



The JLJ Group is well positioned to provide cost-effective solutions during these uncertain economic times.

*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.

Human Resources

Individual Income Tax



It is common practice that employees receive an annual bonus either before or shortly after Chinese New Year. The annual bonus is a one-off bonus paid to employees based on a 13th-month salary, or the employer's business performance and the employees working performance over the past year. Remember, as opposed to semi year or quarterly bonus etc, the applicable tax rate for the annual bonus is determined based on 1/12 of the bonus received and is therefore, in most cases, reduced.

While the beginning of the year is not only the time to pay the annual bonus, it is also the time of the year to declare the annual Individual Income Tax (IIT). Please be reminded that employees, whose annual income amounts to over RMB 120,000 in 2008, are required to declare taxes before **March 1st, 2009**, in line with current government regulations.

For more information or assistance in tax declaration, please email to may.bai@jljgroup.com

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Shanghai - Reaching a new high...

Despite the current economic crisis, Shanghai's annual foreign direct investment (FDI) has reached a new high of US \$10 billion during the first 11 months, accounting for more than 10 percent of the country's total, according to the 2008 Shanghai Foreign Investment Environment White Paper, published by The Shanghai Municipal Commission of Commerce (SMCC).



Shanghai had an average investment return of about 25 percent in the first 11 months, slightly higher than the national average of 23 percent during that period. Between January and November 2008, the number of foreign investment projects rose by about 18 percent up to 3,522, the study said. However, it was also revealed that November and December 2008 saw a decline in foreign direct investment nationwide, as companies seem to become more cautious about their expansion plans.

For more information on investment opportunities in Shanghai, please email to salina.leong@jljgroup.com

Market Insights

Case Study: Effective "on the ground" consumer research

This edition of the JLJ Newsletter continues our series on case studies taken from recent client work. Names and references will be kept generic to respect full confidentiality of our clients' projects.

In consumer research, asking the right people the right questions is both crucial and challenging.

One of our clients, a leading Australian green-tech company, asked us to conduct in-depth consumer research to understand the usage and awareness of certain energy efficient "green" products in Chinese homes. Some of the key challenges faced by our team in this project included:



- **Structuring the questionnaire to make it suitable for average Chinese households:** asking the right questions in a friendly and understandable way is key
- **Identify the correct Target groups and Sample size:** choosing the right target and sample is crucial to the validity of the results and analysis
- **Getting into people's homes to ask questions:** the greatest challenge! However, in less than 3 weeks, our on-the-ground team conducted more than 150 face-to-face household interviews
- **Conducting data analysis:** analyzing the primary data collected and providing our professional recommendations and entry strategies to the client in a condensed time frame

The project was executed on time and fully met our client's expectations on all dimensions - methodology, deliverables, and timing. The project was successful thanks to our professional team that was able to fully understand the client's objectives, think creatively and overcome all challenges - in particular, get into people's

homes to conduct face-to-face interviews, providing accurate, hard to find insights to some key topics.

For inquires about this article or the work of our consulting division, please email at Mark.Ray@jljgroup.com

Tax Updates

China Business Tax



At the end of 2008, the China State Council and State Administration of Taxation (SAT) issued the "Business Tax Regulations" and "Business Tax Rules" which became both effective on January 1st, 2009. Both the Business Tax Rules and Regulations cover the scope of taxable services of foreign companies.

In the past, service providers were liable for business tax if the taxable services were performed within China. According to the new Business Tax Rules, services that are provided to an enterprise, none business organization or an individual in China, will be subject to business tax on or after January 1st, 2009, regardless of where the services are performed. Finance and leasing services in particular fall under the Business Tax Regulations and together with the new Business Tax Rules, business tax on interest will now also apply to foreign companies that make loans to their China subsidiaries and affiliates.

For more information on the new "Business Tax Regulations" and "Business Tax Rules" please email to salina.leong@jljgroup.com

JLJ Events & News

The JLJ Group together with BenCham and SwissCham are proud to present:

**The first in a series of four elaborate workshops on
2nd TIER AND 3rd TIER CITIES**

Starting with:

Tianjin and Suzhou

**Friday, January 23, 2009
7.45 - 10.00 am
Diamond III, 3rd Floor @
The Westin Bund Center
Shanghai, China**

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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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