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Solutions for China Entry & Growth*

Welcome to JLJ's e-newsletter - **China Focus**. Here, we hope to share with you the latest regulatory updates and useful information relevant to China's business environment. This e-newsletter is brought to you, our valued network, as part of JLJ's value-added service.

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Human Resource

The Right Human Resource Manager



Finding the right human resource manager is a difficult task. Placing the right type of human resource management within your organization requires time, research and significant planning and is based on the current status and the future development of the organization.

Depending on scale, companies could be classified into four categories:

1. Small organizations with less than 20 employees

At this point, the HR function comprises mostly basic HR operations such as staffing and C&B, etc. and it is common to combine the HR function with Administration and Finance. The suitable candidate will most likely be required to cover all three functions, while complex, time-consuming work might be outsourced to professional service agents.

2. Small-Medium sized organizations with 40 to 80 employees

At this point HR should be an independent department. The qualified candidate should be capable of carrying out most HR functions, i.e. able to coach staff, handle HR operations and have strong communication skills. But more importantly, the right candidate should be able to establish an effective and practical human resource management system to support corporate development.

3. Medium-sized organizations with more than 100 employees

The organization should have a well established HR department, with HR staff handling different functions. The right HR manager should focus on overall management of the HR department, the establishment and maintenance of the HR system, strategies to maintain and incubate talent and should oversee daily operations and show strong communication skills.

4. Giant companies with thousands of employees

There are multiple layers of management to support the organization. There are managers responsible for different functions, such as recruitment, C&B, training etc. for different business units. As to the role of the top

HR directors; their main strategic task should be to put the right person in the right place to guarantee healthy growth and to initiate cooperation among different departments within the organization to create new value.

Independent of the size of the organization, selecting and placing the right HR manager according to his qualification and background will always be a critical task for top managers and very often this challenge is left to professional service agencies.

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China FDI

New Provisions to Encourage the Establishment of Regional Headquarters

Shanghai Municipal Government has recently issued new provisions to encourage multinational companies to set up their regional headquarters in Shanghai. The new provisions not only shorten the application process but also loosen up significantly on application criteria. There are five key amendments to the current regulations:



1. The Municipal Foreign Economic Relations and Trade Commission will now complete the examination process within 10 working days from the date of receiving the application and other documents. In the past, it required 30 working days to fully complete examination
2. The new provisions no longer require the parent company to invest the minimum amount of US \$30 million in China. The total minimum registered capital required is now US \$10 million. This significantly reduces the entry threshold for multinational companies
3. With the new provisions in place, the regional headquarter may now engage in two new business activities, i. e. logistics operations (domestic distribution and imports and exports) and outsourcing
4. The new provisions also simplify customs clearance procedures and improve customs processes, allowing for a significantly better understanding of the requirements
5. There is also a significant improvement in visa, work and residence permit procedures for non-Shanghai staff of the regional headquarter in terms of documents required, time of completion and validity period

For more information, please email to salina.leong@jljgroup.com.

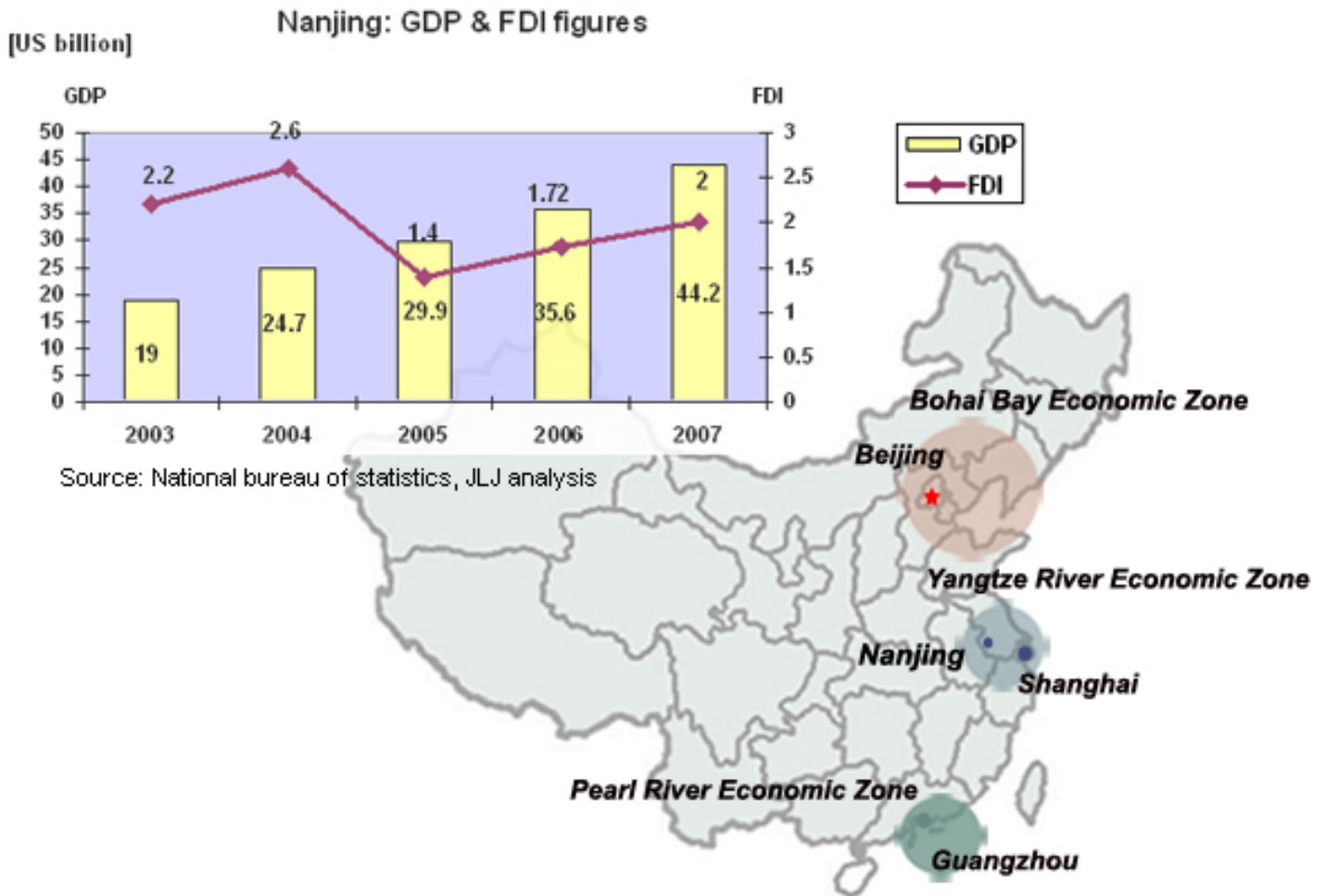
Market Insights

Tier 2 Cities Series: Nanjing

Nanjing, the capital of Jiangsu province, ranks among China's most rapidly growing cities. Just over three hours from Shanghai by train, the city is easy to reach from numerous cities in China. Nanjing has long been celebrated as a literary and political center and has also served as the capital in the past. The city is famous for its educational institutions, which include Nanjing University and Nanjing Institute of Technology.

With a GDP of \$44.2 billion and a GDP per capita of about \$5,970 in 2007, Nanjing is an attractive destination for foreign investment. Over 1,000 American companies are doing business in Nanjing and the US ranked Nanjing as one of its largest trading partners. FDI amounted to US \$2 billion in 2007, an increase of about 16% from the year before.

Nanjing offers also excellent conditions for investment in the petrochemical industry. The Joint Venture of US \$2.9 billion between BASF and Yangtze Petrochemical (a subsidiary of Sinopec), has transformed Nanjing into one of China's leading chemical production centers.



Nanjing is an important manufacturing base in China, with an integrated iron-steel complex, an oil refinery, food processing establishments and hundreds of plants producing a variety of items including chemicals, textiles, cement, fertilizers, machinery, electronics and optical instruments. Nanjing aims to become an international leader in the manufacturing sector.

For more information about Nanjing or any specific industry, please view JLJ's Industry Reports or email to Teyin.Chung@jljgroup.com

The Importance of the Individual Income Tax Certificate

The individual income tax certificate serves as a proof of payment of the individual income tax and having it is indeed becoming more and more handy.

You might have noticed that there are many more occasions nowadays where you will be asked to provide your tax certificate. For example, in case you would like to study abroad, buy a house or a car, claim insurance or apply for a Shanghai residence permit - in all these cases the local tax bureau will ask you to prove that you have faithfully paid your personal tax.

But there are also other occasions where you might not necessarily need to provide your tax certificate, yet reap much more benefits if you do so. For instance, if the government removes your house to replace the area with numerous new high-risers; in that situation you will be given much more compensation upon provision of the tax certificate, than without it.

To avoid the situation of having paid income tax without any proof, it might be best to obtain it sooner rather than later. But how and where can you get your individual income tax certificate? There are two ways:

1. The taxpayer may receive the certificate from the local tax bureau after declaring his individual income tax (IIT)
2. The taxpayer may also receive the certificate through the agency through which he pays his individual income tax

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The JLJ Group

The JLJ Group provides solutions to foreign companies entering and growing in China. Our core services include Market Consulting, Corporate Formation, Human Resources, Tax & Accounting as well as Business Process Outsourcing.

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