



# Hainan Free Trade Port (FTP)

## – Our Legal Services

Further to President Xi Jinping's unveiling of China's plan to build Hainan Island into an FTP, on 1 June 2020, the Chinese central government released the Master Plan for the FTP construction. The Plan sets forth a package of tailor-made policy concessions on trade, investment and financing, and so on. The opening-up strategy of Hainan FTP is expected to bring a new wave of business opportunities for multinational companies (MNC) doing business in China, as well as Chinese companies looking to expand their domestic footprint.

### KEY FOCUS BY 2035:

Free trade and investment, free cross-border capital flows, free and convenient transport and access for people, and free and secure flow of data and information

Year 2020 ..... 1 ..... Year 2025 ..... 2 ..... Year 2035 ..... 3 ..... Year 2050 ..... ▶

### KEY FOCUS BY 2025:

Liberalisation and facilitation of trade and investment

### BY MIDDLE OF THE CENTURY:

Construction of a high-quality free trade port with strong international influence

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## A glance of key preferential policies

### Trade and investment liberalisation and facilitation

- Support overseas securities, funds and futures institutions to set up wholly-owned or jointly-owned institutions in FTP
- Establish Hainan International Intellectual Property Right Exchange
- Support the construction of trading venues for international energy, shipping, property rights and equity stakes
- Issue Hainan provincial bonds globally

### Cross-border capital flow liberalisation and facilitation

- Remove restrictions on overseas financing of ships and aircraft
- Support overseas securities, funds and futures institutions to set up WFOEs or jointly owned institutions in Hainan
- Allow enterprises listed overseas to handle foreign exchange registration directly at banks

### Safe and orderly flow of data

- Conduct services of online data processing and transaction processing and the International Internet data Interaction Pilot Project
- Open up basic telecommunications services

### Specific sector focused policies expected, e.g.

- **Tourism** (incl. medical tourism, yachting, elderly care)
- **High Tech** (incl. sea technologies, aerospace, smart Hainan, new energy)
- **Modern services** (incl. insurance, transportation, headquarters, finance)

### Upgrade of duty shopping rules

- Expand categories from 38 to 45
- Increase quota (tripled to RMB100,000 per person per year)
- Relax purchasing limits

### Zero tariff

- Goods (subject to negative list): freely imported/exported, exempted from import duties
- Goods manufactured by Hainan FTP enterprises with a minimum **30% increase in the value**: exempted from import duties when sold to other areas of Mainland China

### Low tax rate CIT)

- **15% CIT rate** for Hainan FTP enterprises in encouraged sectors (substantive operation requirement) by 2025, expanded to all industry sectors (not in negative list) by 2035
- **CIT exemption** on qualified “new” outbound investment income received by Hainan FTP enterprises in the tourism, modern services and high-tech industries
- **100% expensing, and accelerated depreciation** regimes for eligible capital expenditure

### Low tax rate (IIT)

- **Maximum 15% IIT rate** for qualified income of personnel with high-end and urgently-needed skills, working in Hainan FTP
- **3%, 10% and 15% IIT rates** for qualified income of all individuals (not just special skills) in Hainan FTP stayed 183 days in year

## Other benefits expected in Hainan

- ❖ Simplified customs formalities
- ❖ Easy market access and simplified procedure
- ❖ Innovative cross-border financing instruments
- ❖ Access to overseas capital market
- ❖ Convenient visa-free entry policy



## Representative experience in Hainan

Our team members have advised or are currently advising on the following projects:

- ✓ Advising on a joint venture to engage in maintenance, repair and operations services in the aviation sector.
- ✓ Advising on the setting up of a joint venture between a leading international duty-free business operator and a local company.
- ✓ Advised one of the leading European football clubs on its joint venture transaction to set up football school and football exhibition in Hainan.
- ✓ Advised a leading UK energy fund on its strategic alliance with a major PRC state-owned oil company and a Hainan SOE.
- ✓ Advised a European MNC on its joint venture hospital project in Haikou.
- ✓ Advised a leading hospitality operator in conjunction with a contemplated resort in Sanya.
- ✓ Advising a leading environmental service operator in its Haikou joint venture providing water treatment services in the city.
- ✓ Advising a Japanese client on terminating its 300+ employees in relation to company liquidation in Hainan.
- ✓ Represented an SOE in connection with a corporate control dispute with local shareholders of a Sanya real estate project.

## How we can help

Our market-leading legal experts in **Hong Kong** and **Mainland China** provide business-critical support to businesses, local governments and public authorities in Hainan. Working closely with tax, consulting, transactional services, risk management and audit professionals in all parts of the PwC global network, we can provide a unique tailor-made service to address the most challenging issues with sector-specific expertise.

We have identified the following key areas and industries in which we can add value and advise clients operating in Hainan:

### Market entry

- Analysis of sector regulations
- Identification of specific local regulations
- Liaising with local authorities
- Sector-specific regulatory advice

### Company set up

- Drafting of incorporation documents
- Drafting of all ancillary registration documents
- Handling of local incorporation formalities

### Supply chain

- Managed customs and trade services

### Commercial dispute resolution

- Debt claim and recovery litigation
- Domestic and international arbitration
- Bankruptcy / liquidation proceedings in China

### Joint-ventures

- Drafting and negotiation of joint-venture agreement
- Drafting and negotiation of ancillary contracts (e.g. IP licencing agreements, supply / distribution agreements, technical assistance agreements)
- Legal compliance support

### Employment

- Hiring: employment contracts, formalities, employee handbooks
- Restructuring, lay-offs
- Employment disputes and settlement
- Social benefits, work safety and employer liabilities

### Regulatory

- Cybersecurity, data protection
- Competition law, consumer protection



Financial services



Healthcare



Hospitality



Retail and consumer



Technology, media and telecoms



Transport and logistics

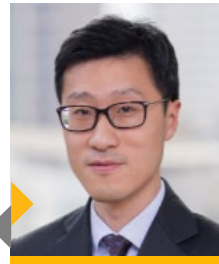
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