

MAINLAND CHINA ECONOMIC AND BUSINESS SENTIMENT REPORT 2022

JANUARY 2022

ISBN: 978-1-922690-10-4

LEGAL NOTICE

The reproduction, adaptation, communication or sale of these materials ('the Materials') is strictly prohibited unless expressly permitted under Division 3 of the Copyright Act 1968 (Cth). For permission to reproduce any part of these materials, please contact the CPA Australia Legal Business Unit - legal@cpaaustralia.com.au.

COPYRIGHT NOTICE

© CPA Australia Ltd (ABN 64 008 392 452) ("CPA Australia"), 2022. All rights reserved.

DISCLAIMER

CPA Australia had used reasonable care and skill in compiling the content of these materials. However, CPA Australia makes no warranty that the materials are accurate and up to date. These materials do not constitute the provision of professional advice whether legal or otherwise. Users should seek their own independent advice prior to relying on or entering into any commitment based on the materials. The materials are purely published for reference purposes alone. CPA Australia, their employees, agents and consultants exclude completely all liability to any person for loss or damage of any kind including but not limited to legal costs, indirect, special or consequential loss or damage (however caused, including by negligence) arising from or relating in any way to the materials and/or any use of the materials. Where any law prohibits the exclusion of such liability, then to the maximum extent permitted by law, CPA Australia's liability for breach of the warranty will, at CPA Australia's option, be limited to the supply of the materials again, or the payment of the cost of having them supplied again.

CONTENTS

INFOGRAPHIC	3
ABOUT THE REPORT	4
ABOUT CPA AUSTRALIA	4
ACKNOWLEDGEMENTS	4
KEY FINDINGS	5
RECOMMENDATIONS	6
ECONOMIC EXPECTATIONS	7
BUSINESS OUTLOOK	10
BUSINESS STRATEGIES AND TRENDS	13
MARKET EXPANSION	19
CONCLUSION	21

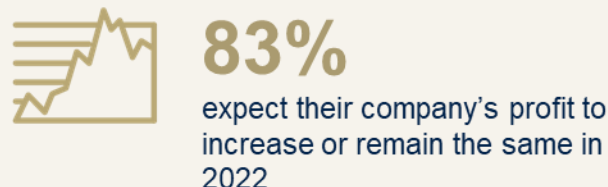
MAINLAND CHINA ECONOMIC AND BUSINESS SENTIMENT SURVEY 2022



Economic expectations

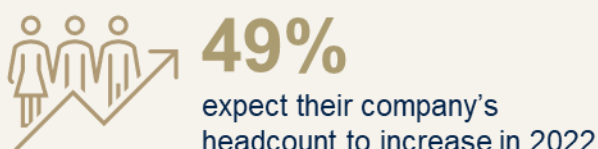


Business outlook

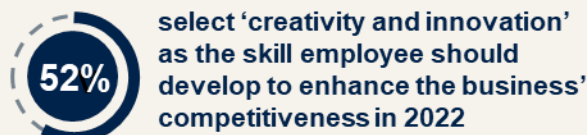
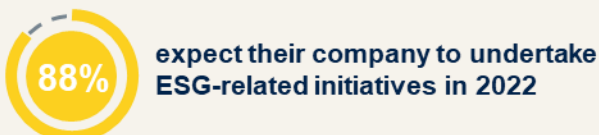
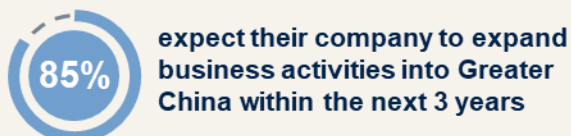


Key factors impacting economic growth

Top Driver	Control over COVID-19
Top Challenge	Global economic uncertainty



Business trends



Key strategic focuses

Digital transformation, technology development and innovation

Improving existing customers' experiences, satisfaction and loyalty

Exploring new markets for potential expansion

Recommendations for businesses

Take advantage of preferential market expansion policies, for example, diversifying and expanding businesses into the GBA.

Integrate medium and long-term development strategies and reasonably allocate resources across short, medium and long-term R&D investment in targeted areas.

Establish a long-term ESG strategy or governance framework and specify ESG-related responsibilities across different business units.

Regularly review and seek to improve internal tax compliance and control systems.

Balance market opportunities, capital risks and corporate governance risks based on the characteristics of the industry and the overall business strategy.

Focus on nurturing, upskilling and reskilling talent in innovation and technology to enhance the competitiveness of the businesses.

ABOUT THE REPORT

CPA Australia's Mainland China Economic and Business Sentiment Report 2022 summarises the results of a survey of accounting and finance professionals' views on the state of China's economy and business conditions in 2022 and beyond.

The survey was conducted from 24 November to 12 December 2021. A total of 210 responses were received from CPA Australia members residing in Mainland China.

Respondents came from a wide variety of industries, with financial services and insurance (27 per cent), CPA professional services (12 per cent) technology / IT and e-commerce (9 per cent) having the largest representation.

Respondents were most likely to work for a multi-national corporation (44 per cent) or a private-owned enterprise (29 per cent).

Respondents were most likely to work for companies with 1,000 or more employees (45 per cent).

ABOUT CPA AUSTRALIA

CPA Australia is one of the largest professional accounting bodies in the world, with more than 168,000 members in over 100 countries and regions, including more than 20,000 members in Greater China. We have offices in Beijing, Shanghai, Guangzhou and Hong Kong. Our core services include education, training, technical support and advocacy. CPA Australia provides thought leadership on local,

national and international issues affecting the accounting profession and public interest.

We engage with governments, regulators and industries to advocate policies that stimulate sustainable economic growth and have positive business and public outcomes. Find out more at cpaaustralia.com.au.

ACKNOWLEDGEMENTS

CPA Australia would like to acknowledge the many CPA Australia members who took part in this survey. We would especially like to thank the following members for their input and guidance in shaping this report:

- Mr Michael Yu FCPA (Aust.) President of CPA Australia East and Central China Committee
- Ms Rebecca Wong FCPA (Aust.) Deputy President of CPA Australia South China Committee
- Mr Raymond Zhu FCPA (Aust.) Deputy President of CPA Australia East and Central China Committee
- Mr Kevin Ng FCPA (Aust.) Member of CPA Australia North China Committee

KEY FINDINGS

Economic expectations

Sixty-nine per cent of surveyed members expect Mainland China's GDP to grow at five per cent or above in 2022. Members were most likely to forecast that China's economy will grow by between five per cent to 5.4 per cent in 2022 with 30 per cent of respondents choosing this option. Twenty-three per cent expect GDP to expand by 5.5 to 5.9 per cent or more.

Given the significant size of Mainland China's economy, achieving a growth rate of around five per cent would provide support to the recovery of the global economy in 2022.

When asked what will most positively impact China's economy in 2022, the top three factors are "control over COVID-19" (52 per cent), "recovery of the global economy" (40 per cent), and "measures to upgrade the industrial and manufacturing base" (34 per cent).

Other important factors to support Mainland China's economy in 2022 include "government initiatives to build a dual circulation economy" (30 per cent) and "further measures to support regional economic development" (28 per cent).

"Global economic uncertainty" (60 per cent) was nominated by respondents as the most significant challenge to Mainland China's economy in 2022. Other major challenges include "COVID-19" (47 per cent) and "international trade barriers" (46 per cent).

Business outlook

A stable economic outlook is translating to more robust business confidence. Respondents' expectations for their company's profit were generally positive with 83 per cent of accounting professionals expecting their company's profit to

either increase or remain largely the same in 2022, up from 71 per cent reported last year.

This trend is also reflected in expectations for changes in company headcounts in 2022, with 80 per cent of respondents expecting their employer's headcount will either increase or remain the same, up by 16 percentage points from 2021.

These results suggest that most of our members surveyed are more confident in their outlook for their business in 2022 compared to 2021, despite ongoing headwinds such as outbreaks of more contagious variants of COVID and supply bottlenecks.

Business strategies and trends

Reflecting both a proactive and innovative culture of many Mainland Chinese businesses, respondents consider "digital transformation, technology development and innovation" (47 per cent) and "exploring new markets for potential expansion" (32 per cent) as two of the top three key strategic focuses for their business in 2022.

Additionally, 37 per cent of respondents said their business will also focus on "improving existing customers experiences, satisfaction and loyalty", suggesting that businesses are placing more value on maintaining their existing customer base.

Many respondents also chose "improving business efficiency" (31 per cent), and "cost management" (30 per cent) as key strategic focuses in 2022.

The strong culture of innovation and technology adoption amongst many Mainland Chinese businesses is reflected in the 59 per cent of respondents who expect their businesses to increase investment in new technologies, up two percentage points from 2021. This indicates that many

businesses in China are digitalising through increased technology investment to focus on long-term growth opportunities and staying ahead of competitors by making greater use of technology to improve productivity and business processes.

With more companies focusing on digitalising their business, respondents were most likely to nominate “creativity and innovation” (52 per cent) “digital and technical skills” (45 per cent) and “flexibility and adaptability” (35 per cent) as the top skills they believe employees should develop to enhance the competitiveness of their business in 2022.

Spurred by the emergence of environment, social and governance (ESG) practices as a fundamental component of a business, respondents chose “develop a long-term ESG strategy” (23 per cent), “review existing processes to improve environmental outcomes / reduce environmental impacts” (14 per cent) and “increase investment in ESG projects” (13 per cent) as the top-three ESG initiatives they believe their companies will focus on in the next three years.

RECOMMENDATIONS

We suggest that the focus for 2022 should be on positioning businesses for stable and sustainable growth and identifying new growth opportunities. Businesses in Mainland China could consider the following recommendations:

- Take advantage of preferential market expansion policies, for example, diversifying and expanding businesses into the GBA.
- Integrate medium and long-term development strategies and reasonably allocate resources across short, medium and long-term research and development (R&D) investment in targeted

On taxation, respondents selected “Phase IV of the Golden Tax Project” (24 per cent), “corporate income tax reform” (21 per cent) and “tax policies related to the sustainable development of businesses” (12 per cent) as the tax developments that will impact their businesses the most in the next three years.

Market expansion

When asked which regions in Greater China their business will mainly focus its expansion activities in the next three years, respondents were most likely to expect their businesses to expand in the Greater Bay Area (GBA; excluding Hong Kong and Macao) (47 per cent), the Yangtze Economic Belt (46 per cent) and the Beijing-Tianjin-Hebei region (29 per cent).

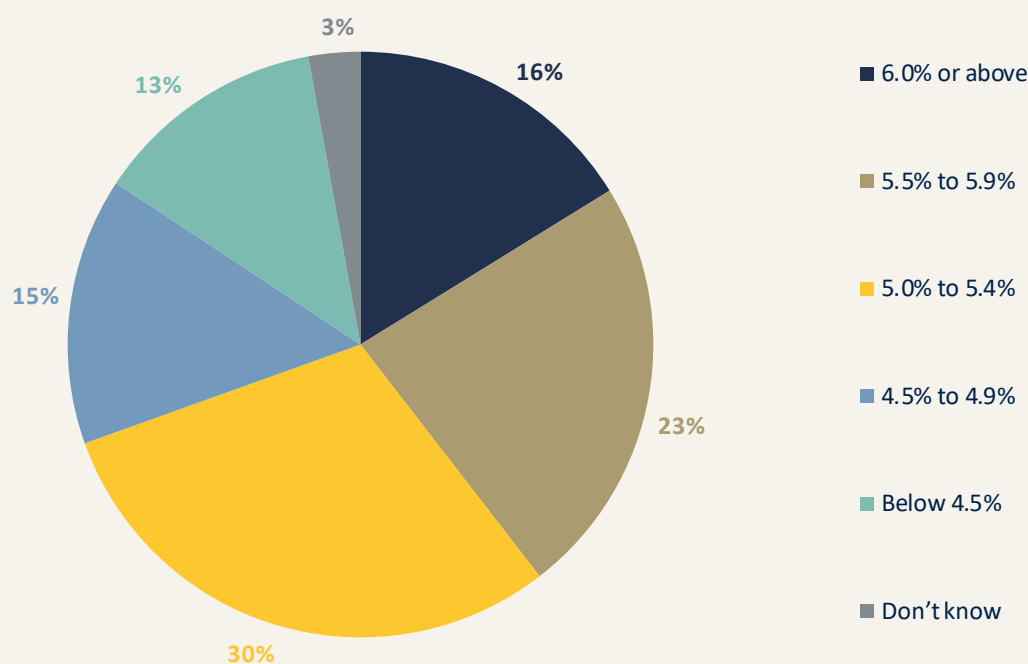
When expanding or conducting business in overseas markets, “trade relations between China and the overseas region” (45 per cent), “effectiveness of COVID-19 vaccine rollout” (44 per cent) and “political stability” (44 per cent) are the three stand-out factors that respondents believe will influence their companies’ decision to expand overseas.

areas.

- Establish a long-term ESG strategy or governance framework and specify ESG-related responsibilities across different business units.
- Regularly review and seek to improve internal tax compliance and control systems.
- Balance market opportunities, capital risks and corporate governance risks based on the characteristics of the industry and the overall corporate strategy.
- Focus on nurturing, upskilling and reskilling talent in innovation and technology to enhance the competitiveness of businesses.

ECONOMIC EXPECTATIONS

Figure 1. Mainland China GDP growth expectations



Question: In your opinion, what do you expect Mainland China's GDP growth rate to be in 2022?

Figure 1 shows that 69 per cent of CPA Australia's members expect Mainland China's economy to grow by five per cent or more in 2022. This indicates that most accounting professionals believe that the economy will continue to recover in 2022 and growth will be kept at a reasonable level.

A stable GDP growth rate of around five to six per cent means that Mainland China will continue to play a key role in driving the recovery of the global economy in 2022.

Factors expected to positively impact Mainland China's economy in 2022

A majority of respondents (52 per cent) chose "control over COVID-19" as the factor that will most positively impact Mainland China's economy in 2022. Given the success Mainland China had in managing COVID-19 outbreaks in 2020 and keeping it under control in 2021, it is likely that further COVID-19 outbreaks will be contained in 2022. The survey

findings show that an effective COVID-19 containment strategy remains a key factor in spurring the economy.

The recovery of the global economy (40 per cent) is the second most selected factor, indicating that many accounting and finance professionals surveyed believe that the global economic growth momentum in 2021 will continue in 2022, and that this should underpin stable economic growth in Mainland China.

"Measures to upgrade the industrial and manufacturing base" (34 per cent) was the third most chosen option. With the value-added of industrial output rising 9.6 per cent in 2021 compared to 2020 and the value-added of high-tech manufacturing increasing 18.2 per cent, policy measures to promote the upgrading of the industrial and manufacturing system is expected to provide impetus to economic growth.

Initiatives to build a dual circulation economy (30 per cent) and measures to support regional development (28 per cent) are also popular choices for having a positive impact on the economy in 2022.

Main challenges to Mainland China's economy in 2022

The major factors that respondents believe will pose downside risks to Mainland China's economy include "global economic uncertainties" (60 per cent), "COVID-19" (47 per cent) and "international trade barriers" (46 per cent).

The survey findings, together with engagement with members across other parts of the world, indicate

that the major uncertainties and challenges impacting their business include:

- further COVID-19 outbreaks
- skills shortages
- increasing costs
- global supply chain disruptions, including those caused by international trade barriers.

Support for the domestic economy through continued fiscal support, tax and fees cuts, measures to build a dual circulation economy, and policies to upgrade the manufacturing capabilities of industries in Mainland China will help encourage economic growth in 2022.



Mr Kevin Ng FCPA (Aust.)

**Member of CPA Australia's
North China Committee**

The survey shows that the business community is confident in the economy's performance in 2022, with nearly 70 per cent of respondents expecting GDP to grow by five per cent or more this year. This mainly stems from Mainland China's effective COVID-19 prevention and control measures, and the government's series of policy adjustments in response to uncertainties that are conducive to the stable development of the economy. It's likely that these two measures will provide strong support for the continued recovery of economic activities and overall economic growth.

The strong confidence of the business community in economic prospects has led to a positive trend in the

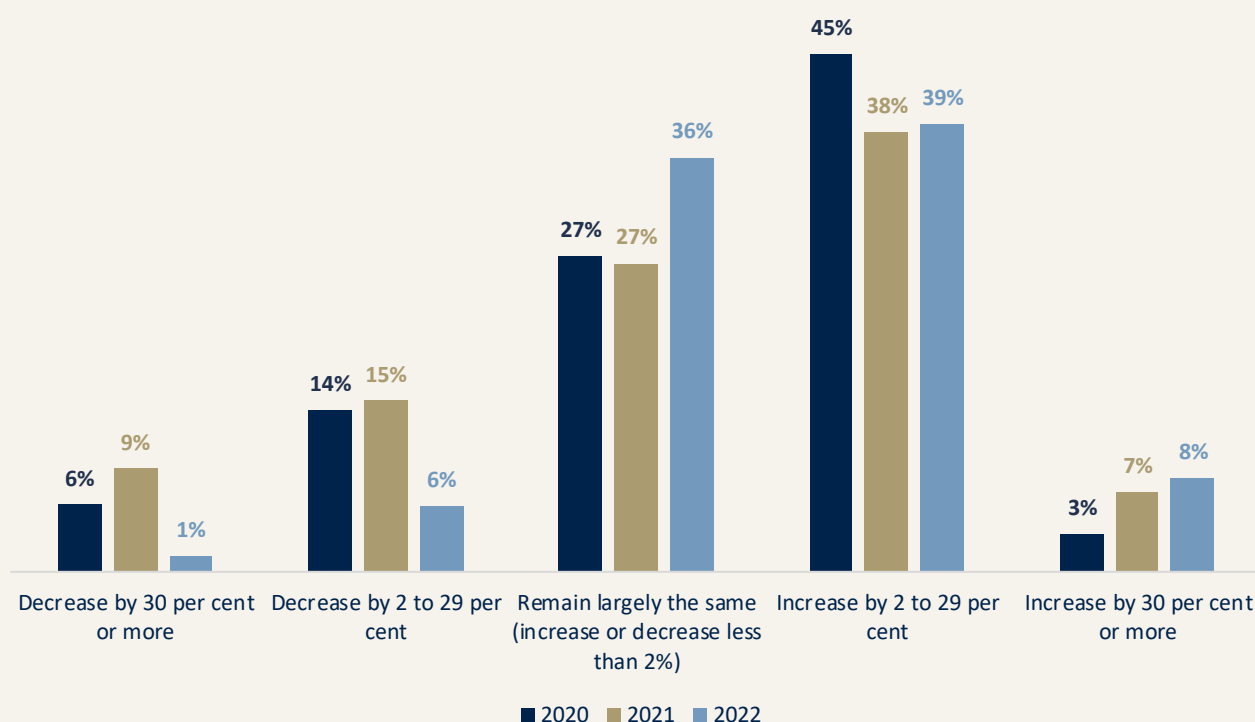
deployment of innovation and technology, and an increased focus on sustainable development. This focus on digitalisation, an innovative culture and a low-carbon economy, will enable Mainland Chinese businesses to maintain long-term competitiveness and will help promote a stable and progressive growth of Mainland China's economy as well as the recovery of the global economy.

At the same time, we will need to be aware of the challenges brought by complex and uncontrollable factors. Uncertainties over the global economy are rising, the trajectory of the pandemic remains uncertain, and international trade challenges that may be caused by the acceleration of global chain restructuring may bring new pressures on companies from different regions, industries and sectors.

In light of liquidity pressure and weaker risk management capabilities of micro, small and medium-sized enterprises, the Mainland Chinese government has adopted a series of targeted relief measures. The People's Bank of China announced the conversion of the inclusive small and micro-enterprise loan extension support tool and the inclusive small and micro-enterprise credit loan support plan, as well as further tax and fee reduction measures. These measures are likely to further boost business confidence, reduce their financial burden and lead to inclusive growth.

BUSINESS OUTLOOK

Figure 2. Expected change in company profit



Question: In comparison to 2021, do you expect your company's profit in 2022 will...

Note: The percentages of respondents who selected 'Don't know' in 2020, 2021 and 2022 were five per cent, five per cent and ten per cent respectively.

Reflecting moderate improvements in economic sentiment and business confidence in 2022, 47 per cent expect their company's profit to increase by two per cent or more in 2022 from 2021. This result is slightly up from 2021, when 45 per cent expected their business to increase their profit by two per cent or more.

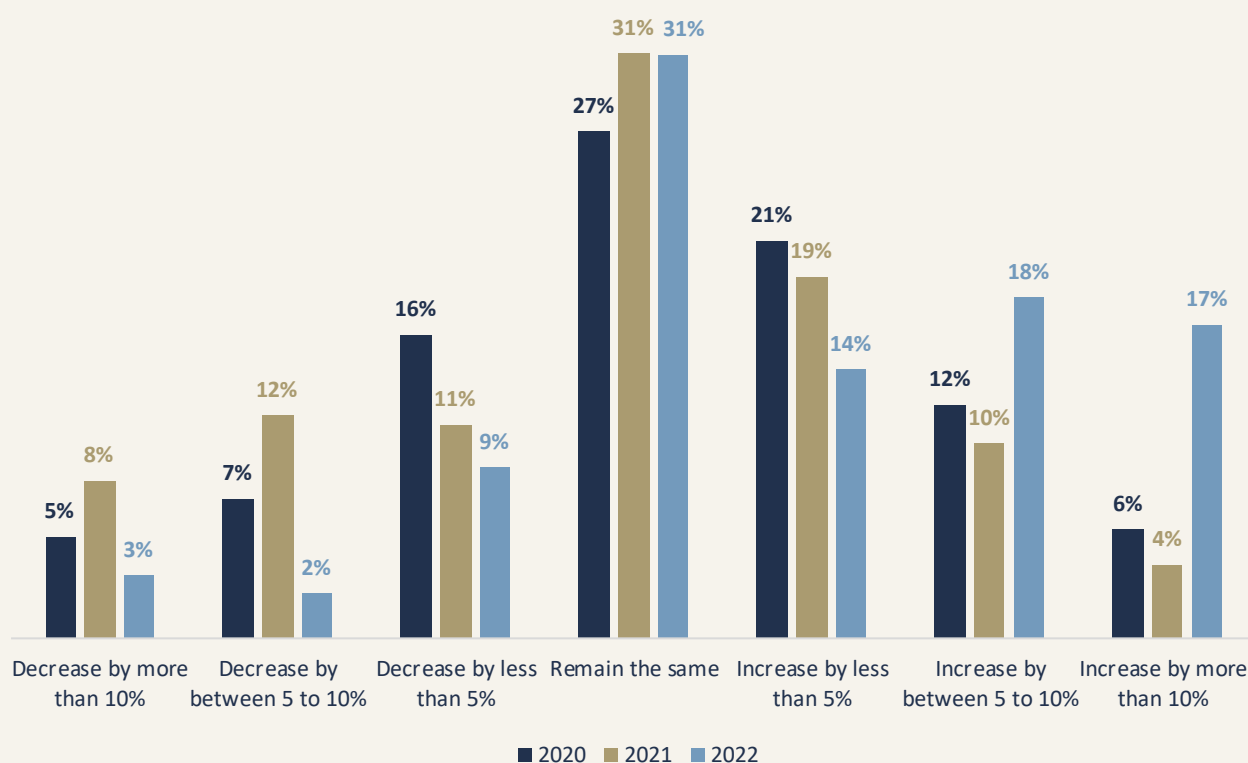
In another sign that business conditions are improving, only seven per cent of businesses expect their company's profit will decrease in 2022, down from the forecasts of 24 per cent in 2021 and 20 per cent in 2020. This shows that a majority of Mainland Chinese businesses expect conditions to be better in 2022 than 2021.

Other results

Fifty-two per cent of respondents from companies with 1000 or more employees expect their company's profit to increase by two per cent or more in 2022 compared to 2021. In comparison, 44 per cent respondents from companies with fewer than 500 employees made the same forecast.

This finding suggests that smaller businesses are less optimistic than larger businesses as they may be more vulnerable to external challenges such as further COVID-19 outbreaks.

Smaller businesses should consider the financial support measures announced by the government including tax and fee reductions and extending loan support policies to strengthen their resilience against downward pressure on economic growth.

Figure 3. Expected change in headcount

Question: By what percentage range do you think your company's headcount in Mainland China will change in 2022 from 2021?

Note: The percentage of respondents who selected 'Don't know' in 2020, 2021 and 2022 are five per cent, four per cent and five per cent respectively.

Consistent with profit expectations and economic growth forecasts, 49 per cent of accounting and finance professionals overall expect their company to increase headcount in 2022. Further, 35 per cent expect to increase their headcount by five per cent or more. This result represents a significant increase from the 33 per cent that expected to increase their headcount in 2021, and 39 per cent in 2020.

Although uncertainties in the domestic and global markets may weigh on Mainland China's labour market, the result shows hiring expectations have largely recovered from dampened prospects in the year before.

According to official figures, 12.7 million new urban jobs were created in 2021. With businesses and economic confidence on the upswing and strong demand for technology and ESG skills, the labour market in 2022 is expected to be stable.

Other results

Fifty-three per cent of respondents from companies with 1000 or more employees expect their company's headcount to increase in 2022 compared to 2021, while 20 per cent expect a decrease.

Fifty per cent of respondents from companies with fewer than 500 employees expect their company's headcount to increase in 2022 compared to 2021, while six per cent expect a decrease.



Mr Michael Yu FCPA (Aust.)

**President of CPA Australia's
East and Central China Committee**

Guided by the "dual carbon" goal, ESG investment and ESG-driven mergers and acquisitions will become key aspects of Mainland China's economic landscape.

By gradually phasing out the use of coal power and improving coal power flexibility, promoting the use of renewable energy, continuously reducing the proportion of fossil fuels in the primary energy mix, and accelerating the development and use of hydrogen, China has been taken various measures to drive an energy structure revolution and transition to a low-carbon economy.

Furthermore, the implementation of green finance policies and guidelines, such as the green credit guidelines, green bonds, green private equity

investments and innovative green finance products, will encourage ESG investments and ESG-driven mergers and acquisitions.

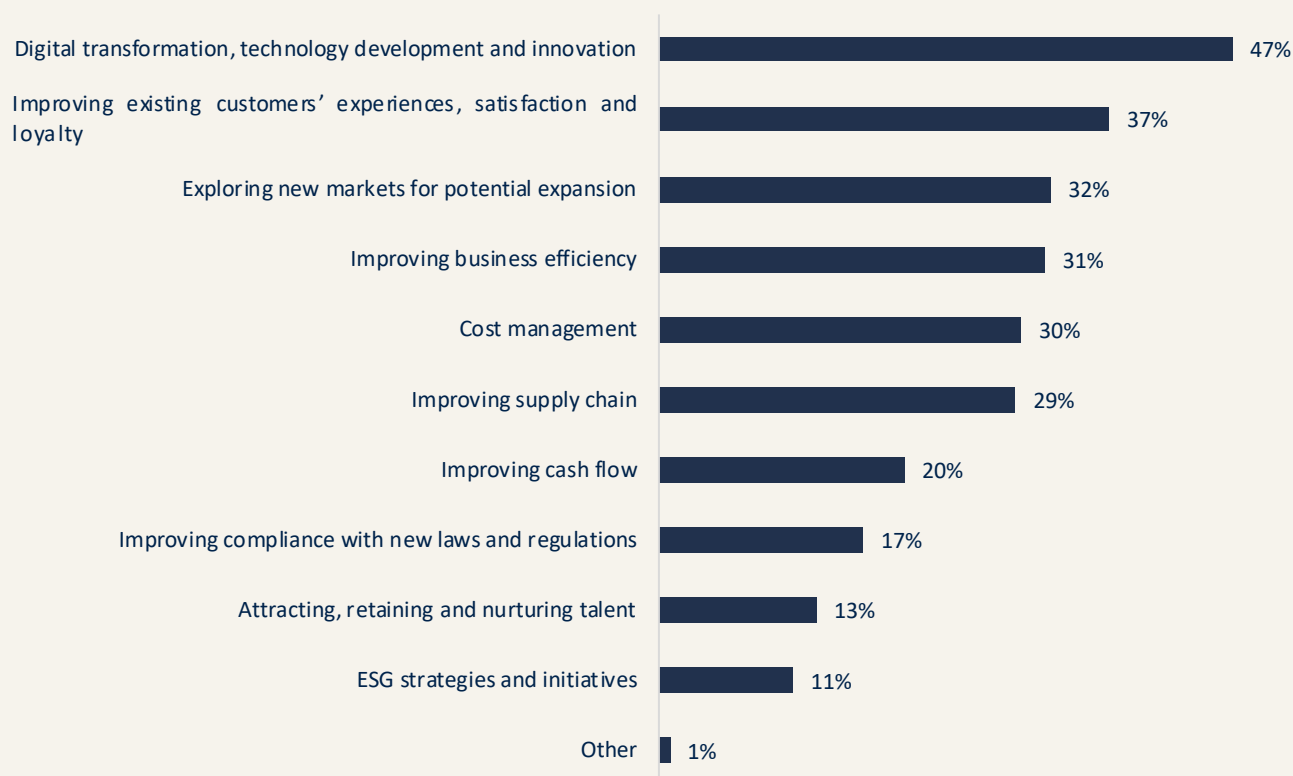
Meanwhile, investors no longer constrain themselves to analysing traditional financial indicators. They are increasingly using non-financial ESG indicators to evaluate potential investments. Domestic regulatory requirements, changes in the financing environment and increased consumer awareness on environmental protection issues have also prompted a shift in focus among different sectors and industries.

As a response to these changes, businesses will need to implement an ESG strategy to enhance competitiveness and drive sustainable development. The strategy may involve developing and leveraging new materials and new technology, improving production and energy efficiency via widespread electrification, increasing the proportion of renewable energy use, promoting greener work-related travel for employees, promoting the reduction of carbon emissions in production and supply chains, and producing value-added low emission products.

ESG investment, mergers and acquisitions, and divestitures will enable companies and organisations to build the assets, skills and technologies necessary for sustainable development and achieving their long-term value goals.

BUSINESS STRATEGIES AND TRENDS

Figure 4. Key strategic focuses for companies in 2022



Question: In your view, which of the following best describes what could be the top three key strategic focuses of your company in 2022? (Please select up to three options)

Reflecting efforts to ensure long-term growth, 47 per cent of respondents chose “digital transformation, technology development and innovation” as one of their top strategic focuses for their company in 2022. This was also the top choice for 2021, where 33 per cent selected this strategy.

This strong emphasis on digital transformation and innovation show that many companies remain focused on future growth prospects and on staying ahead of competitors despite recent uncertainties. According to CPA Australia’s **Business Technology Report 2021**, businesses expect that a focus on technology adoption should help their company to improve operational efficiency, lower costs and enhance the customer experience – essential elements for success in a challenging environment.

Underlining improvements in business and economic sentiment, “cost management” is now the fifth most chosen strategic focus in 2022, down from second place in 2021. As confidence increases, prudent approaches to managing through tough times become less of a priority. Instead, Mainland China’s business are more likely to focus on:

- improving existing customers’ experiences, satisfaction and loyalty
- exploring new markets for potential expansion
- improving business efficiency.

The focus on “improving existing customers’ experiences, satisfaction and loyalty” increased from 18 per cent in 2021 to 37 per cent in 2022, reflecting the increasing value being placed on companies

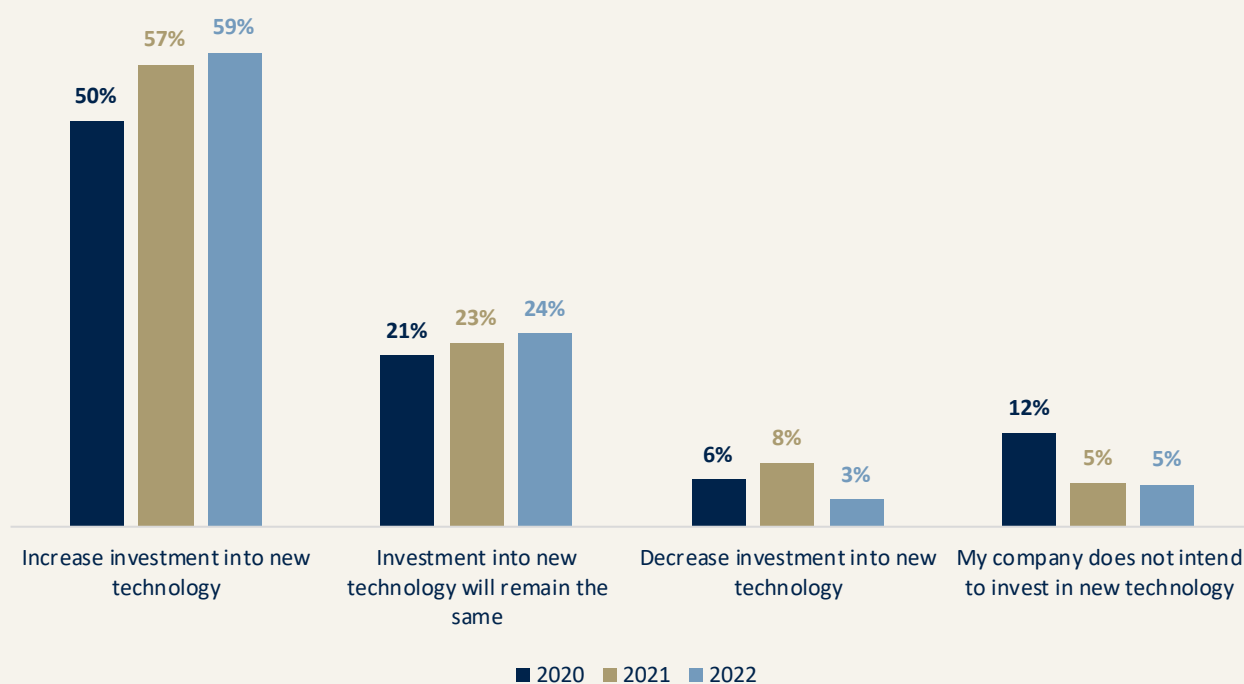
maintaining their existing customer base. One lesson that may have been reinforced by the pandemic is that businesses cannot expect to continually grow from attracting new customers. They can still grow by adding value and seeking better returns from existing customer relationships through improving their service and support.

Other results

The key strategic focus in 2022 that was most frequently selected by respondents from businesses with 1000 or more employees is “digital transformation, technology development and innovation” (57 per cent).

Respondents from businesses with fewer than 500 employees nominated “improving existing customers’ experiences, satisfaction and loyalty” (42 per cent) most frequently.

Figure 5. Planned investment into new technology in 2022



Question: By what percentage range do you think your company’s investment into technology will change in 2022 from 2021?

Note: The percentage of respondents who selected ‘Don’t know’ in 2020, 2021 and 2022 were 12 per cent, seven per cent and nine per cent respectively.

Fifty-nine per cent of respondents expect their business to increase investment in new technology in 2022, which is an increase of two and nine percentage points from 2021 and 2020 respectively. The percentage of respondents who stated that their business will decrease investment in technology

dropped from eight per cent in 2021 to three per cent in 2022.

This result supports other survey data showing a strong culture of innovation and technology adoption amongst many Mainland Chinese businesses. Such a culture of innovation is spurred by a combination of different factors including government incentives

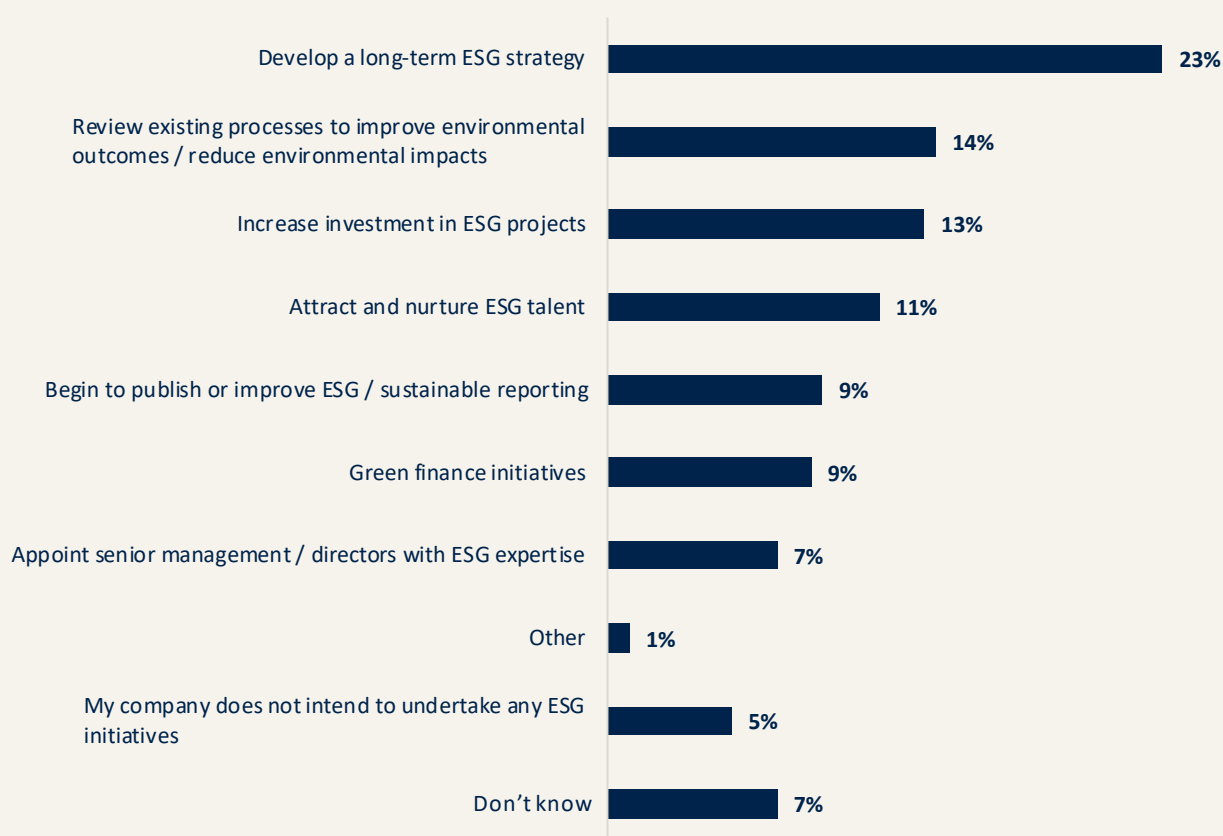
including tax incentives for research and development, the drive to improve operational efficiencies and competitive pressures.

Supported by the 14th Five-Year Plan, the commercial applications of new technologies such as 5G technology, artificial intelligence, blockchain and cloud technologies will continue to proliferate. Consequently, it is expected that more businesses in Mainland China will invest in technological

innovations. They will do this to stay ahead of competitors, meet changing customer needs and ensure their long-term growth.

The expected increase in technology investment will need to be supported by a digitally literate workforce. This will require companies to employ new talent and invest in developing the technology skills of current employees.

Figure 6. Business ESG initiatives in the next three years



Question: Which of the following best describes the main ESG initiative your company will focus on in the next three years?

Eighty-eight per cent of accounting and finance professionals expect their businesses to undertake an ESG initiative over the next three years, with the most popular choice being developing a long-term ESG strategy.

Businesses could consider the following actions when developing an ESG strategy:

- Establish a board-level ESG committee to look into incorporating ESG-related issues into the overall corporate governance strategy
- Establish a management-level working group or functional department to take charge of ESG-related initiatives
- Encourage a corporate-wide ESG culture through

training programs and education.

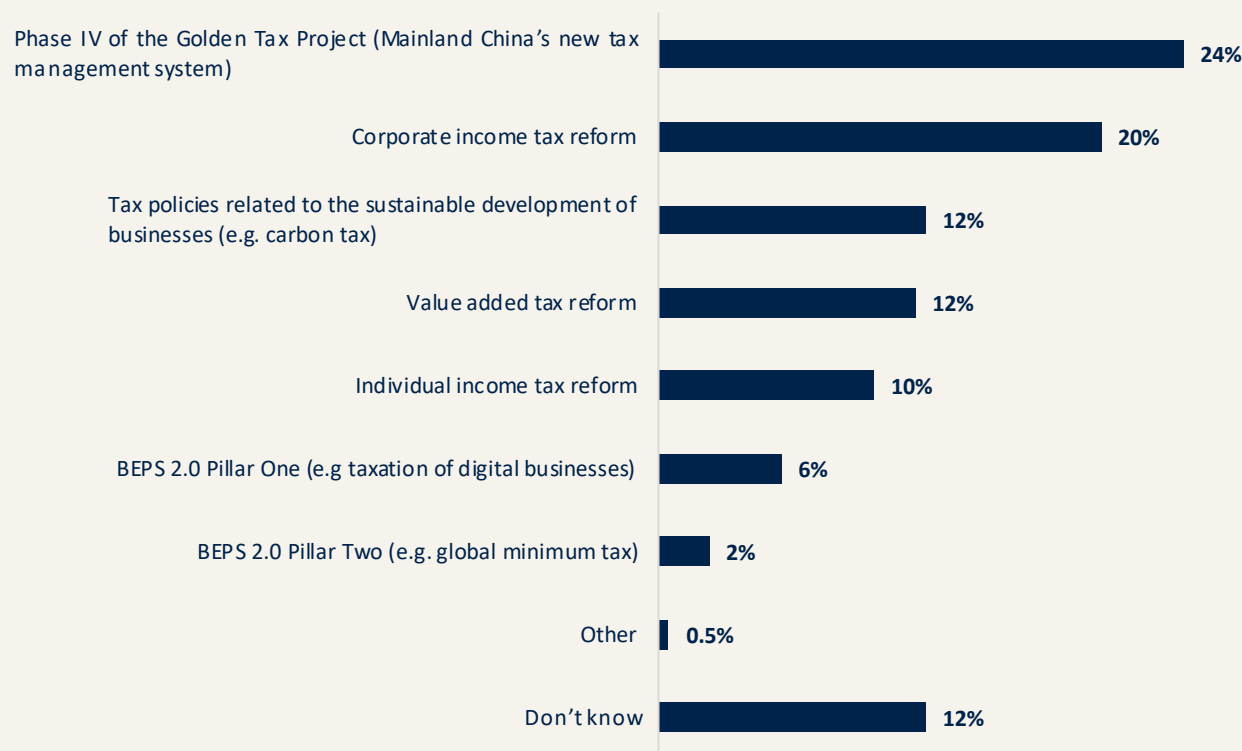
With the announcement of Mainland China’s “dual carbon goals” – reaching carbon peak emissions by 2030 and achieving carbon neutrality by 2060 – in September 2020, the emergence of ESG as a fundamental component of business and wider economic behaviour means that more Mainland Chinese businesses will increase their focus on ESG matters in the future.

According to CPA Australia’s **ESG Reporting White Paper 2021**, businesses must drive a deeper understanding of their business models, the external environment in which they operate, who their stakeholders are and how they are impacted.

In the “new economy”, capital will not just mean financial and physical, but equally important will be intellectual, human, and social and relationship forms of capital, accompanied by a deepening awareness of impact and dependency on the natural environment and its resources.

Key to an ESG-driven future is internal and external data. Businesses in Mainland China will need to place greater emphasis on assimilating data from a variety of sources and applying critical judgement to it. This will rely on effective materiality assessments, early planning, choice of framework, systems development and measures to ensure accuracy – tasks the accounting profession is well positioned to contribute to.

Figure 7. Tax developments



Question: In your opinion, which of the following tax developments will most significantly impact your business in the next three years?

Well-designed tax policies, including tax and fee reductions can have positive impacts on business and

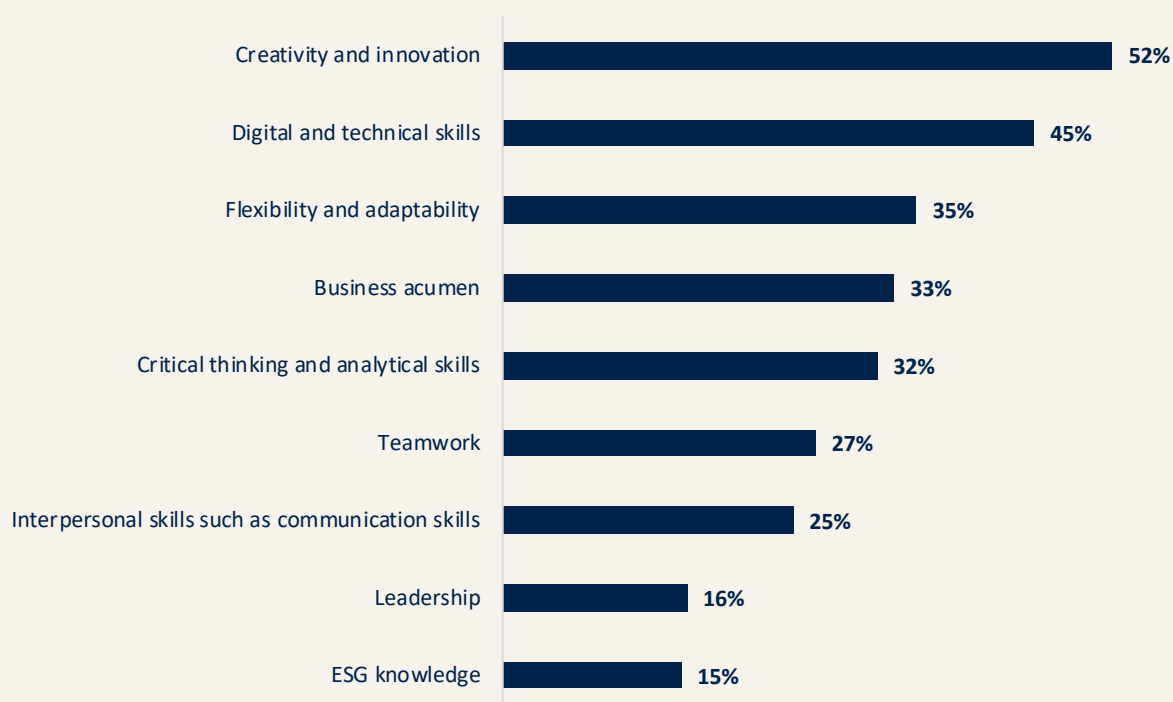
the economy. Therefore, the Mainland Chinese government may wish to continue delivering such

reduction policies, as well as the continuation of tax reforms in 2022.

The survey findings show that respondents were more likely to nominate the implementation of Phase IV of the Golden Tax Project as the tax development that will most significantly impact their business over the next three years.

The launch of a new phase of the Golden Tax Project reflects the efforts of the government to digitalise tax collection and administration. Companies in Mainland China should seek professional advice from their accountants to ensure they understand and are prepared for the new tax management system.

Figure 8. Top skills employees should develop in 2022



Question: In your opinion, what are the top three skills that employees should develop to enhance the competitiveness of your business? (Please select up to three options)

Underlining the growing strategic focus of Chinese companies on digital transformation and technology adoption, a majority (52 per cent) of respondents chose “creativity and innovation” as one of the top skills they think employees should develop to enhance the competitiveness of the business. This is followed by “digital and technical skills” (45 per cent). Similarly, technological advances mean that many respondents also believe employees should also develop “flexibility and adaptability” (35 per cent).

The advantages of having these three skills are 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 employer or client.

The report further mentions that recent technological trends mean employers are seeking accountants with IT skills and who possess the capability to both apply

and oversee technology which automates administrative tasks. Flexibility and adaptability skills mean that employees will be open to technological change needed to support growth and innovation.



Mr Raymond Zhu FCPA (Aust.)

**Deputy President of CPA Australia's
East and Central China Committee**

While the progress of tax policy and enforcement development may not have yet reached pre-pandemic levels, looking forward, it is likely to normalise as the pandemic situation eases.

Short-term emergency relief or adjustment measures may be gradually reduced, and policies to ensure a stable source of tax revenue over the long-term may be implemented.

Overall, there are three major tax trends that companies in Mainland China should pay attention to in 2022:

Firstly, progress will be made in the digitalisation of tax administration. With the announcement of BEPS

This result also reflects a possible skills gap as well as a shortage of talent. Mainland Chinese businesses should consider implementing talent development plans to recruit, nurture and retain talent with in-demand skills.

2.0, it is expected that the digitalisation of tax administration will further develop, and new iterations of technology platforms will affect a range of tax filing compliance areas.

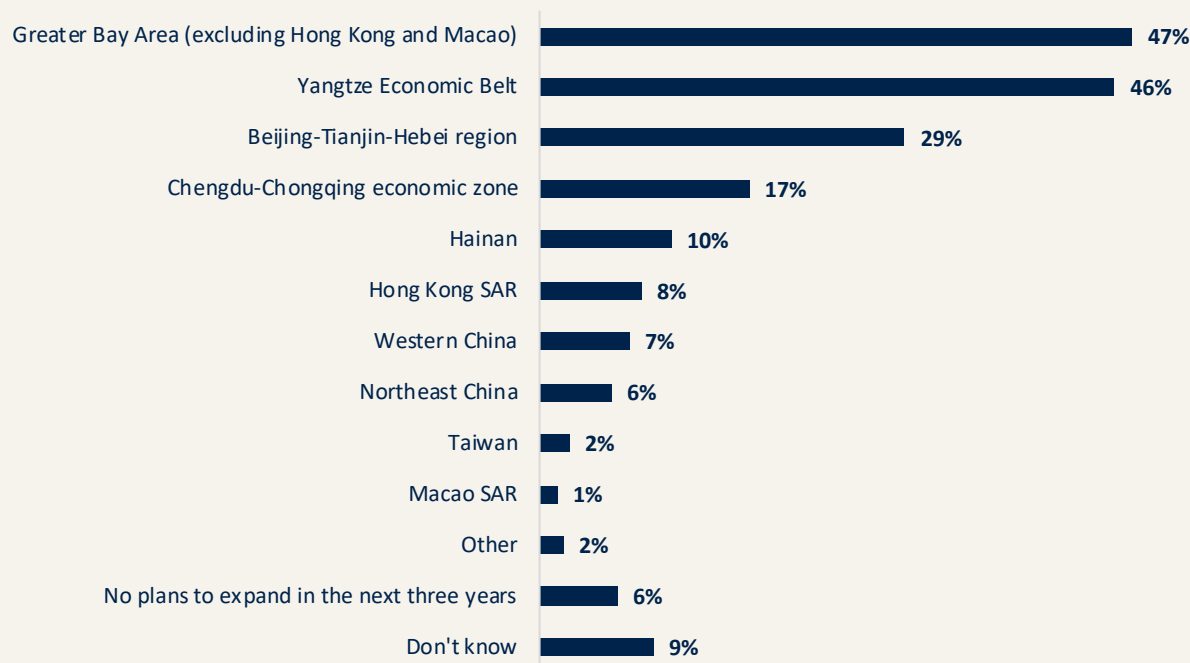
For the Mainland Chinese market, the launch of Phase IV of the Golden Tax Project and the further expansion of the use of electronic invoices will have a significant impact on the digital tax administration of companies.

Further, the tax trend of a "low tax rate and wide tax base" will continue in 2022. Preferential policies for selected industries will also be further applied globally. Since the start of the pandemic, no jurisdictions have officially announced an increase in their corporate income tax rate in 2021, while some have announced plans to reduce the corporate income tax rate. For Mainland China, preferential policies for employee year-end bonuses and equity incentives, corporate restructuring, and pandemic-related tax relief measures for small and medium-sized enterprises have been extended.

Finally, tax support for R&D activities is expected to increase. To better meet the needs of technology innovation and economic development and transformation, it is expected that further incentive measures will be implemented in 2022 to increase tax support for R&D activities among businesses and scientific research institutions.

MARKET EXPANSION

Figure 9. Business expansion activities in the next three years



Question: In the next three years, which of the following regions in Greater China do you expect your company will mainly focus its expansion activities? (Please select up to three options)

Figure 9 shows that an overwhelming number of respondents think their business will expand its activities in Greater China in the next three years, with only six per cent of respondents reporting that their business has no plans to expand. It is likely that government policies prioritising the support of the domestic economy and to improve the business environment as stipulated by the 14th Five-Year Plan, are encouraging Mainland Chinese businesses to expand within Greater China.

Forty-seven per cent of respondents expect their company to expand into the GBA in the next three years, making it the most popular destination for expansion activities. With a population of 86 million and a GDP of nearly US\$1.67 trillion in 2020, the GBA is a promising market for businesses seeking growth opportunities.

In addition, the preference for many businesses to expand into the GBA, the Yangtze Economic Belt and the Beijing-Tianjin-Hebei region suggests that policy initiatives in these regions are popular at encouraging businesses to undertake their expansion activities. Elements of those initiatives may be emulated in other regions to attract domestic and overseas companies.

Factors most likely to impact where Mainland Chinese businesses may expand overseas

There are a range of factors that impact where a business may choose to expand their overseas operations, with many of those not directly related to financial matters. Instead, political factors including trade relations between China and the other market (45 per cent), and political stability in the overseas market (44 per cent) appear to be two influencing factors for Mainland Chinese businesses.

Given the socioeconomic impact of the pandemic, the effectiveness of COVID-19 vaccine rollout (44 per cent) is also an important consideration for Mainland

Chinese businesses in deciding whether to expand in an overseas market.



Ms Rebecca Wong FCPA (Aust.)

**Deputy President of CPA Australia's
South China Committee**

Industrial cooperation and complementary advantages in the GBA have been further strengthened last year due to the implementation of the Wealth Management Connect Scheme and the announcement of policies such as the "Overall Plan for the Construction of the Hengqin Guangdong-Macao Intensive Cooperation Zone" and the "Plan for

Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone".

The business collaboration and innovation environment has improved, the level of digitalisation and automation has increased, and the flow of resources has become more efficient.

Looking forward, the GBA possesses substantial market opportunities. This includes tourism opportunities, talent accumulation, a market for high-end consumption, and preferential policies to support the medical care, financial products, and e-commerce sectors. These business growth opportunities are key factors in attracting companies to focus their expansion activities in the GBA.

To capitalise on the unique growth opportunities in the GBA, companies should consider formulating a medium to long-term plan based on the needs and characteristics of consumers in the GBA, as well as taking advantage of preferential tax policies and actively looking for and utilising new technologies.

CONCLUSION

The results of this year's survey reveal that while issues with COVID-19 outbreaks, uncertainties in the global economic recovery and concerns over trade tensions continue to exert downward pressure on Mainland China's economy, overall confidence in the economy and business conditions appear to have improved and stabilised.

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 within the Greater China region and globally. Targeted investments in technology innovation and development, a focus on ESG initiatives, and recruitment and development of talent should be on the radar.

GREATER CHINA OFFICE LOCATIONS

BEIJING

307 – 308B Level 3, Office Tower C2, Oriental Plaza

1 East Chang An Avenue

Dong Cheng District

Beijing 100738, China

P: +86 10 8518 5575

F: +86 10 8518 7001

E: beijing@cpaaustralia.com.au

SHANGHAI

Suite 4003-4004, CITIC Square

1168 Nanjing West Road

Shanghai 200041, China

P: +86 21 2213 9850

F: +86 21 5292 5589

E: shanghai@cpaaustralia.com.au

GUANGZHOU

Room 2504 Tower A G T Land Plaza

85-87 Huacheng Avenue, Zhujiang New Town

Tianhe District

Guangzhou 510623, China

P: +86 20 8393 0610

F: +86 20 8393 0614

E: guangzhou@cpaaustralia.com.au

HONG KONG

20/F Tai Yau Building

181 Johnston Road

Wanchai, Hong Kong, China

P: +852 2891 3312

F: +852 2832 9167

E: hk@cpaaustralia.com.au

Figure 6.

y technology-related projects business undertook in the past 12 months - by business performance

Scan the QR code below to follow CPA Australia's official WeChat account



Scan the QR code below to follow CPA Australia's official Weibo account

