



Hainan Free Trade Port (FTP)

– Our Legal Services

Following the General Plan of Hainan Free Trade Port released by the CPC Central Committee and the State Council in June 2020, a series of tax policies and the Hainan Free Trade Port Law have been issued in 2020 and 2021. These plans and policies set 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

Tiang & Partners
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An independent Hong Kong law firm and
a member of the PwC network



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
- 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 duty free shopping quota (tripled to RMB100,000 per person per year)
- Relax purchasing limits

Zero tariff

- Goods (subject to 1 Negative List and 3 Positive Lists): freely imported/exported, exempted from import duties, import VAT and consumption taxes
- Goods manufactured by Hainan FTP enterprises engaged in Encouraged Industries that 1) do not contain imported raw material; or 2) contain imported raw material but with a minimum **30% increase in the value**: exempted from import duties when sold to other areas of Mainland China, but still subject to import VAT and consumption taxes

Low tax rate CIT)

- **15% Corporate Income Tax ("CIT") rate** for Hainan FTP enterprises in encouraged sectors and with operational substance in Hainan 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 by 2025
- **100% expensing, and accelerated depreciation** regimes for eligible capital expenditure by 2025

Low tax rate (IIT)

- **Maximum 15% Individual Income Tax ("IIT") rate** for qualified income of high-end talents and talents in short supply, working in Hainan FTP by 2025
- Before 2035, **3%, 10% and 15% IIT rates** for qualified income (comprehensive income and business income) of all individuals (not just those with special skills) who have resided in Hainan FTP for more than 183 days in a 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.
- ✓ Advised Fortune 50 pharmaceutical and medical device company that suffered security breach resulting in the compromise of a significant amount of patient identification information, including on breach incident responses and statutory reporting to Hainan authorities.
- ✓ Represented a French luxury clothing brand in raiding luxury brand infringer stores in Hainan.
- ✓ Represented a French luxury cosmetic brand in raiding a handbag factory in Hainan.
- ✓ Advised an European confectionary brand in structuring a licensing deal into Hainan.

How we can help

Our market-leading legal experts 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 also cover legal services in Mainland China through collaborations with PRC law firms.

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

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

Intellectual property

- Licensing, franchising, due diligence and auditing
- Enforcement and litigation
- Clinical trials and other life sciences regulatory projects

Regulatory

- Cybersecurity, data protection
- Competition law, consumer protection



Financial services



Healthcare



Hospitality



Retail and consumer



Technology, media and telecoms



Transport and logistics

Your key contacts



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The materials contained in this publication were assembled in 2023 and were based on the law enforceable and information available at that time.

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