

# China Business Advisory

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## Deepening Cooperation Between Guangdong, Hong Kong and Macao to Develop the Greater Bay Area ( “GBA” )

In early September 2021, the Communist Party of China Central Committee and the State Council have jointly released plans for

development of two zones – the first one for deepening reform and opening-up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, and the other one for the Guangdong-Macao In-depth Cooperation Zone in Hengqin, Guangdong province. These two plans are aiming to boost cooperation between mainland China, Hong Kong and Macau.

I. Plans for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (“Qianhai Plans”)

1. Qianhai Plans focus on expanding the existing zone and further opening-up. Qianhai zone's area will be increased by around eight times (from 14.92 square km to 120.56 square km). After the

expansion, the cooperation between Shenzhen and Hong Kong will be enhanced in the following aspects: 1) geography; 2) industry; and 3) system.

2. Institutional innovation is the core for reform and opening up. The “Qianhai Plans” will encourage development of modern service industry, promote innovation of management systems, and implement integration of regulations and procedures between mainland China, Hong Kong and Macao. In terms of scientific and technological development, Qianhai Plans will focus on the strengths from Hong Kong and Macao, including artificial intelligence, health care, financial technology, smart city, Internet of Things, new energy materials, innovate the management system of scientific and technological cooperation, and promote the development and connection of innovation chains between Hong Kong, Macao and mainland China.

The objectives of the Qianhai Plans are to provide world-class business environment for Qianhai to become an engine for high-quality growth with strong capability in global resources allocation, breeding innovations and leading coordinated development in the region.

## II. Development Plans for the Guangdong-Macao In-depth Cooperation Zone in Hengqin (“Hengqin Plans”)

1. Hengqin Plans focus on boosting economic diversification for Macao. The cooperation zone represents about 106 square kilometers on Hengqin Island of Zhuhai, Guangdong where Macao residents can start and grow their business, work and live with relatively few restrictions.

2. The following industries are encouraged:

- Technology R&D and high-end manufacturing industry
- Macau brand industries such as traditional Chinese medicine; and the approval process for related drugs will be simplified
- Cultural Tourism, Convention, Exhibition, Business Industry
- Modern financial industry, and barriers to entry in related fields will be lower

3. Preferential Policy of Corporation Income Tax (“CIT”)

- Qualified industrial enterprises in the cooperation zone can enjoy a reduced CIT rate of 15% (standard CIT rate is 25%). Industries that are conducive to the diversification of Macao's economy will be included in the scope of the policy.
- Qualified capital expenditures of enterprises are allowed to be deducted one-off or with accelerated depreciation and amortization for the purpose of arriving at the CIT payable.
- CIT will be exempted on the income from new overseas direct investment for tourism, modern service, and high-tech industrial enterprises established in the cooperation zone.

4. Preferential Policy on Individual Income Tax (“IIT”)

In order to attract domestic and foreign talents, for domestic and foreign high-end talents and talents in short supply who work in the cooperation zone, the part of their IIT that exceeds 15% will be exempted. For Macao residents working in the area, the part of their IIT burden exceeding that in Macao shall be exempted.

5. For products manufactured in the cooperation zone which do not include imported material or the manufacturing value-added achieve 30% or more will be exempted from import tax which “imported” back into Mainland China.

The goals are to strengthen economic strength and technological competitiveness of Hengqin cooperation zone, enhance public service and social security system, improve the integrated development system and mechanism for Hengqin and Macao and achieved diversification of economy for Macao by the year 2035.

### **Hainan Takes New Steps in Opening-up**

In the middle of 2020, China released a master plan to build Hainan into a globally influential and high-level Free Trade Port (“FTP”). Since then, Hainan has implemented policies including visa-free entry, offshore duty-free shopping and tax-exempt import for approved products. On 26<sup>th</sup> July 2021, the Ministry of Commerce (“MOC”) released the Special Administrative Measures for Cross-Border Service Trade at Hainan Free Trade Port (“Negative List”). It is China’s first negative list

governing the gradual opening of cross border service trade. The list contains 70 special management measures for overseas service providers in 11 categories. The Negative List became effective from 26<sup>th</sup> August 2021 and the key points are as below:

1. Talent policy: the Negative List remove restrictions for more than 10 professional qualification examinations for foreign individuals to participate in registered metrology, survey and design registered engineers, and registered fire protection engineers, allowing foreign talents to participate in the construction of Hainan Free Trade Port.
2. Improve transportation freedom and facilitation: the Negative List removes restriction that overseas ship inspection agencies which have not established a ship inspection company in China are not allowed to send personnel or employees to conduct ship inspection activities in China, and it also removed restrictions on foreign service providers engaging in aviation meteorological services.
3. Expand the opening up for professional service industry: allowing overseas law firms' representative offices in Hainan to engage in certain commercial non-litigation legal affairs involving Hainan, allowing Hainan law firms to hire foreign lawyers as foreign legal advisers and Hong Kong and Macao lawyers as legal advisers, and removing restrictions on foreign service providers engaging in customs declaration business.

4. Expand the opening up of the finance industry: foreign individuals are allowed to apply for opening securities accounts or futures accounts, and can apply for qualifications in securities investment consulting and futures investment consulting.

## **China Unveils New Regulations on Market Entity Registration and Administration**

On 24<sup>th</sup> August 2021, Premier Li Keqiang has signed a State Council decree unveiling new regulations on the registration and administration of market entities. The new regulations will become effective from 1<sup>st</sup> March 2022, introducing unified provisions on the registration and administration for different types of enterprises, self-employed individuals, and specialized farmers cooperatives which engage in for-profit business activities in China. The noteworthy points are as below:

- Increase the convenience of registration. Handling applications on-the-spot, one-time, limited-time, online, and remote.
- Streamline application materials and registration procedures. The registration authority shall not require applicants to repeatedly provide relevant information that can be accessed via the government information-sharing platforms.
- Provide solution to minimize “difficulty of market exit” and simplify market exit procedures under prescribed circumstances.

- A closure system to be established to reduce the maintenance cost of market entities. In case of business difficulties caused by natural disasters, accidents, public health events, etc., the market subject may decide to suspend activities within a certain period of time and file with the registration authority. The maximum period of closure shall not exceed 3 years.
- Clarify integrity and regulatory requirements. Market entities shall implement real name registration, be responsible for the authenticity, legitimacy and effectiveness of the submitted materials, and publicize annual report and registration related information as required.
- Clarify the legal responsibility and punishment measures for illegal acts. Strengthen the pertinence of punishment, revoke the business license serious breaches, and maintain market order through honesty, trustworthiness and fair competition.

The regulations will streamline market entities' registration processes, lower institutional costs, and reduce their burden to provide legal safeguards for cultivating and strengthening market entities and promote fair competition.

## Service Highlight

The Chinese government has been continuously making efforts to improve the commercial conditions to ensure an advantageous and stable business environment for foreign investors, especially during this challenging pandemic time. We are committed to providing our clients comprehensive advice on how to take good advantage of every opportunity in China for the success of their operation in this dynamic economic environment during this special period and beyond. For any assistance or support, please feel free to contact our marketing executive, Ms. Miumiu Chan, by email [miumiuchan@sinobridge-consulting.com](mailto:miumiuchan@sinobridge-consulting.com) or call (852) 3579 8745.

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