business processes.

Spurred by competitive pressures, the possibility of improved business efficiency, and improving customer value to their customers, respondents were most likely to expect their company to seek innovation in the areas of products / services, customer experience, and business processes.

Upskilling employee digital and technology skills (37 per cent), increasing the use of data analytics (36 per cent) and automating manual processes (34 per cent) are the top-three innovation and technology measures that respondents expect their companies will focus on in 2021.

### **Tax reform**

A majority of respondents (52 per cent) stated that the largest benefit of the government's tax reform agenda was a reduction in the overall tax burden on their businesses. In total, 79 per cent of accounting professionals feel that tax reforms and reduced fees were beneficial to their businesses in 2020, up slightly from 77 per cent in 2019. With 2020 being a more challenging year, the results show that tax reforms and reduced fees have helped cushion the adverse impacts of COVID-19 on many businesses.

Respondents indicate that individual income tax (65 per cent), corporate income tax (63 per cent), and value-added tax (49 per cent) should be the major focus for tax reform in 2021. The results indicate strong support amongst members for the continuation of the government's tax reform agenda.

### **Going Global Strategy and the Regional Comprehensive Economic Partnership**

When asked what outbound activity their business will undertake or focus on in 2021, as a response to the Going Global strategy (GGS), respondents chose collaborating with overseas institutes and organisations for innovation and

technology (15 per cent), engaging in the projects relevant to the Belt and Road Initiative (BRI) (15 per cent), and investing in, or acquiring, overseas companies (13 per cent) as their top three choices. These results illustrate that while there were no clear choices that respondents felt were key focuses, many outward-looking businesses are taking advantage of the opportunities created by the GSS and BRI to expand internationally.

The Regional Comprehensive Economic Partnership (RCEP) is viewed by 38 per cent of our members surveyed as an agreement that will positively impact China's economy in 2021 by creating more trade opportunities for Chinese businesses. A further 23 per cent of respondents believe the RCEP will contribute to the Chinese economy by helping to create new investment opportunities for Chinese businesses, and 17 per cent believe that it will increase collaboration with other countries.

## OUR RECOMMENDATIONS FOR BUSINESSES

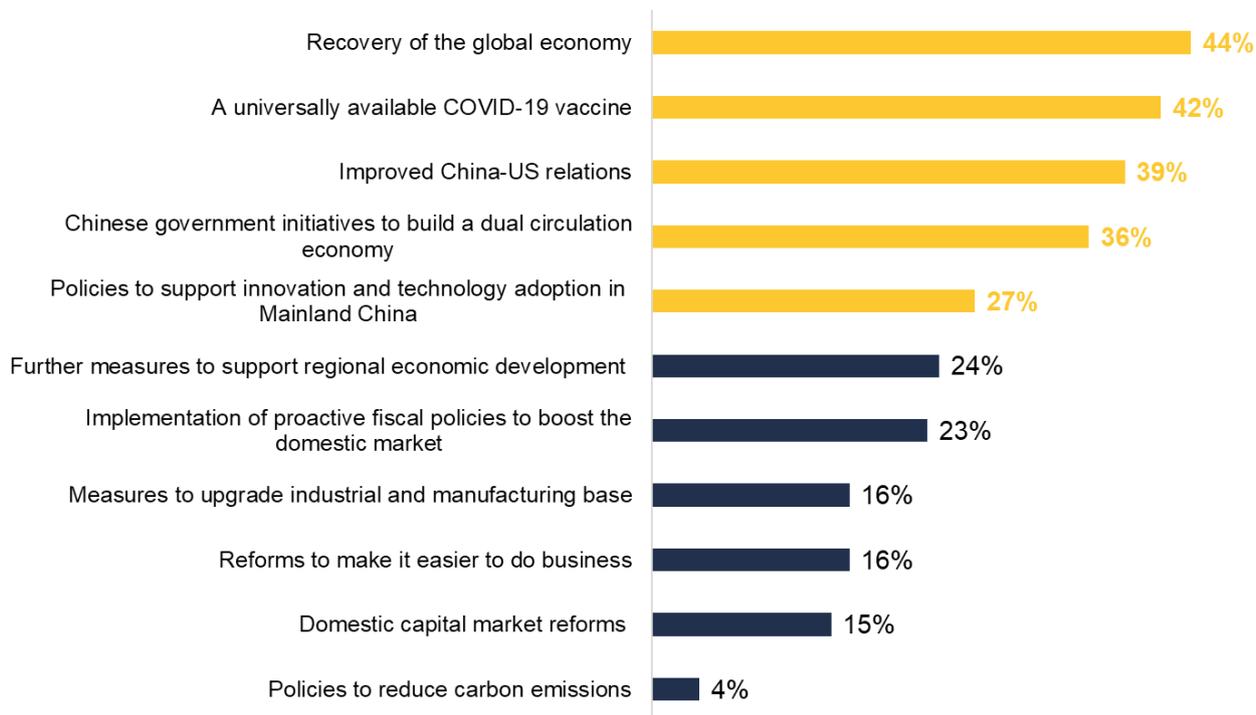
In the face of persistent economic uncertainties and challenges, it is important that businesses focus on optimising business processes and operations, and grasp opportunities that will help drive business growth.

Businesses in China could consider the following:

- Review and utilise existing business data and seek innovations in areas such as products / services, customer experience and business operations.
- Encourage a corporate-wide innovative culture through training programs that develop or improve the digital and technical skills of employees, as well as increasing their flexibility and adaptability.
- Access training and advice so the business is better placed to keep abreast of recent tax relief and fees reduction measures, as well as to take advantage of tax reforms that may be introduced in 2021.
- Controlling costs to a level consistent with the firm's needs rather than just cutting costs. Longer-term and recurring savings are better than short-term wins.
- Keep up to date with reforms to the financial sector, such as the expansion of the registration-based IPO system, the Digital Currency Electronic Payment (DCEP) and increasing environmental, social and governance (ESG) disclosures.
- Embrace the dual-circulation economy model and cautiously explore new opportunities to diversify and expand businesses in both domestic and overseas markets, such as taking advantage of the Hainan Free Trade Port, the Greater Bay Area Initiative and the RCEP.

## ECONOMIC EXPECTATIONS

**Figure 1. Factors expected to positively impact China's economy in 2021**



**Note:** As this is a multiple-choice question, the total response percentages will exceed 100 per cent.

**Question:** Which of the following factors do you think will most positively impact China's economy in 2021?

Figure 1 shows that respondents were most likely to choose a recovery of the global economy (44 per cent) as the factor that will most positively impact China's economy in 2021. This indicates that many accounting and finance professionals surveyed believe that the global economy will return to growth in 2021, and that this should underpin solid economic growth in China.

A universally available effective COVID-19 vaccine is the second most selected choice (42 per cent) suggesting that respondents believe a fast and successful vaccination process to bring the COVID-19 pandemic under control and possibility to an end should be a powerful pull-factor for both the Chinese and the global economy.

Nearly two in five (39 per cent) respondents chose improved China-US relations, showing that, subject to a number of factors, the prospects of improving relations and easing of trade tensions should boost the domestic economy.

Further, with boosting domestic consumption and developing innovation and technology capabilities being some of the key economic goals of the 14th Five-Year Plan, government efforts to build a dual circulation economy (36 per cent) and policies to support innovation and technology adoption (27 per cent) are other important factors respondents believe will support China's economy in 2021.

### **Main challenges to China's economy in 2021**

Unsurprisingly, economic uncertainties caused by the COVID-19 pandemic (73 per cent) and a slowdown of the global economy (55 per cent) are considered to be the most significant challenges to China's economy in 2021.

Other challenges respondents believe will affect the Chinese economy include slowing domestic growth, high and rising corporate debt, and an ageing population and low birth rate (all three at 29 per cent).

Support for the domestic economy through continued fiscal support, measures to build a dual circulation economy, and policies to incentivise investment in emerging technologies will help encourage economic growth in 2021.

### **China's GDP growth expectations**

The International Monetary Fund (IMF) has projected China's GDP to grow at 8.1 per cent in 2021, while the Organisation for Economic Co-operation and Development (OECD) and the World Bank expect the Chinese economy to grow by 8 per cent and 7.9 per cent respectively. Moreover, the OECD has also forecasted that China will play a leading role in driving the world's economic recovery post-COVID-19, with China expected to account for one-third of global economic growth in 2021. A majority (59 per cent) of respondents believe that China's GDP will grow by 5.5 per cent or more in 2021.



**Mr. Justin Qiu FCPA (Aust.), President  
of CPA Australia North China Committee  
2021**

2021 marks the first year of the 14<sup>th</sup> Five-Year Plan. From the survey results, the business community in China appears to be generally optimistic about economic and business growth prospects in 2021.

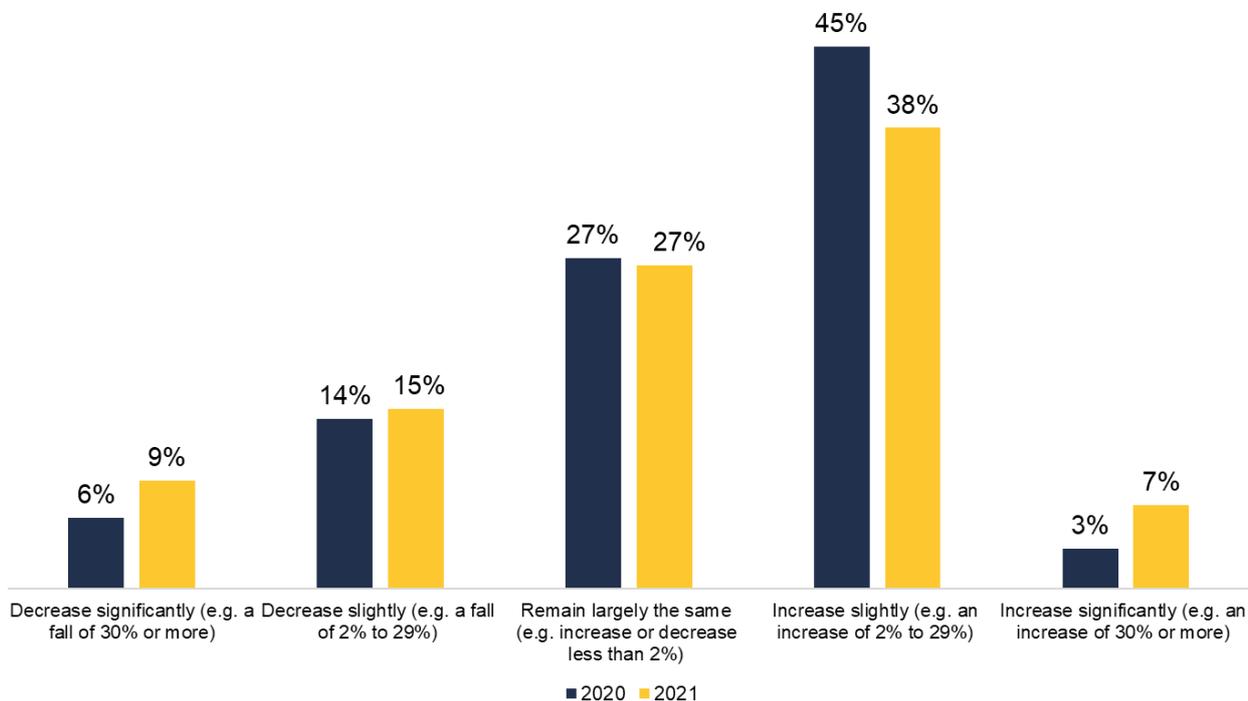
Technology adoption and innovation are one of the important sources of confidence in the business community. The 14<sup>th</sup> Five-Year Plan proposes prioritising innovation as a main driving force of China's modernisation efforts. This will not only encourage companies to innovate and adopt technology, but is also conducive to promoting overall digital transformation and performance.

Secondly, technologies such as 5G, Internet of Things, artificial intelligence, new-generation information and communication technology, and high-end chip design and manufacturing, are expected to facilitate key innovations during the 14<sup>th</sup> Five-Year Plan period. This will create a favourable environment for businesses to digitally transform to improve the utilisation of existing resources, develop new growth areas, remedy shortcomings, promote competitive advantages and strengthen business synergy.

Finally, the COVID-19 pandemic has led to changes in consumer behaviour. As online shopping proliferates, this has led to the accumulation of significant quantity of high-quality data. Such data is essential for businesses to take advantage of the digital economy and to continuously seek improvements in their products, services, operating models and business concepts.

## BUSINESS CONDITIONS

Figure 2. Expected change in company profit in 2021

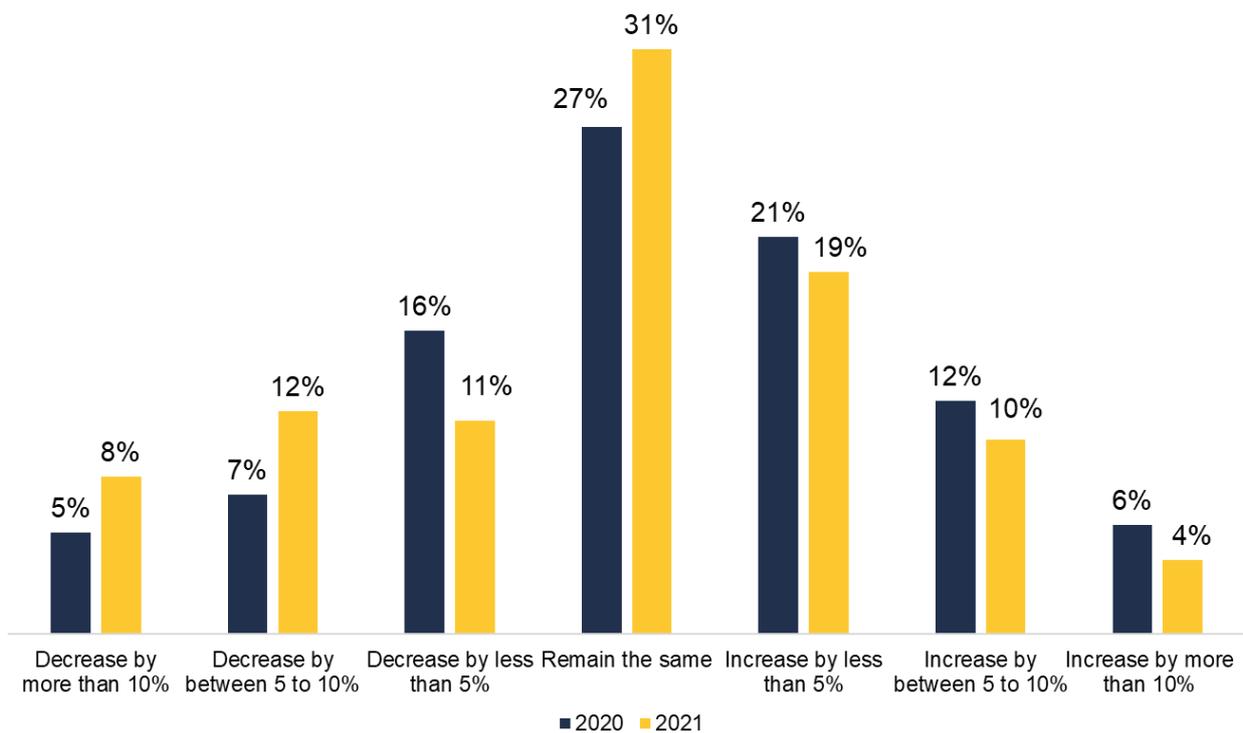


- Notes:**
- (1) The percentage of respondents who selected 'Don't know' in 2020 and 2021 was 5 per cent and 5 per cent respectively.
  - (2) Percentages may not add up to 100 per cent due to rounding.

**Question:** In comparison to 2020, do you expect your company's profit in 2021 will...?

Reflecting slightly dampened business confidence brought about by global economic headwinds, Figure 2 shows that 71 per cent of accounting and finance professionals estimate that their company's profit in 2021 will either remain largely the same or increase, down from 75 per cent in the 2020 survey.

However, nearly a quarter of respondents (24 per cent) expect their business's profit to decline by 2 per cent or more in 2021, up 4 percentage points from the previous survey. This shows that while China's business outlook remains largely positive, at the time of the survey some businesses are expecting 2021 to be a more difficult year due primarily to a combination of the ongoing pandemic, global recession, and continued trade tensions.

**Figure 3. Expected change in headcount in 2021**

- Notes:**
- (1) The percentage of respondents who selected 'Don't know' in 2020 and 2021 was 5 per cent and 4 per cent respectively.
  - (2) Percentages may not add up to 100 per cent due to rounding.

**Question:** By what percentage range do you think your company's headcount will change in 2021 from 2020?

Consistent with profit expectations, 65 per cent of respondent expect their company's headcount to remain the same or increase in 2021, which represents a slight decrease from 66 per cent in 2020.

However, 32 per cent of respondents expect their employer to reduce their headcount in 2021, compared with 29 per cent in 2020. This illustrates that while the labour market appears to be relatively strong and stable, ongoing global challenges have somewhat weakened hiring expectations for some businesses compared to the year before.

**Figure 4. Key strategic focuses for companies in 2021**

**Note:** As this is a multiple-choice question, the total response percentages will exceed 100 per cent.

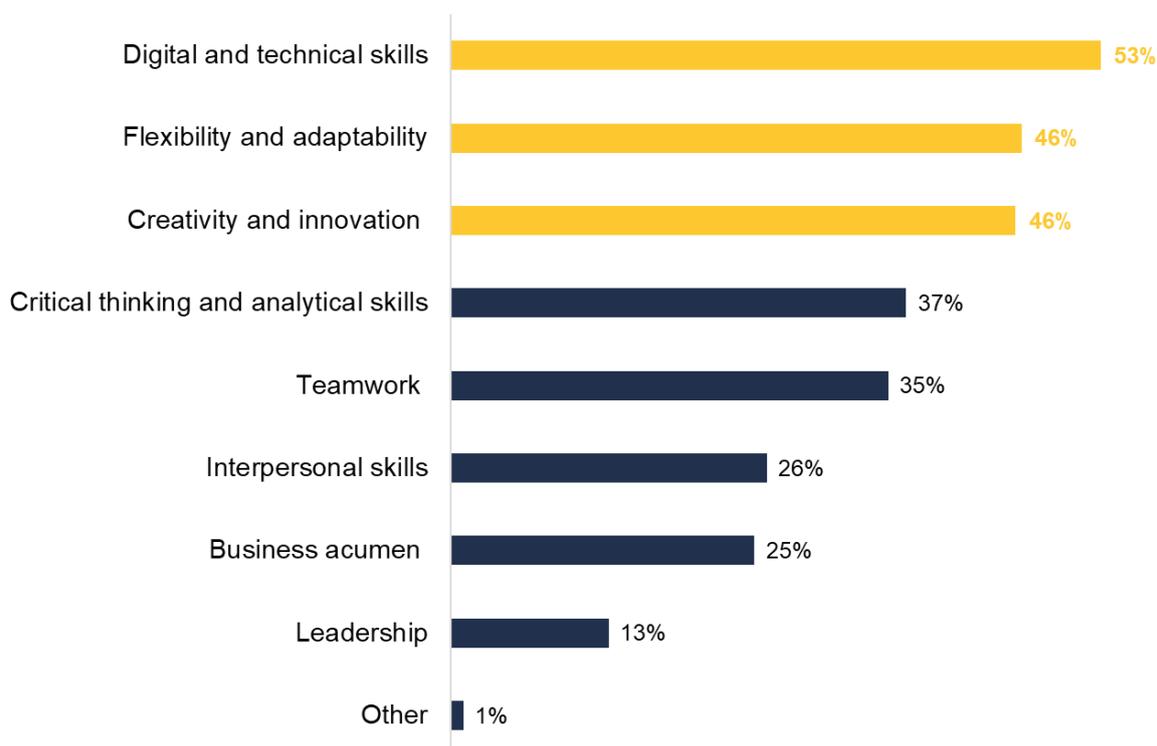
**Question:** Which of the following best describes what you expect to be your company's key strategic focuses for 2021?

Reflecting both a proactive attitude and long-term growth focus of many Chinese businesses in the face of strong headwinds, 33 per cent of respondents chose digital transformation and 26 per cent chose exploring new markets for potential expansion as two of the top-three key strategic focuses for their company in 2021.

Further, a quarter of respondents chose innovation and research, and more than one-fifth nominate attracting and retaining talent, and staff reskilling / upskilling as strategic focuses for their business, highlighting the strong attention many Chinese firms are given to innovation and technology.

This strong emphasis on digitalisation, innovation and business expansion show that many companies remain focused on future growth prospects despite recent uncertainties. Many respondents believe strategic focuses such as digital transformation, and innovation and research could potentially help their company reduce operational costs, improve efficiency, and adapt to changing consumer preferences - essential elements for companies to sustain themselves and to succeed in a disrupted environment.

Surveys results show that many companies are also reacting to the expected weaker business and economic conditions in 2021 by focusing on managing their financial position with cost management being the second most likely strategic focus chosen.

**Figure 5. Top skills employees should possess in 2021**

**Note:** As this is a multiple-choice question, the total response percentages will exceed 100 per cent.

**Question:** In your opinion, what are the top three skills employees should possess in 2021?

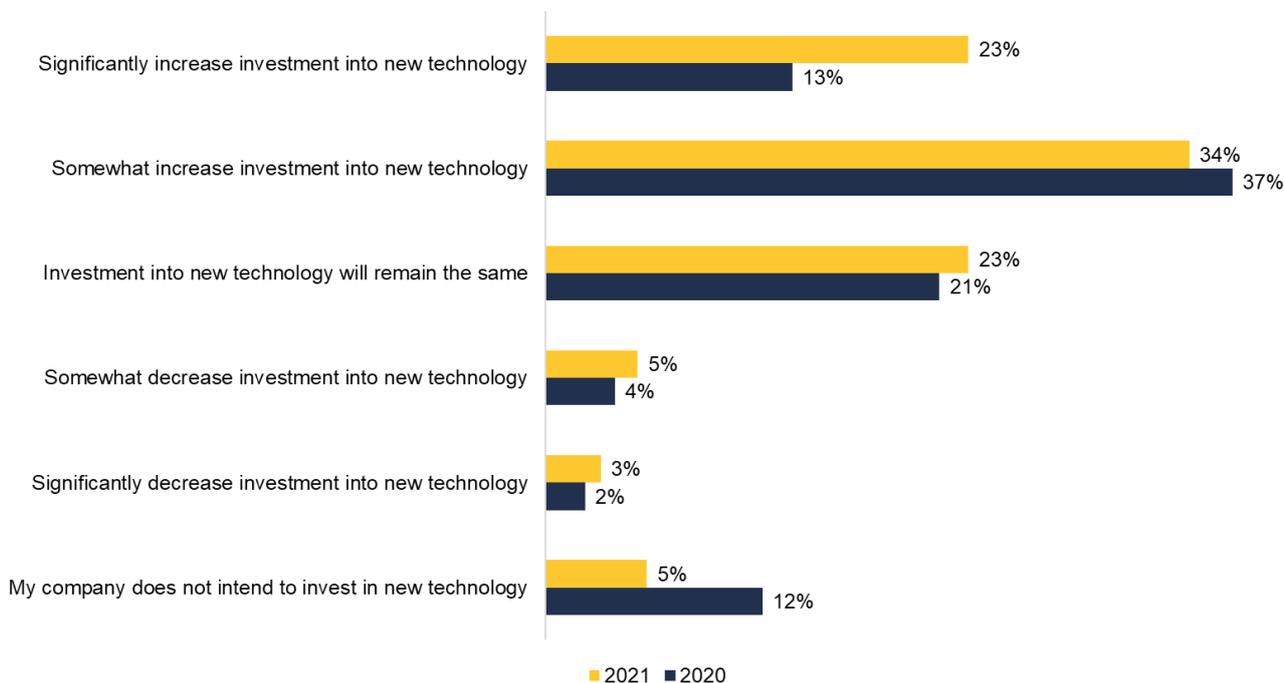
Underlining the digitalisation trend of businesses, a majority (53 per cent) of respondents chose digital and technical skills as the skill-set employees should possess in 2021. This finding shows that the digital and technical literacy of employees is considered critical in the workplace. With the acceleration of automation, the result emphasises the increasing demand for talent with the requisite skills and highlights the possible skills gaps organisations and employers are experiencing. Chinese businesses should consider implementing talent development plans to cultivate, recruit and retain talent with in-demand skills.

On the same note, technological advances mean that many respondents also believe employees should possess both creativity and innovation (46 per cent), and flexibility and adaptability (46 per cent). The advantages of having these skills is highlighted in CPA Australia's *The Impact of Technology on the Desired Skills of Early Stage Accountants* report, which states that creativity and innovation skills mean that employees can draw on data and technology to generate solutions to complex problems and add value to their client's businesses, while flexibility and adaptability skills mean that employees will be open to technological change needed to support growth and innovation.<sup>1</sup>

<sup>1</sup> CPA Australia. (2020). [The Impact of Technology on the Desired Skills of Early Stage Accountants](#)

## INNOVATION AND TECHNOLOGY TRENDS

**Figure 6. Planned investment into new technology in 2021**



- Notes:**
- (1) The percentage of respondents who selected 'Don't know' in 2020 and 2021 was 12 per cent and 7 per cent respectively.
  - (2) Percentages may not add up to 100 per cent due to rounding.

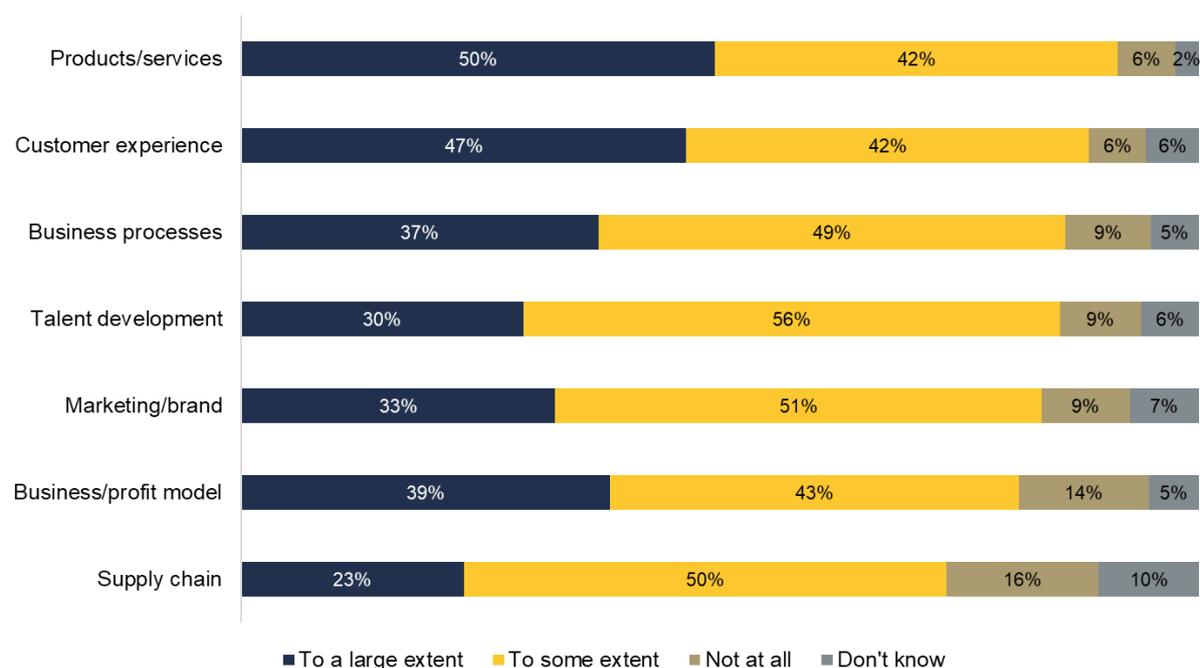
**Question:** Thinking of your company's planned investment into new technology in 2021 compared with 2020, which of the following best describes what your company intends to do?

Figure 6 shows that 57 per cent of respondents expect their business to increase investment in new technology in 2021, representing an increase of 7 percentage points from 2020. On the other hand, the percentage of respondents who stated that their business does not intend to invest in technology dropped from 12 per cent in 2020 to only 5 per cent in 2021.

The results illustrate a strong culture of innovation and technology adoption amongst many Chinese businesses. Such a culture of innovation is spurred by a combination of different factors including government incentives, the drive to improve efficiencies and competitive pressures. The results also suggest that there is a growing consensus that changes to consumer behaviour and work arrangements, accelerated by COVID-19, is permanent and that medium to longer-term investments in new technology are critical for the business to operate and compete in the 'new normal'.

As the commercial applications of new technologies such as 5G technology, artificial intelligence and machine learning continue to proliferate, and as the development of China's digital yuan – the Digital Currency Electronic Payment – progresses, it is expected that more businesses in China will invest in technological innovations to stay ahead of disruptions and ensure long-term growth.

This also means that businesses will need to possess a firm foundation in digital and technical literacy to take full advantage of their investment. This would require seeking talent and developing staff with technical skills, across data, programming, technology and statistics.

**Figure 7. Areas to innovate in 2021**

**Question:** To what extent do you expect your company to seek innovation in the following areas in 2021?

Figure 7 shows that in support of innovation, China's businesses are most likely to seek large-scale innovation in their products or services in 2021, followed by their customer's experience and business processes. Such focuses will not only generate short term gains for businesses, but experience shows it will create long-term benefits for businesses making such investments as they seek to move up in the global value chain.

#### Top innovation and technology focus in 2021

Respondents were most likely to expect their company's innovation and technology focus in 2021 to be upskilling employee digital and technology skills (37 per cent). Given the strong focus on innovation and technology of many businesses in China, the findings show that companies are increasing their investment in human capital to build the expertise of their employees to effectively leverage technological trends and adapt to sectorial transformations.

Increasing the use of data analytics (36 per cent) and automating manual processes (34 per cent) were the second and third most chosen innovation and technology focuses, indicating that businesses are also focusing on measures that could lead to better operational efficiency, productivity, convenience for clients and cost savings. Yet, these focuses also mean that businesses need to give thought to some key considerations. According to CPA Australia's *My Firm. My Future.* report, data analytics requires staff to have a good understanding of the data being created and how it can be analysed, while process automation means that businesses will need to reconsider whether they can offer higher-value activities.<sup>2</sup>

Nearly three in ten (29 per cent) chose accelerating adoption of digital collaboration tools, suggesting that COVID-19-induced social distancing measures and work-from-home arrangements have intensified the demand for Chinese businesses to enhance remote interaction with clients, staff and other stakeholders.

<sup>2</sup> CPA Australia. (2019). [My Firm. My Future.](#)



**Mr. William Huang FCPA (Aust.), President  
of CPA Australia South China Committee  
2021**

To help fulfil China's carbon emission reduction commitments the 14<sup>th</sup> Five-Year Plan proposes the development of green finance, support for green technology innovations, promotion of cleaner production, development of environmental protection industries, and support for areas with favourable conditions to reach peak carbon emissions by 2030.

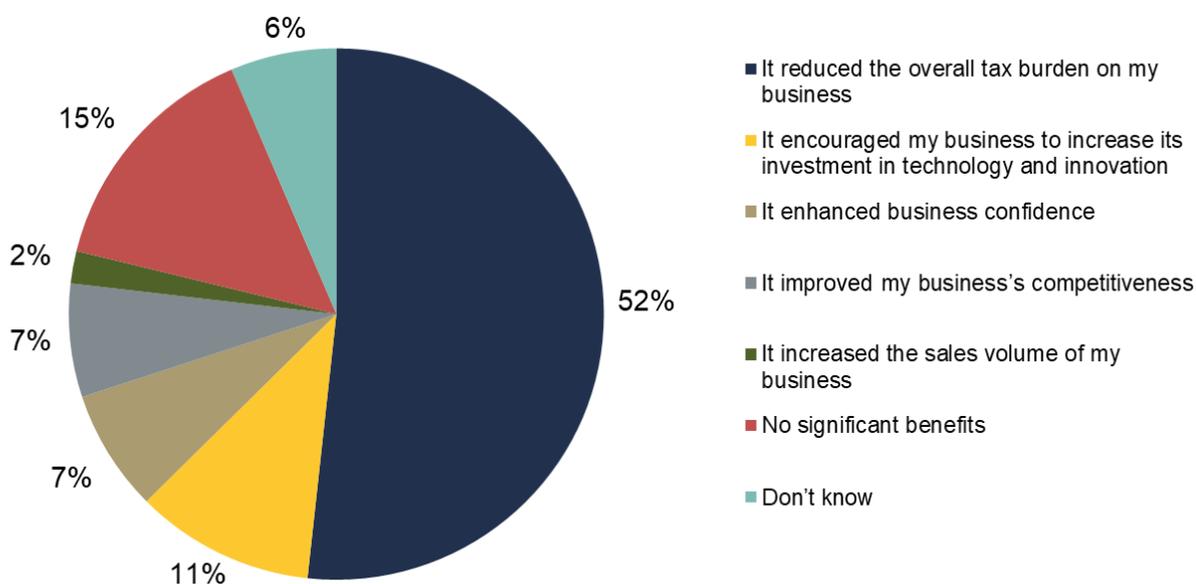
Important trends for businesses on which to keep up to date include the development of green finance, the role of finance in guiding and improving the industrial development model, the transformation of traditionally carbon-intensive and high-emission industries to low or zero-carbon, the promotion of ESG in businesses, and improvements to the relevant disclosure mechanisms and policy frameworks.

The capital market's assessment of companies has gradually expanded from focusing only on economic performance to including factors such as the environment, employees, and supply chains. In this regard, more investors have begun to consider ESG performance as an important indicator to evaluate a company, and as an important consideration in their investment strategy.

Exchanges around the world have formulated requirements on ESG information disclosures. The Shanghai Stock Exchange and the Shenzhen Stock Exchange issued draft ESG information disclosure requirements for listed companies in 2019, which are expected to be officially released in 2021. Domestic listed companies should begin planning on how to comply with ESG information disclosure requirements. For the majority of Chinese businesses, becoming environmentally friendly should be one of the key considerations for future development.

## TAX REFORM

Figure 8. Benefits of tax reforms and reduced fees on businesses in 2020



**Question:** Which of the following best describes the largest benefit tax reforms and reduced fees have had on your business in 2020

Figure 8 shows that a majority of accounting professionals believe that tax reforms and fees reduction in 2020 have positively impacted their businesses, with 52 per cent stating that it has reduced their overall business tax burden. With tax and fee cuts in China totalling over RMB 2.5 trillion in 2020 to support businesses impacted by the pandemic, the percentage of businesses that benefited from tax reform and fee reduction policies rose from 77 per cent in 2019 to 79 per cent in 2020.

Many respondents support the continuation of the government's tax reforms in 2021. The areas in which members would most like to see tax reform are individual income tax (65 per cent), corporate income tax (63 per cent), and value-added tax (49 per cent).



**Mr. Kevin Ng FCPA (Aust.), Member of CPA Australia North China Committee 2021**

The survey findings show that tax and fees reduction last year were positively received by the business community. With 2020 being a challenging year, these policies have benefited market players and have reduced the tax burden of businesses and individuals.

It is likely that the negative impacts of the pandemic may continue globally. If the prevention and control measures for the pandemic become the 'new normal', then there is reason to believe that the tax and fees reduction policies to address the pandemic in 2020 will continue into 2021. In the event that the pandemic situation and new virus strains lead to further negative impacts, China's tax and fee reduction measures to address the pandemic may be adjusted accordingly.

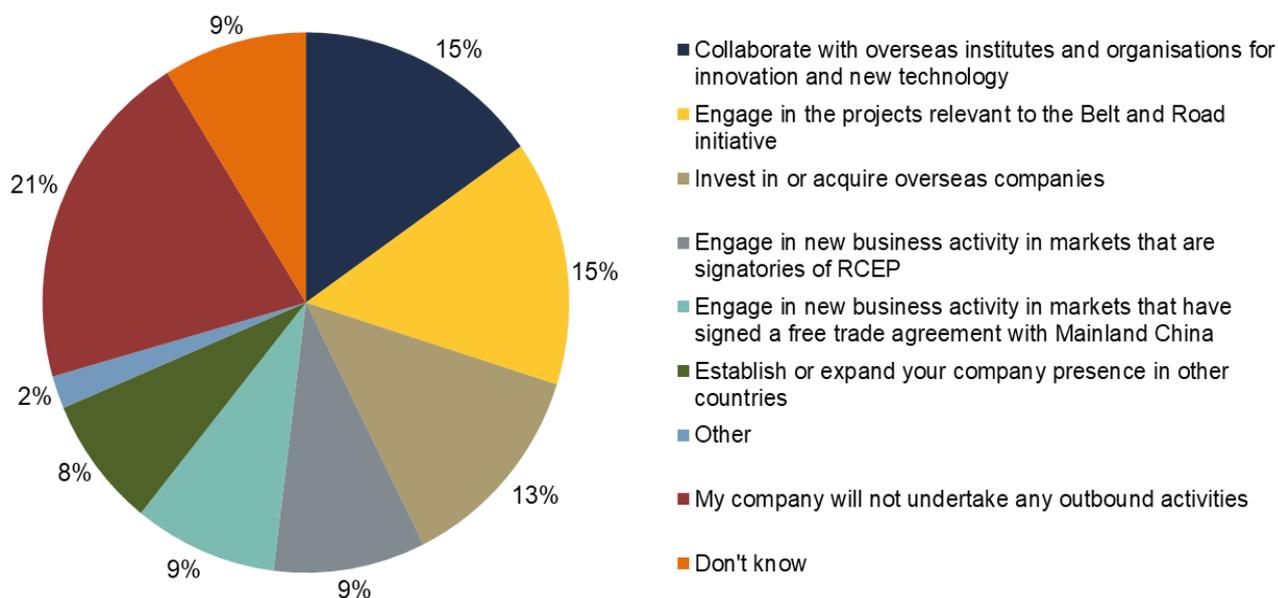
The 14<sup>th</sup> Five-Year Plan proposes the establishment of a modern fiscal and taxation system, with the National Taxation Work Conference also specifying the need to promote and improve China's taxation system.

In terms of improving tax information collection and management, e-invoicing will be a major focus of this year's reform. Based on the electronic plain VAT invoices, tax authorities are gradually implementing electronic special VAT invoices to further improve data service capabilities. Tax authorities will further use information technology to improve taxpayers' tax processing efficiency, including 'non-contact' handling of tax affairs, and to reduce costs. At the same time, the standardisation and uniformity of tax law enforcement will be strengthened and enhanced, and the scope of tax-related matters handled by inter-provincial companies will continue to be expanded. In terms of improving the certainty of taxation and maintaining the fairness of the tax system, the enforcement of the principle of law-based taxation is also one of the top priorities this year.

To guarantee compliance with tax laws, respond to short-term challenges and make use of preferential tax policies, firms should regularly review their business operations and tax governance, and should strive to continuously look for improvements. Firms should also pay close attention to the development of the dual circulation economic model and make full use of both domestic and international market resources to achieve long-term-growth development.

## GOING GLOBAL STRATEGY AND THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP

Figure 9. Business outbound activity in 2021



**Question:** In relation to the Going Global strategy, what outbound activity is your company most likely to undertake in 2021?

As a response to the Going Global Strategy, respondents were most likely to choose collaborating with overseas institutes and organisations for innovation and new technology and engaging in projects relevant to the BRI (both at 15 per cent) as international activities they expect their company to undertake in 2021.

However, reflecting weak global economy and trade tensions at the time of the survey, 21 per cent said their business will not undertake any outbound activities in 2021, up from 17 per cent in 2020.

It is likely that many Chinese companies are waiting for US policy announcements and the possibility of an easing of trade tensions, before determining plans for outbound activities.

### Impact of the Regional Comprehensive Economic Partnership on the economy

With the total trade volume between China and other RCEP member states accounting for around one-third of China's total foreign trade, many businesses are optimistic that the signing of the RCEP will benefit the economy by further promoting trade and investment opportunities. 38 per cent of respondents expect the RCEP to create more trade opportunities for Chinese businesses, while a further 23 per cent believe the RCEP will create new investment opportunities for Chinese businesses outside China.

As the RCEP should help expand China's export market, particularly in ASEAN countries, it would be beneficial for outward-looking businesses to explore market opportunities in the RCEP region and keep abreast of the development of cross-border e-commerce and digital trade such as paperless trade, electronic authentication, and electronic signatures.



**Mr. Michael Yu FCPA (Aust.), President of CPA Australia East and Central China Committee 2021**

The survey findings show that global economic uncertainties caused by factors such as the COVID-19 pandemic have had a negative impact on outbound activities amongst Chinese companies. The proportion of respondents who do not expect their companies to undertake any overseas activities in 2021 increased from 2020.

However, with the development of the BRI, the signing of the RCEP, and the gradual implementation of the China-EU investment agreement, supported by the development of the dual circulation economic growth model, I am optimistic about the prospects for Chinese companies to explore and expand into overseas markets this year.

More specifically, Chinese companies should first use the domestic market as their strategic base for 'Going Global'. Secondly, they should give priority to investing in overseas economic and trade cooperation zones and enhance their competitiveness by using technology and focusing on craftsmanship, quality, brand and global supply chain.

Furthermore, the pandemic has boosted the application and innovation of many new remote business technologies. This will provide increased flexibility for businesses to conduct outbound activities. This will also provide more convenience for Chinese companies to attract international talent and expand globally. Finally, businesses should manage their investment risk management and compliance by paying close attention to current global economic uncertainties, the regionalisation of supply chains and policy changes in overseas investments.

## CONCLUSION

The results of this year's survey reveal that while the COVID-19 pandemic, a weak global economy and concerns over trade tensions have somewhat dampened economic and business sentiment in China, overall confidence for 2021 remains relatively robust and resilient.

Under these circumstances, businesses should take full advantage of the various policies the government has announced to lower operating costs, facilitate access to finance, and expand globally. Targeted investments in digitalisation, technology innovation and development and recruitment of talent should also be considered to help businesses boost efficiency and position for future growth.

China's relatively strong economy and supportive policy settings should result in China being a key driver of global growth in 2021 and beyond.

## ABOUT THE SURVEY

The survey was conducted from 15 December 2020 to 3 January 2021. A total of 203 responses were received from CPA Australia members residing in Mainland China. Respondents came from a wide range of industries including CPA professional services firms, financial services, manufacturing, technology / IT, retail, and energy / chemical.

## ABOUT CPA AUSTRALIA

CPA Australia is one of the world's largest accounting bodies with more than 166,000 members working in 100 countries and regions around the world, and with more than 25,000 members working in senior leadership positions. It has established a strong membership base of more than 19,000 in the Greater China region.

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- Mr. William Huang FCPA (Aust.), President of CPA Australia South China Committee
- Mr. Michael Yu FCPA (Aust.), President of CPA Australia East & Central China Committee
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