

WWF Global Forest Trade Network: Common Framework for Assessing Legality of Forestry Operations, Timber Processing and Trade - Principles, Criteria and Indicators for **China**

| <i>Indicator</i> | <i>Guidance note/Verifier</i> |
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| PRINCIPLE 1: | ACCESS, USE RIGHTS AND TENURE |
| Criterion 1.1: | Use, access and tenure rights application are subject to stated conditions within the laws and regulations |
| Indicator 1.1.1: “The long-term forestry operating plan” should be approved by the relevant Forestry Administration. | <p>Verify that the company provides relevant documents that are in line with “the long term forestry operation plan”</p> <p>Legal references:</p> <ul style="list-style-type: none"> • Article 16 of the “Forestry Law Amended” 1998 |
| Indicator 1.1.2: Company should conduct activities as defined in the Forest Authority Certificate. | <p>Verify adherence to the points below as appropriate.</p> <p>1) A certificate for use right of forestland issued by the relevant Forestry Administration, indicating detailed activities in the forestland.</p> <p>2) For conversion into deforested land for construction the companies should have official approval document issued by relevant Forestry Administration as well as forest use right document.</p> <p>Legal references:</p> <ul style="list-style-type: none"> • Article 18 of the “Forestry Law Amended in 1998” • Article 18 of the Regulation on the Implementation of the Forestry Law • Articles 2 & 7 of the Regulations Governing Examination and Approval of Occupation and Requisition of Forest Land • Article 18 of the “Forestry Law Amended in 1998” • Articles 16 & 17 of the Regulation on the Implementation of the Forestry Law of the People’s Republic of China |
| Criterion 1.2: | Clear evidence of forest and/or land use, access and tenure rights shall be demonstrated in accordance with laws and regulations |
| Indicator 1.2.1: Company must hold a valid Forest Authority Certificate. | <p>Forest Authority Certificate includes both ownership and land use rights.</p> <p>Verify that the applicant for a Forest Authority Certificate can provide the following materials:</p> <ul style="list-style-type: none"> • certificate stating that there is no dispute over rights to forest, trees and forestland; adjacent parties agree with boundary definition or land allocation and boundaries are clearly indicated • registration document and map showing coverage and boundaries that agree with the situation in the field • full set of related charts and tables • materials showing evidence on right to use or own <p>Note: The Forest Authority Certificate is issued by the</p> |

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| | | Forestry Administration authority under the State Council. |
| | | <p>Legal references:</p> <ul style="list-style-type: none"> • Paragraph 2, Article 3 of the Regulation on the Implementation of the Forestry Law • Paragraph 2, Article 3 of the Forestry Law of the People's Republic of China (Passed on September 20, 1984 and Revised on April 29, 1998, hereinafter referred to as "Forestry Law revised in 1998") • Article 16 of the Regulation on Registration and Management of Right to Trees and Forestland passed on Nov 2nd, 2000 and issued on Dec 31st, 2000 and hereinafter referred to as "Regulation on Right Registration and Management"). • Regulation on Rights, Registration & Management, Articles 5 & 11 |
| Indicator 1.2.2: | Company transfers the use rights of forestland and trees should provide relevant documents. | <p>Note: Use rights of forest are allowed to be transferred only for timber standing stock, economic forest and firewood forest which is defined by the State Council.</p> <p>Legal references:</p> <ul style="list-style-type: none"> • Article 15 of the "Forestry Law Revised in 1998". |
| PRINCIPLE 2: TIMBER HARVESTING | | |
| Criterion 2.1: | Harvesting/timber licence with stated conditions in accordance with government policies, guidelines and regulatory requirements, approved by the relevant authority | |
| Indicator 2.1.1: | The timber harvesting company should have a Timber Harvesting Licence, except when harvesting small amounts of timber owned by farmers in their home garden. | <p>Note: for different company/harvester should offer different documents which stated in laws and regulations.</p> <p>1) State-owned forestry enterprises must have investigation and design documents for harvest areas and signed acceptance, by the relevant Forestry Administration, of certificate of forest regeneration for harvested areas in the previous year;</p> <p>2) Other harvesting entities must have documents that describe the objectives, place, species, forest situation, coverage, reserve, harvesting means and regeneration measures for the trees;</p> <p>3) Individuals must have documents that describe the area, coverage, species, volume and regeneration period etc.</p> <p>Legal references:</p> <ul style="list-style-type: none"> • Article 32 of the "Forestry Law Amended in 1998" • Articles 30 & 31 of the Regulation on the Implementation of the Forestry Law of the People's Republic of China |
| Criterion 2.2: | The company implements harvest operations in accordance with the legally prescribed silvicultural system and relevant regulations | |
| Indicator 2.2.1: | The harvest volume should not exceed approved annual harvest quota approved by the State Council. | <p>Note: The auditor should check the licence and plan against the allowable quota and verify on the ground from harvest records of the company and compliance records from the government agencies.</p> <p>Legal references:</p> |

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| | | <ul style="list-style-type: none"> • Regulation on Credentials Used in Law Enforcement of Forestry Administration Authority (Circular No. 12 of the Ministry of Forest of the People’s Republic of China, passed by minister-held conference on Dec 27th, 1996 and promulgated on Jan 6th, 1997) • Articles 29, 30 & 34 of the “Forestry Law Amended in 1998” • Article 33 of the Regulation on the Implementation of the Forestry Law of the People’s Republic of China • Regulation on Management of Forest Cutting and Regeneration (Approved by the State Council on Aug 25th, 1987 and promulgated on Sep 10th, 1987) |
| Indicator 2.2.2: | Company harvest operations must be in accordance with the regulated requirements | <p>Verify that the company’s harvesting operations comply with official procedure:</p> <ul style="list-style-type: none"> • Clear cutting should be strictly controlled, and if clear cutting is selected, regeneration reforestation shall be done in the same year or the following year • For matured timber, selective, clear or progressive cutting may be selected according to the situation as approved by the relevant agencies • Ensure that the harvest operations comply with the details of the regulations through documentation verification and field observations. |
| | | <p>Legal references:</p> <ul style="list-style-type: none"> • Paragraph 1, Article 31 of the “Forestry Law Amended in 1998” |
| Indicator 2.2.3: | The Company conducts harvesting activities according to official methods. | <p>Check that company cutting activities comply with the harvest licence</p> |
| | | <p>Legal references:</p> <ul style="list-style-type: none"> • Paragraph 2, Article 34 of the “Forestry Law Amended in 1998” |
| Indicator 2.2.4: | The company should acquire the certificate for forest regeneration from relevant Forestry Administration | <p>Verify the regeneration certificate for the quality and timing of the restoration activities against the plan, with approval by the relevant Forestry Administration.</p> |
| | | <p>Legal references:</p> <ul style="list-style-type: none"> • Article 35 of the “Forestry Law Amended in 1998” • Article 30 of the Regulation on the Implementation of the Forestry Law of the People’s Republic of China |

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| PRINCIPLE 3: TRANSPORTATION OF LOGS AND WOOD PRODUCTS | |
| Criterion 3.1: Clear evidence of documents and licences for companies and carriers involved in timber product transportation shall be demonstrated in accordance with the laws and regulations | |
| Indicator 3.1.1: Timber transporters/carriers must have a valid “timber transportation certificate” | Verify with the relevant authorities on the validity and approval of the certificate. Note: Carriers transporting timber not belonging to State management timber sources should have a valid “timber transportation certificate” issued by a Forestry Administration at or above county level. |
| | Legal references: <ul style="list-style-type: none"> • Paragraphs 1 & 4, Article 35 of the Regulation on the Implementation of the Forestry Law of the People’s Republic of China |
| | Verify that all conditions and documents for the application of the certificate are followed: 1) “The timber harvesting licence” or other certificates verify the legal source of the timber; 2) “The Quarantine Certificate” is a precondition for application for “the transport certificate” and should be used together with “the transportation certificate” in the course of transportation. |
| | Legal references: <ul style="list-style-type: none"> • Article 36 of the Regulation on the Implementation of the Forestry Law of the People’s Republic of China • Article 4 of the Detailed Regulations on the Implementation of Plant Quarantine Rules (Forest Part) (Circular No. 4 the Ministry of Forest of the People’s Republic of China, passed by minister-held conference on Jun 30th, 1994 and promulgated and effective on July 26th, 1994) • Article 22 of the “Forestry Law Amended in 1998” • Article 2 of the Regulations for the Implementation of the Law of the People’s Republic of China on the Entry and Exit Animal and Plant Quarantine (Decree No. 206 of the State Council promulgated on Dec 2nd, 1996 and effective as of the day Jan 1st, 1997) |
| Indicator 3.1.2: Timber consignment documents during transportation is complete and correct | Check that the following conditions and documents are complied with: <ul style="list-style-type: none"> • The issuing authorities are correct • The issuing conditions with volume, log, forest products records according with official format |
| | Legal references: <ul style="list-style-type: none"> • Articles 35 & 36 of the Regulation on the Implementation of the Forestry Law of the People’s Republic of China |
| PRINCIPLE 4: PROCESSING REGULATIONS | |
| Criterion 4.1: Clear evidence of documents and licences for companies involved in timber processing | |

| shall be demonstrated in accordance with the laws and regulations. | |
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| Indicator 4.1.1: | <p>The timber processing Company is legally registered in accordance with the laws</p> <p>Verify that the timber processing company holds a business registration certificate issued by the industry and commerce administration authority.</p> <p>Legal references:</p> <ul style="list-style-type: none"> Article 3 of the Regulations of the People's Republic of China for Controlling the Registration of Enterprises as Legal Persons (amended as per Decision of the State Council on Amending the Regulations of the People's Republic of China for Controlling the Registration of Companies and effective on Jan. 1st, 2006) |
| Indicator 4.1.2: | <p>The timber processing Company must hold a valid Timber Processing Certificate.</p> <p>Verify that the timber processing industry holds a timber processing certificate issue by the Forestry Administration above county level.</p> <p>Note: according to the law timber processing certificate is only required for timber processing companies in forest areas, not for companies outside of forest areas.</p> <p>Legal references:</p> <ul style="list-style-type: none"> Article 34 of the Regulation on the Implementation of the Forestry Law of the People's Republic of China |
| PRINCIPLE 5: IMPORT AND EXPORT REGULATIONS | |
| Criterion 5.1: | Clear evidence of licence/permit of company involved in import and export shall be demonstrated in accordance with the laws and regulations |
| Indicator 5.1.1: | <p>The company should be registered with the Industry and Commerce Administration.</p> <p>Verify that the company holds the following:</p> <ul style="list-style-type: none"> A business registration certificate, and The import/export operating licence if the business is involved itself in import and export <p>Legal references:</p> <ul style="list-style-type: none"> Articles 23, 24, 27, 77 & 79 of the Company Law of the People's Republic of China (It was passed by the 5th conference of the Standing Committee of the 8th on Dec 29th, 1993. The first modification was made according to Decision on Modifying the Company Law of the People's Republic of China made by the 13th conference of the Standing Committee of the 9th People's Congress of the People's Republic of China on Dec 25th, 1999. The second modification was made according to Decision on Modifying the Company Law of the People's Republic of China made by the 11th conference of the Standing Committee of the 10th People's Congress of the People's Republic of China on Aug 28th, 2004. The latest amendment was made by the 18th conference of the Standing Committee of the 10th People's Congress of the People's Republic of China on Oct 27th, 2005 and effective on Jan 1st, 2006, which is to be referred to as "Company Law Amended in 2005") |

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| Criterion 5.2: | Clear evidence of official documents of timber products for import and export shall be demonstrated by companies and carriers in accordance with the laws and regulations | |
| Indicator 5.2.1: | <p>Related documents and certificates should be submitted by the import and export company as per pertinent laws and regulations</p> | <p>Check on validity and endorsement of the documents and certificates by relevant authorities as appropriate:</p> <ul style="list-style-type: none"> • Packing list • Invoice • Bill of lading • Customs declaration form • Appropriate tariffs are paid and receipted • Sales contract • Shipping order • Verification form of inward remittance (Exchange Control Administration) • Delivery order <p>Legal references:</p> <ul style="list-style-type: none"> • Article 12 of the “Company Law Amended in 2005” • Article 24 of the Customs Law of the People’s Republic of China (passed by the 19th conference of the Standing Committee of the 6th People’s Congress on Jan 22nd, 1987 and amended in Line with the Decision on the Revision of the Customs Law of the People’s Republic of China by the 16th conference of the Standing Committee of the Ninth People’s Congress on July 8th, 2000) |
| Criterion 5.3: | Timber products import and export companies are subject to stated conditions within the laws and regulations | |
| Indicator 5.3.1: | <p>Stated conditions on CITES-listed species and tree species under state protecting catalogue (and their products and/or derivatives) with special requirement are adhered to</p> | <p>Verify by checking the import and export certificate from the local authority in charge of wild animals and plants of the government of province, autonomous region and municipality directly under the central government with the following documents:</p> <ul style="list-style-type: none"> • Import or export contract • Name of products, species, quantity and purpose for import or export of the endangered plant (and its product and/or derivative) • Description of transport facilities for living endangered wild animal or plant <p>Legal references:</p> <ul style="list-style-type: none"> • Article 38 of the “Forestry Law Amended in 1998” • Articles 4, 6, 8, 9, 10 & 12 of the Regulations of the People’s Republic of China on Administration of Import and Export of Endangered Wild Animals and Plants (Decree No. 465 of the State Council passed by 131st Standing Conference of the State Council held on Apr 12th, 2006, and effective on Sep 1st, 2006) • Convention on International Trade in Endangered Species of Wild Fauna and Flora (signed on Mar 3rd, 1973 in Washington and effective on July 1st, 1975; China becomes a formal member since Apr 8th, 1981) |

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| <p>Indicator 5.3.2: All Import and Export Quarantine Inspection documents and procedures are followed</p> | <p>Verify the Quarantine Certificate for both import and export forestry products which issued by The Entry and Exit Inspection and Quarantine Agency in each port.</p> |
| <p>Legal references:</p> <ul style="list-style-type: none"> • Paragraph1,Article 2 of the Regulations for the Implementation of the Law of the People’s Republic of China on the Entry and Exit Animal and Plant Quarantine (Decree No. 206 of the State Council promulgated on Dec 2nd, 1996 and effective on Jan 1st, 1997) | |
| <p>PRINCIPLE 6: ENVIRONMENTAL AND CONSERVATION REGULATIONS</p> | |
| <p>Criterion 6.1: State/Company conducts environmental impact assessments or other required assessments within the laws and regulations</p> | |
| <p>Indicator 6.1.1: The company must have approval from the relevant government authority confirming harvest activities are not impacting the environment.</p> | <p>A formal letter is required from the relevant Forestry Administration.</p> <p>Note: Harvesting activities are forbidden in natural conservation area or natural forest.</p> <p>Legal references:</p> <ul style="list-style-type: none"> • Article 4 of the “Forestry Law Amended in 1998” • Implementation Plan for Protection of Natural Forest Resource at the Upstream of the Yangtze River and the middle and upstream of the Yellow River (promulgated and effective on July 7th, 2000 by the State Council) • Implementation Plan for Protection of Natural Forest Resource in the state-owned natural forest resource protection zone in Northeast China and Inna Mongolia (Promulgated and effective on July 7th, 2000 by the State Council) |
| <p>Criterion 6.2: State/Company takes mitigation measures on negative conservation value in accordance with the laws and regulations</p> | |
| <p>Indicator 6.2.1: Hunting or collecting wild animals and plants protected by the State require approval from the relevant Forestry Administration.</p> | <p>Verify that company/ collector holds a collection licence for protected wild plants under the first catalogue of the State.</p> <p>Note: The exception to the list of species are for special uses including scientific research, artificial cultivation and cultural exchange, but only after obtaining the agreement from the local authority in charge of wild plants under the government of province, autonomous region or municipality directly under the central government.</p> <p>After issuing the collection licence, the authority in charge of wild plants should copy the licence to the Environment Protection Administration for record.</p> <p>Legal references:</p> <ul style="list-style-type: none"> • Article 16 of the Regulation on Wild Plants Protection of the People’s Republic of China (Decree No. 204 of the State Council promulgated on Sep 30th, 1996 and effective on Jan 1st, 1997) |
| <p>PRINCIPLE 7: SOCIAL REGULATIONS</p> | |
| <p>Criterion 7.1: Company maintains or strengthens socio-economic welfare of local</p> | |

| communities/indigenous people in accordance with the laws and regulations | |
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| Indicator 7.1.1: | <p>The company should give equal opportunity of employment to labourers including non-discrimination to the employment of people from special groups</p> <p>Verify through meetings with employees, review of documents to verify:</p> <p>Employment of labourers should not be discriminated against on the grounds of ethnic group, race, gender and religion. Special stipulations for employment of the disabled, people belonging to minority ethnic group and retired servicemen should be observed, if any.</p> <p>Companies are forbidden to employ juveniles and children below the age of 16 as labourers, except for people with special skills.</p> <p>Legal references:</p> <ul style="list-style-type: none"> Article 12 of the Labour Law of the People’s Republic of China (Decree No. 28 of the Chairman of the People’s Republic of China, passed by the 8th conference of the Standing Committee of the Eighth People’s Congress on July 5th, 1994 and effective on Jan 1st, 1995, hereinafter referred to as the “Labour Law effective in 1995”). Articles 14 and 15 of the “Labour Law effective in 1995” |
| Criterion 7.2: Company complies with the laws and regulations on its employees’ and workers’ rights and welfare | |
| Indicator 7.2.1: | <p>The company must ensure work time, rest and holiday for the employee</p> <p>Check formal agreement with worker union and meeting records for:</p> <ul style="list-style-type: none"> The work time of the labourer The leave form <p>Legal references:</p> <ul style="list-style-type: none"> Articles 36 to 45 of the “Labour Law effective in 1995” |
| Indicator 7.2.2: | <p>Remuneration for working hours on statutory holidays</p> <p>Meetings with employees, review of documents to verify.</p> <p>Legal references:</p> <ul style="list-style-type: none"> Article 44 of the “Labour Law effective in 1995” |
| Indicator 7.2.3: | <p>The company pays its employee’s salary and benefits commensurate to hours worked and related performance</p> <p>Meetings with employees, review of documents to verify.</p> <p>The salary should be paid according to the volume and quality of work, with the same wage to all paid for same work undertaken.</p> <p>Legal references:</p> <ul style="list-style-type: none"> Article 46 of the “Labour Law effective in 1995” |
| Indicator 7.2.4: | <p>The company should implement clearly defined safety procedures, and ensure labour sanitation as prescribed by regulations</p> <p>Auditor should verify that government policies are implemented.</p> <p>Note: The company should establish a set of labour safety and sanitary systems and implement them strictly according to the working instructions and standards prescribed by the State.</p> <p>Governments at a level higher than county should gather statistics on deaths and injuries as well as incidences of disease to prepare reports and implement monitoring.</p> <p>Legal references:</p> |

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| | | <ul style="list-style-type: none"> Articles 52 to 57 of the “Labour Law effective in 1995” |
| Indicator 7.2.5: | The company should offer special protection for women and minor employees | <p>The State offers special protection of female employees and minor employees. Minor employees are defined as aged between 16 and 18.</p> <p>Meetings with employees, review of documents to verify.</p> <p>Legal references:</p> <ul style="list-style-type: none"> Articles 58 to 65 of the “Labour Law effective in 1995” |
| Indicator 7.2.6: | The company should offer professional training as appropriate | <p>The employer should establish a professional training system, and train all technical labourers before commencing the position.</p> <p>Meetings with employees, review of documents to verify.</p> <p>Legal references:</p> <ul style="list-style-type: none"> Articles 66 to 69 of the “Labour Law effective in 1995” |
| PRINCIPLE 8: | TAXES, FEES AND ROYALTIES | |
| Criterion 8.1: | Clear evidence of current paid taxes, fees and royalties in a timely manner shall be demonstrated by the company in accordance with the laws and regulations | |
| Indicator 8.1.1: | <p>All forest related taxes such as Value Added Tax (VAT), reforestation fee, and fee for special agriculture are paid and on time</p> | <p>The company should pay value-added tax.</p> <ol style="list-style-type: none"> VAT 13% levied on the log VAT on forestry products produced by forest owners are exempt 4% VAT should be levied on small commercial entities. These VAT rates are applicable under current taxation regulations. <p>The reforestation fee is collected by the government and used for reforestation and trees’ cultivation.</p> <ol style="list-style-type: none"> The tax on special agriculture could be reduced or exempted for log harvest companies The company which harvests logs in state-owned forest in Northeast and Inner Mongolia should be levied 5% of tax on special agriculture No special agriculture tax for small-diameter timber (length shorter than 2 meters and diameter less than 8 centimetres). <p>The rate of tax will be adjusted timely according to the pertinent laws and regulations.</p> <p>Receipts from the relevant agencies provide proof.</p> <p>Legal references:</p> <ul style="list-style-type: none"> Notice of the Ministry of Finance and the State Administration of Taxation on reduction and exemption of Tax on Special Agriculture Levied on Entity Cutting State-owned Forest (Finance and Taxation No. 2001-200, promulgated on Dec 24th, 2001 and effective on Jan 1st, 2002) Notice of the Ministry of Finance and the State Administration of Taxation on Taxation Policy towards Entity Implementing Natural Forest Protection Project (Finance and Taxation No. 2004-37, promulgated on May 19th, 2004 and valid from Jan 1st, 2004 to Dec |

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| | <p>31st, 2010). Clause 4, Article 8 of the “Forestry Law Amended in 1998”</p> <ul style="list-style-type: none"> • Notice of the Ministry of Finance and the State Administration of Taxation on Reduction and Exemption of Tax on Special Agriculture Levied on Entity Cutting State-owned Forest (Finance and Taxation No. 2001-200, promulgated on Dec 24th, 2001 and effective on Jan 1st, 2002) • Notice of the Ministry of Finance and the State Administration of Taxation on policy towards Tax on Special Agriculture in Rural Areas where Reform to Tax and Levy is Performed in 2003 (Finance and Taxation No. 2003-136, promulgated and effective on June 3rd, 2003) • Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Taxation Preferential Treatments to Great Western China Development (Finance and Taxation No. 2001-202, promulgated on Dec 30th, 2001 and effective on Jan 1st, 2002) |
| <p>Indicator 8.1.2: All taxes linked to timber processing operations are paid on time</p> | <p>Verify the company official tax payment</p> <ul style="list-style-type: none"> • 17% of VAT for commonly processed timber products • VAT at rate of 4% only for small commercial entities with annual taxable sales volumes of less than 1.8 million Yuan are considered as ‘small-sized commercial entities’ <p>Legal references:</p> <ul style="list-style-type: none"> • Notice of the Ministry of Finance and the State Administration of Taxation on Immediate Reimbursement of VAT after Collection Levied on Comprehensive Utilization Product Manufactured by Three Surplusages and inferior log.(Finance and Taxation No. 2006-102, promulgated on Aug 3rd, 2006 and effective on Jan 1st, 2006) • Notice of the Ministry of Finance and the State Administration of Taxation on Issues about Taxation on Reimbursement (Exemption) of VAT on Exported Goods (Finance and Taxation No. 1998-116, promulgated and effective on August 14th, 1998) • Notice of the Ministry of Finance and the State Administration of Taxation on Enforcement of Decision of the State Council on Fulfilling VAT Policies towards Small-sized Commercial Entity (Finance and Taxation No. 1998-113 promulgated on June 12th, 1998 and effective on June 12th, 1998) |
| <p>Indicator 8.1.3: All taxes linked to the exportation and importation of forest products are paid on time</p> | <p>Official receipts should be available for audit.</p> <ul style="list-style-type: none"> • The import and export company should demonstrate payments of Export VAT and Consumption Tax for Wood • 10% of temporary export tax is levied for solid wood flooring and disposable wooden chopsticks |

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| | <ul style="list-style-type: none"> • For forestry products imported from neighbouring countries by small trading companies on the border, the import tariff and VAT should be levied 50%. <p>Legal references:</p> <ul style="list-style-type: none"> • Notice of the State Administration of Taxation on Reimbursement of Tax Levied on Exported Wood Compound Parquet (National Taxation No. 2006-1263, promulgated and effective on Dec 26th, 2006) • Notice of the Customs Tariff Commission of the State Council on Adjusting Temporary Import and Export Tax Rates on Part of the Commodities (Tariff Commission No. 2006-30, promulgated on Oct 27th, 2006 and effective on Nov 1st, 2006) • Notice of the Ministry of Finance and the State Administration of Taxation on Taxation Policy towards Entity Implementing Natural Forest Protection Project (Finance and Taxation No. 2004-37, promulgated on May 19th, 2004 and valid from Jan 1st, 2004 to Dec 31st, 2010) • Notice of the State Administration of Taxation on Reimbursement of Tax Levied on Exported Wood Compound Parquet (National Taxation No. 2006-1263, promulgated and effective on Dec 26th, 2006) • Notice of the Customs Tariff Commission of the State Council on Adjusting Temporary Import and Export Tax Rates on Part of the Commodities (Tariff Commission No. 2006-30, promulgated on Oct 27th, 2006 and effective on Nov 1st, 2006) |
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Summary explanation of the legal system in China

The legal hierarchy is divided into three tiers:

The first tier: the People's Congress legislates and amends the basic laws of the nation, and the People's Congress and its Standing Committee legislates and amends laws other than those basic laws to be legislated and amended by the People's Congress. The People's Congress and its Standing Committee execute the legislative power of the nation, and based upon this power, the regulatory documents written are called laws.

The second tier: the State Council legislates administrative regulations according to the constitution and laws, or forerunning administrative regulations for certain events by authorization of the People's Congress and its Standing Committee.

The third tier is divided into two sub-tiers. The first sub-tier is local regulation, the People's Congress of a province, autonomous region, or municipality directly under the Central Government and the Standing Committee thereof may, according to the specific circumstances and actual needs of the jurisdiction, enact local regulations provided that such enactment does not contravene any provision of the Constitution, laws or administrative regulations. The second sub-tier is the ministries, commissions and organs with administrative that functions directly under the State Council may, enact administrative regulations within the scope of its authority according to laws and administrative regulations, decisions and decrees of the State Council. Regulatory documents formulated by this legislative power are called administrative regulations.

Regulatory document enacted by the People's Congress and its Standing Committee according to the constitution is regarded as the first tier; administrative regulations enacted by the State Council is regarded as the second tier; and local regulations enacted by the People's congress of province, autonomous region and municipality directly under the central government and its standing committee, as well as the administrative rules enacted by Tariff Commission of the State Council, the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs and the State Forest Administration are regarded as the third tier.

Legend:

Government level

- SFA: State Forestry Administration;
- MOA: Ministry of Agriculture;
- SDPC: State Development and Planning Committee;
- MoFI: Ministry of Finance;
- MoC: Ministry of Commerce;
- SEPA: State Environmental Protection Administration;
- STA: State Taxation Administration;
- MoLSS: Ministry of Labour and Social Security;
- SAIC: State Administration of Industry and Commerce;
- GeDC: General Department of Customs;

Province Level

- FIGB: Forestry Industry General Bureau;
- FD: Forestry Department;
- AD: Agriculture Department;
- PSDPC: Provincial Development and Planning Commerce;
- FID: Finance Department;
- CD: Commerce Department;
- EPD: Environmental Protection Department;
- PTD: Provincial Taxation Department;
- LSSD: Labour and Social Security Department;
- PAIC: Provincial Administration of Industry and Commerce;
- PDC: Provincial Department of Customs;

City Level

- CFB: City Forestry Bureau;
- CAB: City Agricultural Bureau;
- CDPC: City Development and Planning Committee;
- CFIB: City Financial Bureau;

- CCB: City Commerce Bureau;
- CEPB: City Environmental Protection Bureau;
- CTB: City Taxation Bureau;
- CLSSB: City Labour and Social Security Bureau;
- CAIC: City Administration for Industry and Commerce;

County Level

- CoFB: County Forestry Bureau;
- CoAB: County Agricultural Bureau;
- CoDPC: County Development and Planning Committee;
- CoFIB: County Financial Bureau;
- CoCB: County Commerce Bureau;
- CoEPB: County Environmental Protection Bureau;
- CoTB: County Taxation Bureau;
- CoLSSB: County Labour and Social Security Bureau;
- CoAIC: County Administration for Industry and Commerce;

II. Laws and Regulations Related to the Principles:

Principle 1: Access, use rights and tenure

1. Paragraph 2, Article 3 of the *Regulation on the Implementation of the Forestry Law of the People's Republic of China* (Decree No 278 of the State Council, promulgated and effective on Jan 29th, 2000).
2. Paragraph 2, Article 3 of the *Forestry Law of the People's Republic of China* (passed by 7th conference of the Standing Committee of the Sixth People's Congress on Sep 20th, 1984, and amended in line with *Decision on Amending the Forestry Law of the People's Republic of China* on Apr 29th, 1998 passed by 2nd conference of the Standing Committee of the 9th People's Congress).
3. Article 16 of the *Regulation on Registration and Management of Right to Trees and Forestland* (passed by 3rd conference of the State Forest Administration on Nov 2nd, 2000 and promulgated and effective on Dec 31st, 2000).
4. Article 5 and 11 of the *Regulation on Registration and Management of Right to Trees and Forestland* (passed by 3rd conference of the State Forest Administration on Nov 2nd, 2000 and promulgated and effective on Dec 31st, 2000).
5. Article 15 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
6. Article 18 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
7. Article 18 of the *Regulation on the Implementation of the Forestry Law of the People's Republic of China*.
8. Article 2 and 7 of the *Regulations Governing Examination and Approval of Occupation and Requisition of Forest Land* as passed by the 3rd conference of the State Forest Administration on Nov 2nd, 2000 and promulgated and effective on Jan 4th, 2001 (Decree No. 2 of the State Forest Administration).
9. Article 18 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
10. Article 16 and 17 of the *Regulation on the Implementation of the Forestry Law of the People's Republic of China* (promulgated and effective on Jan 29th, 2000).
11. Article 16 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).

Principle 2: Harvesting regulations

1. Article 32 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
2. Article 30 and 31 of the *Regulation on the Implementation of the Forestry Law of the People's Republic of China* (promulgated and effective on Jan 29th, 2000).

3. Paragraph 2, Article 31 of the *Regulation on the Implementation of the Forestry Law of the People's Republic of China* (promulgated and effective on Jan 29th, 2000).
4. Article 32 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
5. *Regulation on Credentials Used in Law Enforcement of Forestry Administration Authority* (Circular No. 12 of the Ministry of Forest of the People's Republic of China, passed by minister-held conference on Dec 27th, 1996 and promulgated and effective on Jan 6th, 1997).
6. Article 34 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
7. Article 33 of the *Regulation on the Implementation of the Forestry Law of the People's Republic of China* (effective on Jan 29th, 2000).
8. *Regulation on Management of Forest Cutting and Regeneration* (Approved by the State Council on Aug 25th, 1987 and promulgated on Sep 10th, 1987).
9. Paragraph 1, Article 31 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
10. Paragraph 2, Article 34 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
11. Article 35 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
12. Article 30 of the *Regulation on the Implementation of the Forestry Law of the People's Republic of China* (promulgated and effective on Jan 29th, 2000).

Principle 3: Transport of logs, wood products

1. Paragraph 1 and 4, Article 35 of the *Regulation on the Implementation of the Forestry Law of the People's Republic of China* (effective on Jan 29th, 2000).
1. Article 36 of the *Regulation on the Implementation of the Forestry Law of the People's Republic of China* (effective on Jan 29th, 2000).
2. Article 4 of the *Detailed Regulations on the Implementation of Plant Quarantine Rules (Forest Part)* (Circular No. 4 the Ministry of Forest of the People's Republic of China, passed by minister-held conference on Jun 30th, 1994 and promulgated and effective on July 26th, 1994).
3. Article 22 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
4. Article 2 of *Regulations for The Implementation of the Law of the People's Republic of China on the Entry and Exit Animal and Plant Quarantine* (Decree No. 206 of the State Council promulgated on Dec 2nd, 1996 and effective on Jan 1st, 1997).
5. Article 35 and 36 of the *Regulation on the Implementation of the Forestry Law of the People's Republic of China*.

Principle 4: Processing regulations

1. Article 3 of the *Regulations of the People's Republic of China for Controlling the Registration of Enterprises as Legal Persons* (amended as per *Decision of the State Council on Amending the Regulations of the People's Republic of China for Controlling the Registration of Companies* and effective on Jan 1st, 2006).
2. Article 34 of the *Regulation on the Implementation of the Forestry Law of the People's Republic of China*.

Principle 5: Import and Export regulations

1. Article 23, 24, 27, 77 and 79 of the *Company Law of the People's Republic of China* (passed by the 5th conference of the Standing Committee of the 8th People's Congress on Dec 29th, 1993. The first modification was made according to *Decision on Modifying the Company Law of the People's Republic of China* made by the 13th conference of the Standing Committee of the 9th People's Congress on Dec 25th, 1999. The second modification was made according to *Decision on Modifying the Company Law of the People's Republic of China* made by the 11th conference of the Standing Committee of the 10th People's Congress on Aug 28th, 2004. The latest amendment was made by the 18th conference of the Standing Committee of the 10th People's Congress on Oct 27th, 2005 and effective on Jan 1st, 2006, hereinafter referred to as "Company Law Amended in 2005").
2. Article 12 of the *Company Law of the People's Republic of China*.

3. Article 24 of the *Customs Law of the People's Republic of China* (passed by the 19th conference of the Standing Committee of the 6th People's Congress on Jan 22nd, 1987 and amended by the 16th conference of the Standing Committee of the 9th People's Congress on July 8th, 2000).
4. Article 38 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
5. Articles 4, 6, 8, 9, 10 and 12 of the *Regulations of the People's Republic of China on Administration of Import and Export of Endangered Wild Animals and Plants* (Decree No. 465 of the State Council passed by 131st Standing Conference of the State Council held on Apr 12th, 2006, and effective on Sep 1st, 2006).
6. *Convention on International Trade in Endangered Species of Wild Fauna and Flora* (signed on Mar 3rd, 1973 in Washington and effective on July 1st, 1975; China becomes a formal member since Apr 8th, 1981).
7. Paragraph 1, Article 2 of the *Regulations for the Implementation of the Law of the People's Republic of China on the Entry and Exit Animal and Plant Quarantine* (Decree No. 206 of the State Council promulgated on Dec 2nd, 1996 and effective on Jan 1st, 1997).

Principle 6: Environmental Regulations

1. Article 29 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
1. Article 30 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
2. Article 4 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).
3. *Implementation Plan for Protection of Natural Forest Resource at the Upstream of the Yangtze River and the middle and up stream of the Yellow River* (promulgated and effective on July 7th, 2000 by the State Council).
4. *Implementation Plan for Protection of Natural Forest Resource in the state-owned natural forest resource protection zone in Northeast China and Inner Mongolia* (Promulgated and effective on July 7th, 2000 by the State Council).
5. *Implementation Plan for Protection of Natural Forest Resource at the Upstream of the Yangtze River and the middle and up stream of the Yellow River* (promulgated and effective on July 7th, 2000 by the State Council).
6. *Implementation Plan for Protection of Natural Forest Resource in the state-owned natural forest resource protection zone in Northeast China and Inner Mongolia* (Promulgated and effective on July 7th, 2000 by the State Council).
7. Article 16 of the *Regulation on Wild Plants Protection of the People's Republic of China* (Decree No. 204 of the State Council promulgated on Sep 30th, 1996 and effective on Jan 1st, 1997).

Principle 7: Social regulations

1. Article 12 of the *Labour Law of the People's Republic of China* (Decree No. 28 of the Chairman of the People's Republic of China, passed by the 8th conference of the Standing Committee of the Eighth People's Congress on July 5th, 1994 and effective on Jan 1st, 1995).
2. Articles 14 and 15 ; 36 and 45 of the *Labour Law of the People's Republic of China* (effective on Jan 1st, 1995).
3. article 44 and 46; 52 to 57; 58 to 65 and 66 to 69 of the *Labour Law of the People's Republic of China* (effective on Jan 1st, 1995).

Principle 8: Taxes, fees and royalties

1. *Notice of the Ministry of Finance and the State Administration of Taxation on reduction and exemption of Tax on Special Agriculture Levied on Entity Cutting State-owned Forest* (Finance and Taxation No. 2001-200, promulgated on Dec 24th, 2001 and effective on Jan 1st, 2002).
2. *Notice of the Ministry of Finance and the State Administration of Taxation on Taxation Policy towards Entity Implementing Natural Forest Protection Project* (Finance and Taxation No. 2004-37, promulgated on May 19th, 2004 and valid from Jan 1st, 2004 to Dec 31st, 2010).
3. Item 4, Article 8 of the *Forestry Law of the People's Republic of China* (effective on July 1st, 1998).

4. *Notice of the Ministry of Finance and the State Administration of Taxation on Reduction and Exemption of Tax on Special Agriculture Levied on Entity Cutting State-owned Forest* (Finance and Taxation No. 2001-200, promulgated on December 24th, 2001 and effective on Jan 1st, 2002).
 5. Notice of the Ministry of Finance and the State Administration of Taxation on policy towards Tax on Special Agriculture in Rural Areas where Reform to Tax and levy is Performed in 2003 (Finance and Taxation No. 2003-136, promulgated and effective on June 3rd, 2003)
 6. *Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Taxation Preferential Treatments to Great Western China Development* (Finance and Taxation No. 2001-202, promulgated on Dec 30th, 2001 and effective on Jan 1st, 2002).
 7. Notice of the Ministry of Finance and the State Administration of Taxation on Immediate Reimbursement of VAT after Collection Levied on Comprehensive Utilization Product Manufactured by Three Surplusages and Hypofirewood (Finance and Taxation No. 2006-102, promulgated on Aug 3rd, 2006 and effective on Jan 1st, 2006).
 8. *Notice of the Ministry of Finance and the State Administration of Taxation on Issues about Taxation on Reimbursement (Exemption) of VAT on Exported Goods* (Finance and Taxation No. 1998-116, promulgated on August 14th, 1998).
 9. *Notice of the Ministry of Finance and the State Administration of Taxation on Enforcement of Decision of the State Council on Fulfilling VAT Policies towards Small-sized Commercial Entity* (Finance and Taxation No. 1998-113 promulgated on June 12th, 1998 and effective on June 12th, 1998).
 10. *Notice of the State Administration of Taxation on Reimbursement of Tax Levied on Exported Wood Compound Parquet* (National Taxation No. 2006-1263, promulgated and effective on Dec 26th, 2006).
 11. ***Notice of the Customs Tariff Commission of the State Council on Adjusting Temporary Import and Export Tax Rates on Part of the Commodities*** (Tariff Commission No. 2006-30, promulgated on Oct 27th, 2006 and effective on Nov 1st, 2006).
 12. *Notice of the Ministry of Finance and the State Administration of Taxation on Taxation Policy towards Entity Implementing Natural Forest Protection Project* (Finance and Taxation No. 2004-37, promulgated on May 19th, 2004 and valid from Jan 1st, 2004 to Dec 31st, 2010).
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