



*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.

This Issue Presents

[Tax Updates - China's IIT on savings interest earnings to boost the economy?](#)

[Human Resource - The Labor Contract Law and the new regulations](#)

[Market Insights - Tier 2 cities series: Ningbo](#)

[China FDI - China business license - stricter guidelines](#)

[RUN with JLJ...Coming up! - Shanghai International Marathon 2008](#)

[Feedback | Subscribe Past Newsletter Issues](#)

Tax Updates

China's IIT on savings interest earnings to boost the economy?



In another move to stimulate the economy and boost domestic demand, the State Council announced to scrap the 5% individual income tax on savings interest earnings starting from October 9, 2008.

In 1999, China - for the first time - began to levy a 20% individual income tax on interest earnings to narrow the large income gap and to encourage

consumption and investment and, more importantly, to reduce the overall mounting individual savings.

Seven years later, despite the well opposed 20% tax rate, the Chinese "hobby" of saving still showed no sign of abating, with China's RMB savings deposits reaching about RMB 16 trillion at the end of 2006.

The tax rate failed to stimulate consumption, with the consumption rate dropping to a record low of almost 40% that year. Consequently, in August 2007, the tax rate was reduced to 5% attributing it largely to low consumer confidence because of high employment pressures and costly education, housing and medical care, especially in China's Tier 1 cities.

In line with increasing concerns over the slowing economy and slumping capital markets, the further tax cuts, which became effective on October 9, 2008, in line with lower borrowing costs, were regarded as a must by many investors to increase domestic demand.

For more information about China individual income tax, please email to lynn.lee@jljgroup.com

The Labor Contract Law and the new regulations

Since the new labor contract law became effective in January this year, employers feel increasingly positive about employment in accordance with the law, which not only plays an important role in clarifying the rights and obligations of employers and employees but also safeguards the rights and interests of employees. However, in practice, employers have only a vague understanding of certain articles and have therefore very different views.

As a result, on September 18, 2008, the State Council promulgated *The Regulations on the Implementation of the Employment Contract Law of the People's Republic of China*, which aims to clarify specific articles.



We give some interpretation of several hot issues and hope you will find them useful.

Article 8 in *The Regulations* explains in more detail Article 7 in the new labor contract law - referring to the staff list that employers must provide and must include the following information:

- Name
- Gender
- ID number
- Hukou address and residence address
- Contact information
- The type of employment
- The starting time of employment
- Term of the labor contract
- Others

Companies that fail to provide a staff list may be fined up to RMB 20, 000.

Article 33 in *The Regulations* emphasizes further on the fact that the employers will be found liable if they do not comply with the new labor contract law.

Article 10 and article 82 of the new labor contract law state that employers must sign a contract with their employees. Failing to sign a contract within one month after the employees starting date, will be considered as a breach of the new contract labor law. Article 5 and 6 of *The Regulations* provide concrete details in case no employment contract is signed.

For more information, please email to may.bai@jljgroup.com.

Market Insights

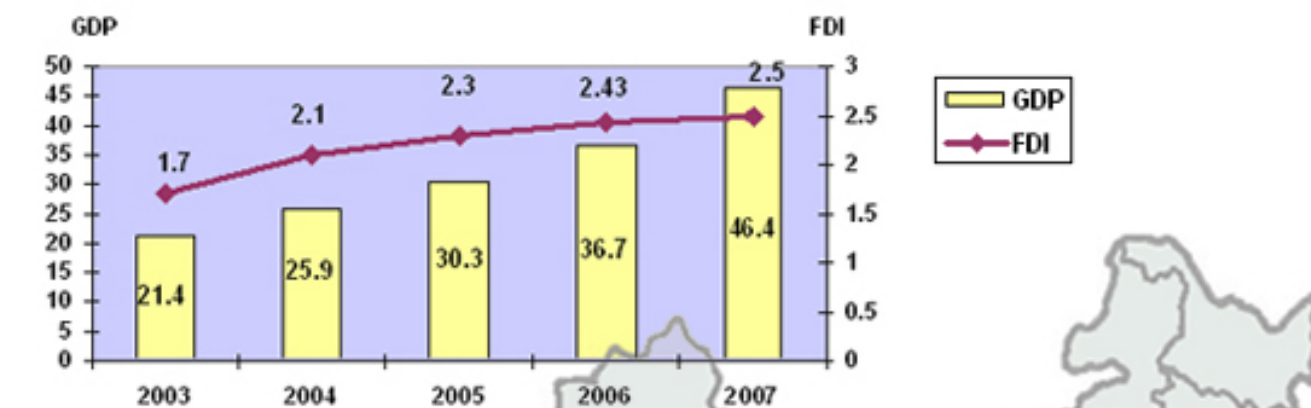
Tier 2 cities series: Ningbo

Ningbo is China's fourth largest port and a key economic and industrial hub of Zhejiang province, and the Yangtze River Delta and is located only 160 km south of Shanghai. The city has a vibrant economy and is dominated largely by private Chinese companies. Key industries include electronics, textiles, garments,

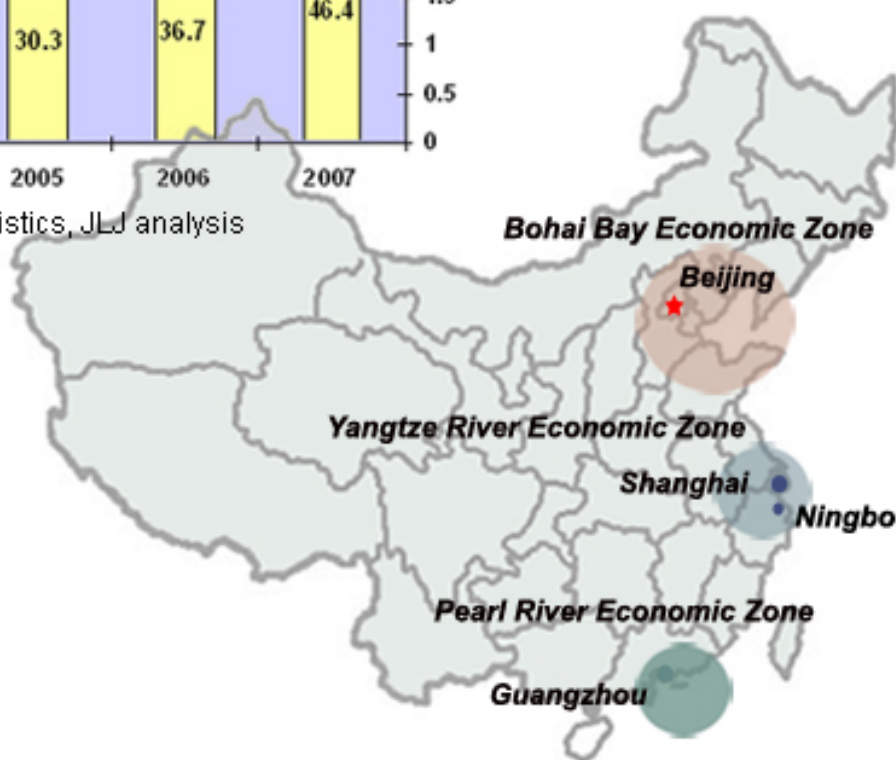
machinery, petrochemicals and iron and steel. Textiles and garments, both produced for export and domestic sale, are however still a major component of the city's output.

Key MNCs which have invested in Ningbo include Esso, Xerox, and Samsung. To the east of Ningbo, a deepwater container port was built to take away logistics business from Shanghai and Taiwan and although very close to Shanghai, the city was, until recently, separated from Shanghai by the Hangzhou bay, which presented a major obstacle to the port's success. Yet, a bridge linking the two cities, stretching 36 km over the sea, was completed in June 2008, which greatly improved Ningbo's accessibility to Shanghai.

Ningbo: GDP & FDI figures



Source: National bureau of statistics, JIJ analysis



In 2007, Ningbo's GDP grew at about 26% to reach US \$46.4 billion. FDI amounted to US \$2.5 billion in 2007, an increase of however only about 3% from the year before.

With a current population of 5.6 million people, GDP per capita was at about US \$8,248 in 2007 - ranking Ningbo among the top few cities in China.

For more information about Ningbo or any specific industry, please view JIJ's Industry Reports [here](#) or email to teyin.chung@jjjgroup.com

China business license - stricter guidelines



The Industrial and Commercial Bureau recently announced new registration guidelines. Companies in the process of registering their business in China are asked to conform to the following new administrative changes:

1) Foreign companies are now asked to provide all application documents, certificates or copies printed on A4

paper. Prior to the new regulations, it was quite common for foreign companies to provide certificates and documents of different formats. The Industrial and Commercial Bureau no longer accepts documents falling outside the specified paper format.

2) Handwriting shall be clear, neat, discernible and not be altered. Any alterations visible on the application documents shall be subject to rejection. For any altered documents, the companies shall be asked to provide new documents, which may prolong the registration process significantly.

3) The signature by the responsible person of the company must be with the printed name and duty next to it. All signatures shall be in blue-black or black ink and shall not be subject to change. The Industrial and Commercial Bureau will refuse to accept documents with signatures that are not in line with that provided in the person's identity card or passport.

For more information, please email to salina.leong@jljgroup.com

Coming up! - Shanghai International Marathon 2008

30th Nov, 2008



JLJ will once **AGAIN** participate in 2008 Shanghai International Marathon - **Alessandro Duina** has successfully completed the 2008 Beijing International Marathon and will lead the Shanghai based JLJ team at the Shanghai Marathon on November 30th, 2008. Please join him at the 21 km half-marathon race or join the rest of the JLJ team at the 4.5km health race.

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