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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.

China FDI

Use of RMB in settlements of cross-border trades



The management approach towards the Renminbi (RMB) settlement of cross-border trades has been released. This will allow the use of RMB in clearing business transactions between domestic and foreign enterprises, which has not been allowed before. This pilot project will be implemented for companies from Hong Kong, Macao and ASEAN countries located in Shanghai, Guangzhou, Shenzhen,

Zhuhai and Dongguan.

Under the new approach, companies no longer have to apply for the use of foreign exchange in settlements. This will greatly facilitate the entire settlement process, effectively allowing domestic enterprises to lower their bank transaction costs and eliminate foreign-exchange risks without incurring any additional costs. Moreover, it is in accordance with international practices and does not affect the eligibility of companies to export goods free of duty and enjoy tax rebates.

However, not all companies in the above mentioned cities are allowed to participate in the pilot project. Interested companies have to be recommended by the local government and reviewed by the Central Bank in terms of experience in international business settlements, history of compliance and credibility. Nonetheless, this is an important step towards the use of RMB as an international currency. We can expect the approach to be refined and implemented to other parts of China in due time.

For more information, please email to mary.xian@jljgroup.com

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Human Resources

Shanghai Improves Social Benefits Scheme



From July 2009, non-Shanghai residents will be entitled to the urban social benefits scheme currently only enjoyed by Shanghai residents. This move will increase basic medical care for employees with non-Shanghai residence permits and alleviate them of some anxieties of seeking employment in Shanghai. This may lead to better employee retention as employees enjoy a higher standard of living.

However, employers can expect contributions to employee social benefits to increase significantly by 30%, increasing their financial burden amidst the current financial crisis. Employees will also face a substantial increase in employee contributions, lowering their disposable incomes.

This change is representative of the current trend in government policies to facilitate the flow of talent between different regions in China. It is an attempt to improve the talent shortage problem faced in many parts of China. Moreover, this move brings China one step closer to establishing a national healthcare system that would provide universal coverage for basic health services throughout China.

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Market Insights

Challenges of conducting consumer research in China

Conducting consumer research in China poses significant and often unique challenges, especially in Tier 2 or 3 cities, as information is not always available and people are generally not open when speaking with people unknown to them. Additionally, it is important to understand some fundamentals, specifically, that China is similar in size to a continent, with substantial differences between regions and cities. Therefore it is important to take time, plan and execute consumer research properly. When developing a consumer research project (or module), several factors should be taken into consideration.



Targeting correct demographic: targeting the correct demographic ensures the validity and consistency of results saves time in execution and analysis

Determining geographical focus: regional and city differences play a significant role in consumer tastes and preferences

Selecting appropriate method/s: Depending on the scope of the project, the proper method is essential in yielding the best desired outcome in the most cost effective manner (i.e. face-to-face interviews, focus groups, telephone interviews, etc.)

Developing suitable questionnaire: should be concise while addressing all necessary items so that response rates are high and accurate

Flexible approach: consumers are not homogeneous and market conditions vary, therefore adopting a somewhat flexible approach is important

Of course, projects vary in terms of objective, nature and scope. Therefore, it is vital that a holistic approach be utilized in order to address the objectives and needs of clients and getting the most out of the research in a cost effective manner.

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

Tax Updates

Ways of managing taxation in China

In a move to ease the tax burdens of low-to-medium income households, China's threshold for filling for Individual Income Tax (IIT) has been increased from 1,600 to 2,000 RMB. Nonetheless, approximately half of all salaried workers continue to be liable for IIT. Hence, it remains important to understand the taxation system and minimize the amount of taxes payable. Below are some ways to help taxpayers manage their tax liabilities better. However, please note that these methods are only applicable for incomes that are subjected to progressive tax rates.



One common way to do this is to postpone additional incomes when approaching the minimum threshold of the next tax bracket. A common mistake is to accept an additional small amount of income and find out that one is now in the next tax bracket, resulting in a substantial reduction in disposable income despite receiving a higher income.

Another method is to alter the way annual incomes are designed to be disbursed out. Often, employers reduce the monthly incomes of their employees to a level near the minimum threshold of a lower tax bracket and contribute the net amount to the annual bonuses. In this way, the overall amount of taxes payable is reduced to a minimum and the employees are able to enjoy higher levels of annual disposable incomes.

For more information, please email to lynn.lee@jljgroup.com

Education & Training Industry Report

We would like to inform you all that JLJ's new industry report on **China's Education & Training market** is **NOW** available!

For more information, please visit our website, or click [here](#) to read the pdf version.



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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