



Shanghai - Beijing - Boston - Milan

Brought to you by The JLJ Group  
Solutions for China Entry & Growth

Welcome to JLJ's e-newsletter - **China Focus**. With our latest articles, we hope to share with you insights on the latest China regulatory updates, trends, and other news. Each month, we bring this e-newsletter to you as part of JLJ's value-added service.

[Market Insights - China's 12th Five-Year Plan: Guidelines for Agriculture Sector](#)

[Tax Updates - Trend in China's Support for Small Business](#)

[Human Resources - Social Insurance Contribution for Foreigners in China](#)

[China FDI - New Rules Released for Cross-Border RMB Foreign Investment](#)

[Feedback](#)

[Subscribe](#)

[Past Newsletter Issues](#)

[China Industry Reports](#)

[www.jlgroup.com](http://www.jlgroup.com)

## Market Insights

### China's 12th Five-Year Plan: Guidelines for Agriculture Sector

This article is the third in a series of articles covering several industry specific Five-year plans.

Since the 9th Five-Year Plan (1996-2000) China's central government has been focusing on narrowing the gap in agriculture technology with the implementation of the 948 Plan - Plan on Introducing International Advanced Agricultural.

Focus on modernizing China's agricultural industry remains strong in the 12th Five-Year Plan (2011-2015), which emphasizes agriculture modernization, agricultural technology development and equipment and infrastructure upgrades. China's central government is expected to invest about RMB 6 trillion (USD \$914 billion) between 2011-2015.



Besides earmarking capital investment into the industry, the 12th-Five Year plan has laid out several key focal points for the agricultural industry's development, such as:

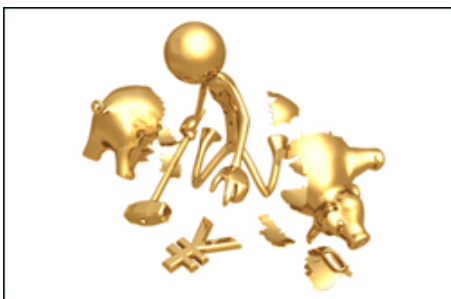
- **Increase industry output** - focus on developing a high-yield, high-quality, high-efficiency, eco-friendly and safe agricultural industry
- **Industry modernization** - Further investment will be put in agricultural mechanization and equipment upgrade to quicken the development of industrialized agriculture and agro-product processing and circulation
- **Enhance agriculture technologies** - develop/enhance water-saving technologies, clean and environmentally-friendly technologies and pollution control technologies

As the 12th Five-Year Plan emphasizes the modernization of China's Agricultural sector, and because of the central government's planned investment in the sector, there may be significant opportunities for companies with advanced agro-equipment and technologies. However, before considering entry into any new market, companies should review the potential risks and benefits by conducting proper market research and analysis..

For more information about China's agricultural sector outlook in the next five years, please email Mark Ray at [mark.ray@jlgroup.com](mailto:mark.ray@jlgroup.com).

## Tax Updates

### Trend in China's Support for Small Business



On October 12th China's State Council released new measures that will provide support to small and micro-sized enterprises that are in financial trouble. This move will provide relief on some credit restraints and tax issues, which will allow these companies to push through the current economic downturn and will dampen illegal fund-raising and financial schemes.

In the statement, the State Council said that small and micro-sized enterprises, which are key players in China's economic development, are struggling with heavy taxes and securing bank loans. These companies account for about 70% of

China's employment; support innovation; and sustain social stability; and therefore, their financial difficulties must be attended to, according to the statement.

The measures include the following:

1. Value-added and business tax thresholds for small and micro-sized enterprises will be raised to ease the financial load. As well as extension of a 50% reduction in corporate income for qualifying small and micro-sized firms.
2. Banks should increase their tolerance for the non-performing loan (NPL) ratios of small enterprises, increase the proportion and of loans to small companies and reduce the costs of securing credit.

Commercial banks are prohibited from charging fund management fees, financial consulting fees and other unreasonable fees for their services to small firms.

3. An increase in financial channels for small enterprises to support raising funds, including assuring better issuance of collective banknotes, bonds and short-term paper.

The concern for small and micro-sized businesses pressured by credit restrictions and heavy taxes arose as a response to an increasing number of incidents in South East China's, Wenzhou. At first, business owners who were in need of capital, said that their loan applications were ignored. They were then forced to turn to private loan companies with interest rates as high as 70 percent. Inability to repay loans with such high rates has resulted in the disappearance of dozens of entrepreneurs and at least one case in which an entrepreneur took his own life.

Experts say that the new measures are more of a guideline meant to support smaller firms and regulate private financing, rather than a relaxation of macro financial policy.

For more information on tax issues affecting business in China, please email [henry.ren@ljigroup.com](mailto:henry.ren@ljigroup.com).

[Back to Top](#)

## Human Resources

### Social Insurance Contribution for Foreigners in China

As part of China's new Social Security Law ("SSL"), the Ministry of Human Resources and Social Security have released Interim Measures for foreigners ("the measures"), which came into effect on October 15, 2011. The measures were brought-up to clarify some uncertainties about the new SSL, how it affects foreigners and how they can benefit from it.

According to the measures, all foreigners working legally in China (holding valid work permit and resident/permanent permit) and are employed by Chinese or foreign companies should pay into the social insurance systems.



By paying into the system, foreigners will receive a social security card and will be able to enjoy similar social insurance benefits as Chinese workers do (with the exception of the housing fund). These include:

1. Retirement fund
2. Medical insurance
3. Work related injury insurance
4. Unemployment insurance
5. Maternity insurance.

Moreover, the employers are also required to contribute as they would for a Chinese employee. Employers should pay employer's contribution and register the foreign employees to social security within 30 days of applying for their work permit.

Foreigners coming from countries that have social insurance agreements with China will be free from paying their Chinese social security contribution, in accordance to the agreement's conditions. Currently, China has such agreements with Germany and South Korea only.

Failing to register for work permits and social insurance will result with the relevant penalties dictated in the SSL and foreigner employment regulations.

Although the recent measures have provided some clarity with a rough guideline for foreigners' social insurance, they have also brought-up more uncertainties and confusion. For example, the specifics of the actual implementation vary between cities according to their local regulations, and not all are coordinated with the new measures for foreigners. Moreover, there is the question of which time period should be taken into account. Though the law went into effect on July 1, 2011, the new measures for foreigners were issued October 15, 2011.

More details for implementation are expected and China Focus will follow up with future articles to clarify on the issue.

For the latest on social insurance and other HR issues in China please contact [vicky.chen@ijigroup.com](mailto:vicky.chen@ijigroup.com).

[Back to Top](#)

## China FDI

### New Rules Released for Cross-Border RMB Foreign Investment



Early June 2011, China's central bank - People's Bank of China announced a pilot program which allows foreign investors to invest in Chinese currency (RMB) within China. Recently, the Chinese Ministry of Commerce ("MOC") has released an official Circular on Cross-border RMB Direct Investment ("the Circular"), listing the rules for foreign companies to follow. These new rules came into effect on October 12, 2011 and further China's ambitions to internationalize the RMB.

According to the Circular foreign investors can invest using RMB that was legally obtained from a variety of sources. These include cross-border trade account settlements in RMB, issuance of RMB denominated bonds or stocks, profits earned in RMB, as well as RMB obtained through share transfers, capital reduction, liquidation or other early recovery of investment gains.

RMB investments and any re-investment by foreign companies should conform with current foreign investment administration and the national industrial laws and regulations. In addition, the new rules are very clear about the types of investments cross-border RMB investment cannot be used for. Investment in financial securities or derivatives is not allowed, nor can the funds be used for entrusted loans.

All cross-border RMB direct investments are required to be approved and examined by the Chinese local foreign investment authorities and follow procedures similar to foreign currency FDI. The following RMB investments must be presented by the provincial authorities to the MOC for approval:

1. Investment of RMB 300 million or above
2. Involved in financing guarantees
3. Involved in foreign investing companies
4. Involved in macro-controlled industries.

The MOC has obligated itself to simplify its approval procedure over time and coordinate with relevant authorities to properly guide the development of the cross-border RMB direct investment. Additional circulars clarifying RMB denominated FDI are expected in the future.

For more information about foreign direct investment using RMB, please contact [fdi@ijlgroup.com](mailto:fdi@ijlgroup.com).

[Back to Top](#)

## The JLJ Group

The JLJ Group is a one-stop service provider assisting foreign companies with their mission to enter and grow in China. For more information visit [www.ijlgroup.com](http://www.ijlgroup.com) or email us at [info@ijlgroup.com](mailto:info@ijlgroup.com).

### China Offices

**Shanghai**  
Suite 603-605  
Oriental Center  
699 Nanjing West Rd. / Wujiang Rd, 200041  
T: +86 21 5211 0068 | F: +86 21 5211 0069

**Beijing**  
Suite 2002, Building 1  
Blue Castle International Centre  
3 Xi Dawang Rd., Chaoyang District 100026  
T: +86 10 6582 0268 | F: +86 10 6582 0251

**Shanghai**

**Beijing**

**Boston**

**Milan**

Copyright © 2011 The JLJ Group

