

Brought to you by *The JLJ Group*
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.

China FDI

Changes to the Guidelines for Foreign Investment



In early November, China issued a new foreign investment catalogue that now reflects more accurately the type of investment that they are attempting to encourage through its other policies including the upcoming tax law.

Encouraged industries now interestingly include logistics and business process outsourcing such as call centers, data processing, IT support management and

software development.

Significant changes have also occurred for the restricted categories, which now include the incorporation of foreign investment in luxury villas, hotels and conference centers as well as real estate brokerage firms. Further restriction on the internet now include news websites and the catch-all 'internet services' while due diligence and credit rating service companies have now been moved to the restricted category as well.

Many of these changes are not surprising, including the new restrictions on real estate investment, as the government has been attempting to slow down spiraling real estate prices and restrict speculation in this sector.

For more information, please email to tim.lamb@jjgroup.com.

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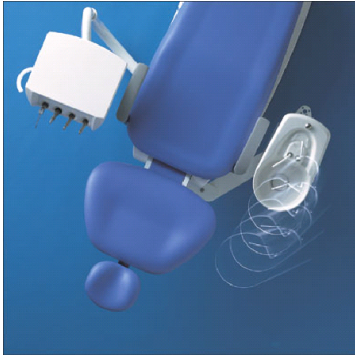
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Market Insights

China's Dental & Dental Lab Industry



China's dental market relies heavily on foreign equipment to support one-third of its equipment and accessory needs. While the market is still relatively new and small, worth approximately \$150 million, it is growing at some 13% annually. As a result, there is an increasing need for dental lab equipment and accessories, dentist chairs, X-ray apparatus, and hand instruments, etc.

The market is concentrated in Tier I cities such as Shanghai and Beijing. However, growing opportunities exist in key emerging markets, including Tianjin, Shenzhen, Nanjing, and Xi'an. Key buyers in these markets include specialized dental hospitals, dental departments of Grade IIIA hospitals, as well as a few Sino-foreign dental clinics. For the key buyers, Price is often not the key factor for these customers. Brand and after-sales service are generally perceived as the most important decision-making criteria - as dental care is not covered by basic medical insurance, hospitals/clinics often rely on "branded" equipment/devices to attract customers.

Overall, dental services still lag behind other medical services, and public awareness about the importance of dental care is still relatively low. However, with increasing affluence and greater attention paid towards personal care, demand for dental services has increased considerably in the last few years, especially in wealthier cities. This represents potentially good opportunities for foreign suppliers, who can consider using distributors as a first step for market access.

For more information, please email to candice.lin@jjgroup.com.

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Human Resource

Staff Resigns... You Pay for it

It is often emphasized that staff retention is critical as there is a high cost attached to staff turnover, be it in China or all over the world. Here, we look at some inevitable costs that your organization has to bear when one of your valued employees throws in his/her resignation letter.

Employment Termination Costs

The resignation of a staff takes up significant administrative time and effort of the HR executive, the resigned staff as well as his/her work division. First there is an exit interview to be conducted, followed by paperwork to formalize the contract termination internally as well as with local government bureaus. The handover, redistribution and takeover of work responsibility will also require much time investment.



Vacancy Costs

The vacant position will continue to incur various types of costs, such as loss of business (particularly for sales positions) as well as overtime compensation to other employees for handling the additional workload.

Replacement Costs

A large part of turnover costs lies in getting a replacement. Similar to employment termination, significant time and effort is required to hunt and interview potential candidates, formalize the employment and handle all administrative matters to ensure the new employee comes on board comfortably. Not to mention, posting recruitment advertisements or engaging headhunters more than often add up to a hefty sum.

Training Costs

Training is a must to bring the new employee up to speed with the work requirements. Be it informal in-house training or formal training courses, it is bound to cost the organization some dollars. In the meantime, the differential in expected and actual work performance while the employee works up the learning curve will post further costs to the organization.

For more information, please email to janefang@huijiechina.com.

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Tax Updates

Individual Income Tax Filing for 2008

Circular 162 marks a big step forward in Individual Income Tax (IIT) administration and collection as it lays down specific requirements and procedures for certain groups of IIT payers to perform IIT self reporting. The second IIT self reporting will start from next month.

The circular specifies four different circumstances where IIT self reporting should be made by individuals:

1. where the individual derives annual income of more than RMB120,000
2. where the individual derives salary and wages from two or more sources within China
3. where the individual derives income from outside of China
4. where the individual derives taxable income but does not have a withholding agent

A key question involves understanding exactly what income items should be included in determining whether an individual has derived an "annual income of more than RMB120,000." Eleven taxable income categories specified under the IIT law are included, namely:



1. Income derived from wages and salaries;
2. Income derived from production and business operations by industrial or commercial households;
3. Income derived from contractual or leasing operation of enterprises or institutions by individuals;
4. Income derived from remuneration for labor services;
5. Income derived from remuneration for manuscripts;
6. Income derived from royalties;
7. Income derived from interest or dividends;
8. Income derived from the leasing of property;
9. Income derived from sales of property;
10. Contingent income;
11. Other kinds of income specified as taxable by the Finance department of the State Council.

For more information, please email to tim.lamb@jljgroup.com.

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JLJ News & Events

JLJ CSR Initiatives



We are doing our little part to help. JLJ has made donations to support two charity initiatives - "[Seeing is Believing](#)" and "Communicate".

Since 2003, "Seeing is Believing" has delivered over one million sight restorations. The objective of "Seeing is Believing" is to reduce the proportion of blind people in the world, while "Communicate" aims to promote effective communication for a harmonious society.

For more information or to donate to these initiatives, please email to lynn.ng@jljgroup.com.

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.

Send us your business enquiry at info@jljgroup.com or find out more about our services at www.jljgroup.com.

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