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Solutions for China Entry & Growth*

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Market Insights

New Policy Continues Shift to Sustainable and High Value-Added Industries

Reflecting China's continued commitment to sustainable and innovation-based development, the Chinese State Council released a set of new regulations earlier this year entitled "*Further Views on the Utilization of Foreign Capital*." These regulations expedite and encourage foreign investment in key sustainable and high value-added sectors including energy efficiency, new energy (alternative energy, renewable energy, etc.), environmental protection, high-tech, and advanced manufacturing. Qualified foreign enterprises are eligible to benefit from various new incentives including:

Local financing: For the first time, qualified foreign-invested enterprises will be allowed to issue corporate bonds or medium-term notes in China and are able to list on Chinese stock exchanges to raise financing locally

Tax incentives: Foreign enterprises importing items for scientific development/research are exempt from tariffs, service taxes and VATS; companies with headquarters,



R&D centers and procurement hubs in China can also enjoy tax benefits

Land discounts: Foreign enterprises/projects in "encouraged" industries may enjoy a 30% reduction in land use fees

These new regulatory changes provide foreign players in sustainable and high value-added industries with additional opportunities and incentives to enter or expand in China's market. Nonetheless, new entrants should be prepared for a fragmented and competitive market landscape. It is essential for foreign enterprises to understand local regulations, market trends, and understand local market conditions to successfully enter and grow in China.

For inquiries about this article, or other work of our consulting division, please email Mark Ray at mark.ray@jljgroup.com

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Tax Updates

Business Tax Exemptions for Outsourcing Companies



Keeping with China's investment promotion strategy to attract advanced technologies and processes, the State Administration of Taxation, along with the Ministry of Commerce and Ministry of Finance have recently announced tax exemptions for offshore service outsourcing companies.

Effective from July 1st of this year till the end of 2013, companies located in 21 major cities throughout China engaged in offshore service outsourcing are eligible for business tax exemptions. According to the announcement, business tax exemptions will be available to revenue derived from business process outsourcing, information technology outsourcing, and knowledge process outsourcing services.

Companies in the following cities will be eligible for this exemption: Beijing, Changsha, Chengdu, Chongqing, Dalian, Daqing, Guangzhou, Hangzhou, Harbin, Hefei, Ji'nan, Nanchang, Nanjing, Shanghai, Shenzhen, Suzhou, Tianjin, Wuhan, Wuxi, Xiamen, and Xi'an.

In order to qualify, companies should provide valid outsourcing service contracts to the relevant tax authorities. Business tax paid by the outsourcing service company occurring between July 1st and the date of approval, will be deducted from future payable business tax. In the event the amount cannot be deducted completely by the end of 2010, the balance will be refunded to the taxpayer.

For more information, please email to henry.ren@jljgroup.com

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Human Resources

Lose Time, Gain More

With the fast pace of work life, who hasn't wished at some point that there were more hours in a day? Many people spend their days in a frenzy of activity, rushing from place to place or task to task, but they actually achieve very little.

We can accomplish what we want each day if we put some basic time management principles in place and follow them. People who use these techniques routinely in the following content are the highest achievers in corporate life.



- List all the things that you need to accomplish in a given time period (day, week, month, etc.)
- Estimate realistically the amount of time each task will take to complete
- Prioritize the tasks in order of importance and urgency
- Do not overlook tasks, such as transportation time and preparation
- Eliminate any non-essential items

Besides these important time management techniques, tips on how to effectively implement them are worth noting:

Planning: allocate time periods for work that needs to get done on a regular basis, decide how much time is needed and then stick to this consistently.

Keep track: rather than guessing how much time is spent on activities, over a month, try to keep track of where time is spent.

Take advantage of assistance: whether this is taking advantage of any offers of help from family or friends, or even from local councils and government support services, try to maximize the productivity from "Guanxi", especially in China market.

Be flexible: planning is great but things won't always go as they should. You should learn to be flexible when you face a sudden situation.

Remember the basis of effective time management lies in the fact that we cannot accomplish every single thing that we would like to accomplish.

If you have any questions, please feel free to email to helenhe@huijiechina.com

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China FDI

Foreign Investment 2.5% of China GDP



According to a World Bank report titled "Foreign Direct Investment- The China Story", Foreign Direct Investment (FDI) accounted for some 2.5% of GDP on average over the last five years. The challenge for China now is to attract the right kind of FDI as it strives to rebalance its economy, improve the environment and move up the value chain.

Recent Foreign investment has been more focused on environmentally sustainable, energy efficient and technologically advanced industries. Aiming to have bigger influence on global economy, China is welcoming all firms- both domestic and foreign companies investing in clean and energy efficient technology. Keeping commitment for services liberalization when entering WTO, China has also shifted FDI to services industries. FDI in service industries by

2009 increased three times from 2000, while FDI in manufacturing sector increased 81% the same period.

Foreign Direct Investment (FDI) in China reached US\$6.92 billion in July, up 26.2% year-on-year, even though lower than the US\$12.5 billion recorded for June, according to the Wall Street Journal. The latest report on World Investment Perceptions from United Nations Conference on Trade and Development (UNCTAD) lists China in first place among the top 15 investment locations.

If you have any questions, please feel free to email to tim.lamb@jljgroup.com

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