



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.

China FDI

Incentives to Attract New Investment



With the slowing of the economy has come a reverse in policies regarding FDI policies on a local level. Development zones and city districts are again offering incentives to attract new investment within their areas. These incentives range from 2/3 tax holidays, subsidized taxes and individual incentives for executive management. Further, *WSJ*, recently reported that Beijing is easing

the registration process by allowing investments under US\$100 million to seek approval from local commerce bureaus. It is not clear from the article if they mean local AIC's; however, this could effectively take state-level interests out of the approval process and a reversion of the trend.

Companies seeking to take advantage of these incentives should be cautious when deciding on a location. Incentives to attract investment today may not be continued once the economy begins to recover.

Choosing a location for your business should not be determined solely based upon local-level incentive plans.

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

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Tax Updates

The New VAT Regulations

At the end of 2008, *the PRC State Council* published the **Revised Provisional Regulations on Value-Added Tax (VAT)**, which became effective on Jan. 1, 2009. The new VAT regulations comprise several changes; below are the ones that have the most impact on **Foreign Invested Enterprises (FIEs)** in China:

- For manufacturing businesses, the threshold of annual sales volume to obtain general VAT taxpayer status is reduced to RMB 500,000/year; for wholesale and retail businesses it is now reduced to RMB 800,000/year. In the past, this was RMB 1 million/year for manufacturing and RMB 1.8 million/year for whole and retail businesses
- The tax rate for small-scale VAT tax payers is now reduced to 3%. In the past, it was 4% for retail and wholesale and 6% for production-oriented businesses
- Input VAT on fixed assets is deductible against output VAT. Prior to the new regulations, no credit or deduction was allowed for input VAT
- The new regulations provide preferential treatment previously not available to some of the FIEs and as a result may reduce the cost of doing business in China.



For more information, please email to kevin.wang@jljgroup.com

Market Insights

Case Study: Regulatory impacts on projects



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.

Our client, a leading multinational group, has a majority stake in a joint venture factory in China producing soy based products. Looking to expand their factory, they asked JLJ to conduct a feasibility study to analyze the possibility of taking advantage of the UN's Carbon Trading Mechanism (CDM).

This project was aimed at understanding the following:

- **Process:** the Carbon Trading Mechanism, which allows the trading of carbon emission credits, may look simple on paper, but actually has a cumbersome approval process; understanding this process and timing was crucial.
- **Key players:** especially important considering each player's role in the various layers of the process - including Chinese government bodies, independent evaluators, UN bodies, etc.
- **Government regulations:** as with any project in China, understanding key government regulations can significantly impact projects - in this case, China and UN regulations were critical elements to consider.

- **Market trends and analysis:** important in any project, market trends, specifically related to price and demand of CDM credits in this case, were critical to the feasibility of pursuing this project.
- By understanding the above points, JLJ clearly directed the client in terms of next steps - in this particular case, government regulations and pricing trends were not conducive to pursuing the project at this time, which saved the client significantly in terms of time and money.

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

Human Resources

Why use a headhunter during a recession?

If you are recruiting at the moment you might consider yourself as standing out in a market where there are few roles and a host of candidates who are available and keen to work with you. So why would you need to work with a headhunter in these circumstances?

It comes down to your company's resources to access qualified talent in order to identify the individual to fit their role. Our experience is that a good headhunter can, quite simply, deliver a better shortlist more efficiently.

Practice makes perfect

The reason for this comes down to doing the basics very well. We spend time understanding our clients at more than just a superficial level so that we appreciate the role in context with the company. We understand what's great about both, but also what might not be right for everyone. Armed with this knowledge and our in-depth experience of the marketplace we can assess those candidates who are available more thoroughly and efficiently, saving time and getting the best fit.

Teasing out the stars

Often it is with those candidates who are not actively looking that the biggest opportunity exists. In a recession, candidates with strong performance records are often more reluctant to engage in a discussion about a new role - a degree of inertia can set in. These individuals need to be approached by an informed, experienced (and, to a degree, independent) consultant who can judge in a very short time whether or not there may be an opportunity to progress. Potential candidates will spend the time necessary to do this if they feel the consultant knows his or her industry specialization well, but will however cut short any call where they feel this is not the case.

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



US office announcement



Despite the global economic crisis, **The JLJ Group** continues to grow both in China as well as internationally. Earlier this year JLJ has started building a direct presence in the US market by opening an office in the Boston area.



Francesco Duina, JLJ Director for North America, is responsible for the company's expansion in the U.S. by providing local business development, marketing and client support from the US side.

Prior to JLJ, Francesco spent more than 10 years at *The Monitor Group*, a leading management consulting company where he consulted to major corporations in several industries and was a key member of the knowledge management team.

Francesco holds a joint BA/MA from *the University of Chicago*, and an MA/PhD from *Harvard University*.

For all our US clients or prospective ones, Francesco can be reached at francesco.duina@jljgroup.com

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

The second in a series of four elaborate workshops on

2nd TIER AND 3rd TIER CITIES

Starting with:

Qingdao and Ningbo

Tuesday, March 31st, 2009

7.45 - 10.15 am

**Diamond II, 3rd Floor @
The Westin Bund Center
Shanghai, China**

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RSA Running

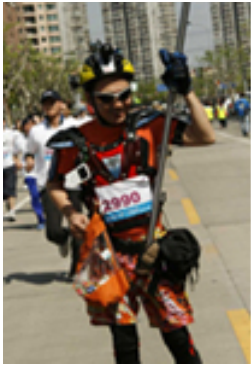


Shanghai is getting ready to hold the first marathons of the spring seasons, starting with the **8K Series Run on April 12.**

JLJ Partner **Alessandro Duina**, who participated both in the 2008 Beijing and Shanghai marathon will again lead the JLJ team in Shanghai at the Jinqiao 8K Series Run.

Get fit for spring and join us on April 12.

For more information, please email to selina.fang@jljgroup.com



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.

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

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