

WEBINAR

# DOING BUSINESS IN HONG KONG – OPPORTUNITIES IN THE GREATER BAY AREA

Thursday, November 12<sup>th</sup>



# Greater Bay Area

**Luca Cico**

President of the  
Italian Chamber of Commerce  
in Hong Kong and Macao



# Greater Bay Area: a bit of history

The GBA<sup>1</sup> concept was outlined in the “**Action Plan for the Bay Area of the Pearl River Estuary**”.

Premier **Li Keqiang** announced in the annual government report that the authorities were going ahead with the initiative.

2011

March  
2016

March  
2017

July  
2017

The **13th Five Year Plan**<sup>2</sup> (2016-2020) endorsed the idea for a city cluster in Southern China.

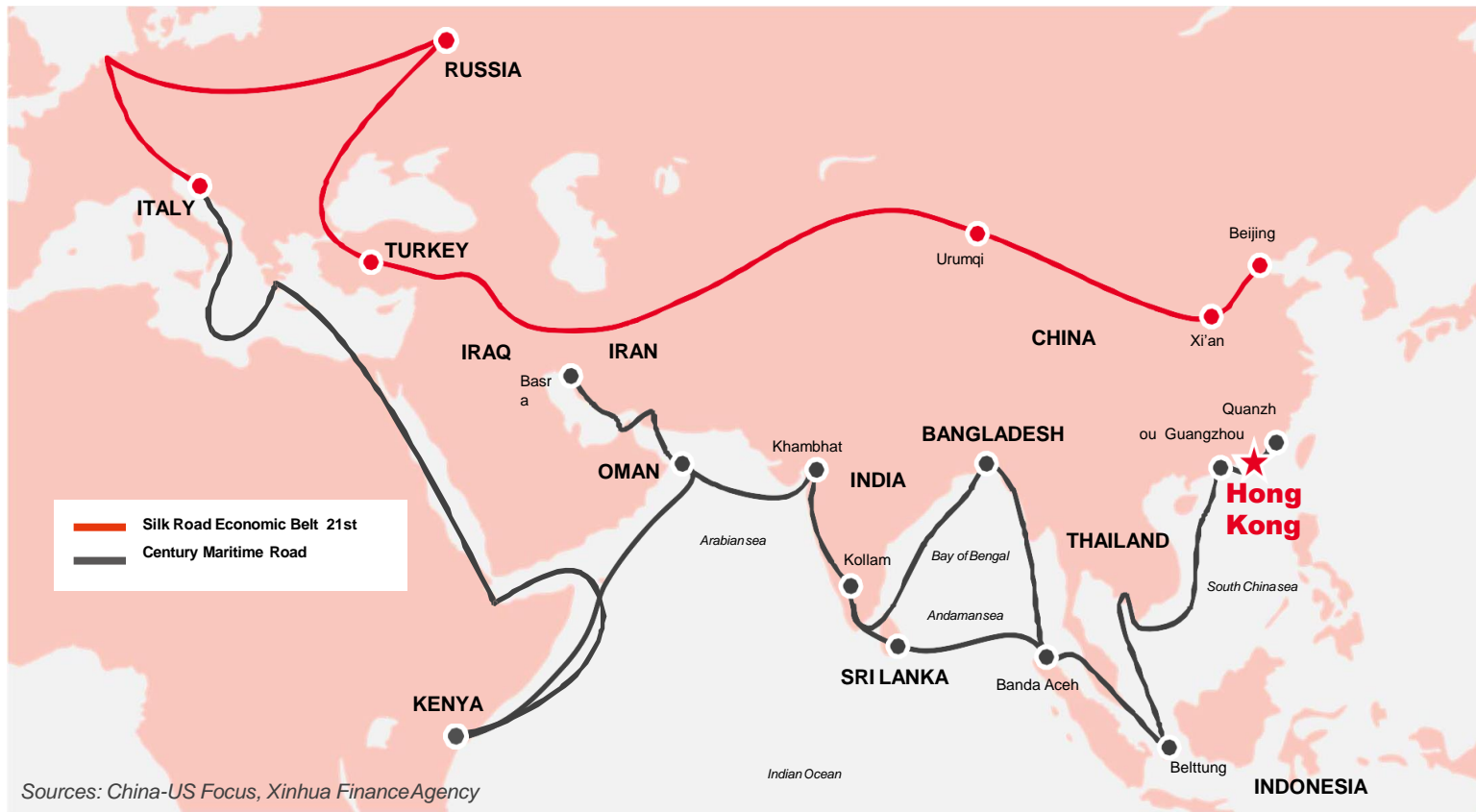
A **framework agreement**<sup>3</sup> was signed by the National Development and Reform Commission and the governments of Guangdong, Hong Kong and Macau.

1. [www.epd.gov.hk/epd/english/resources\\_pub/policy/files/qla\\_consult\\_eng.pdf](http://www.epd.gov.hk/epd/english/resources_pub/policy/files/qla_consult_eng.pdf)

2. [https://en.ndrc.gov.cn/policyrelease\\_8233/201612/P020191101482242850325.pdf](https://en.ndrc.gov.cn/policyrelease_8233/201612/P020191101482242850325.pdf)

3. <https://www.info.gov.hk/gia/general/201707/01/P2017070100409.htm>

# WHY: to act as a catalyst for China's Belt and Road Initiative



The aim is to extend GBA reach:

- **Within China**, beyond the Pearl River Delta to the nearby provinces of Fujian, Jiangxi, Hunan, Guangxi, Hainan, Guizhou and Yunnan
- **Beyond China**, in Southeast and South Asia

# WHERE : 9 Guangdong cities + Hong Kong + Macau

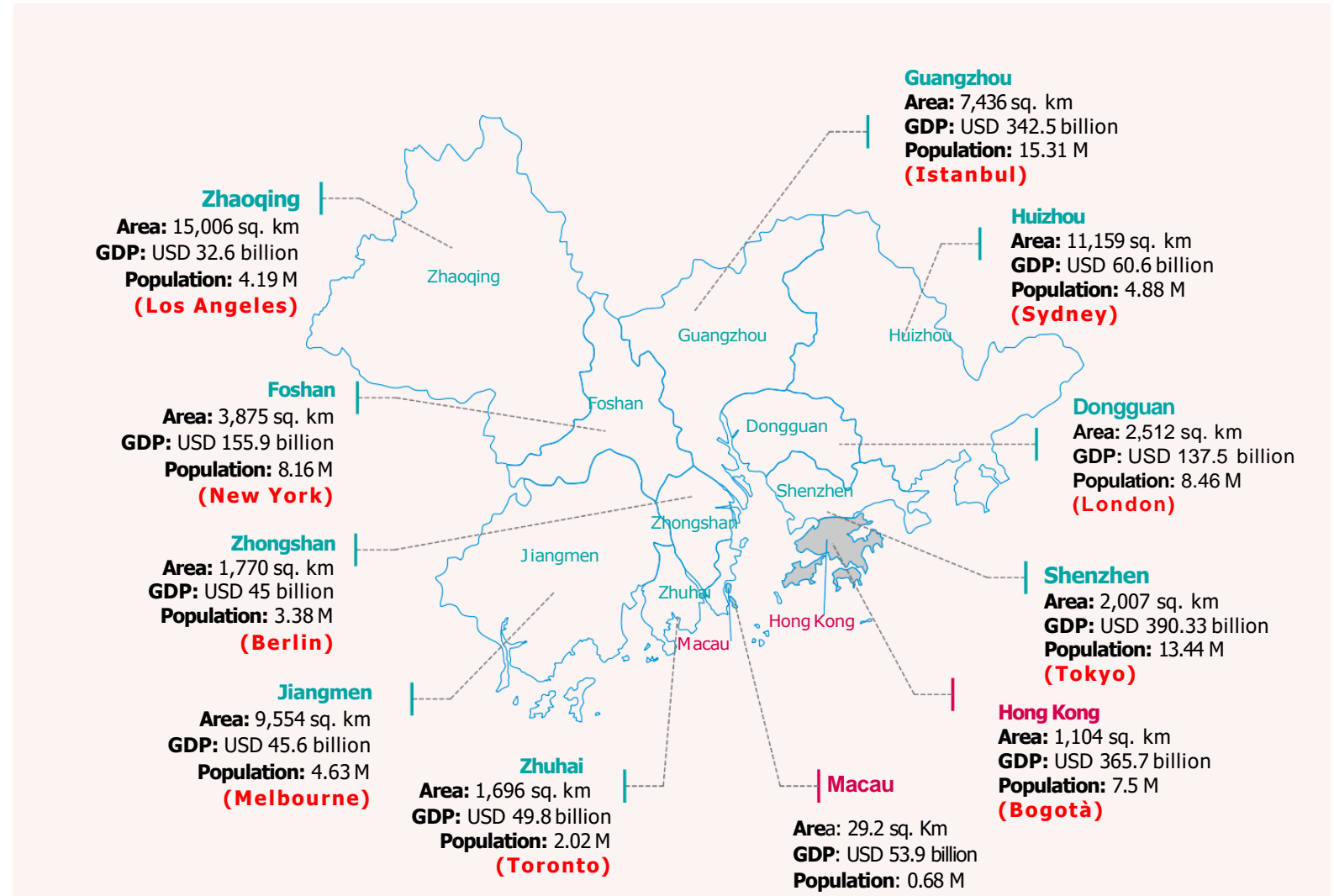
**Population :72.6 million**

**Area: 56,000 square km**

**GDP: US\$1.68 trillion  
(12% of Chinese GDP)**

**Freight turnover: 67m+ teu**





Thanks to the strong connection among  
**manufacturing & logistics,  
finance & services,  
innovation and market**  
**GBA** is considered today as the  
Potential **“New Silicon  
Valley”**





# WHAT: to build a new powerhouse that could rival all the other "bays"

## Battle of the Bays : Comparison

Bays Areas	 Greater Bay Area	 San Francisco Bay Area	 New York Metropolitan Area	 Greater Tokyo Bay
Population (m)	72.65	7.75	19.3	44.28
Land area (1,000 km <sup>2</sup> )	56	17.9	21.5	36.8
GDP (US\$ trillion)	1.68	0.95	1.77	1.98
Estimated GDP in 2030 (US\$ trillion)	4.6	2.2	2.2	3.2
Number of the world's top 100 universities	4	3	2	2
Number of Fortune 500 companies	16	28	22	60

**1** A well-developed transportation system, with government support

+

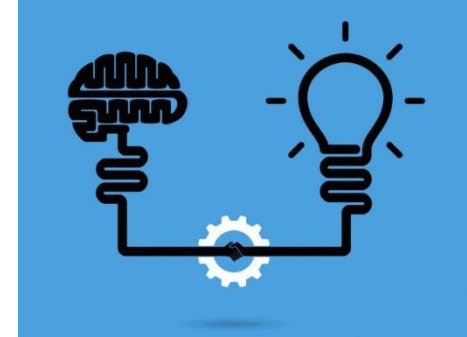
**2** An international financial centre and well-developed service industry

+

**3** An innovation hub with a number of leading universities

# HOW: by integrating the strengths of different cities in the region

❖ The **high-tech innovation** of SHENZHEN



❖ The **strong manufacturing base** in DONGGUAN, JIANGMEN ZHONGSHAN and GUANGZHOU



❖ The **world-class financial and professional services industries** of HONG KONG



# GBA Strengths



## Banking and financial services

**Hong Kong** is a prominent international financial centre with a world-class financial and legal system, as well as extensive experience in banking and financial services.



## Technology

**Shenzhen** is a major technology manufacturing and innovation hub, home to several of China's largest tech giants.



## Manufacturing

**Dongguan** is a major manufacturing hub that acts as a base for many of the world's leading multinational businesses.

**Foshan** electronics and furniture.

**Zhaoqing** is a cultural centre and is steadily growing its manufacturing sector, with rich primary resources including rare metals and herbal medicines.

**Zhongshan** home appliance industry and denim wear.



## Trading

**Guangzhou** is one of China's most important trading centres, with an expansive transportation network that includes a busy port, railway and airport.



## Tourism and leisure

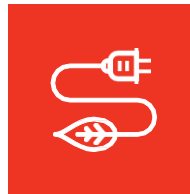
**Macao** is a renowned tourism and leisure hub with a flourishing entertainment industry.

**Zhuhai** is a major tourism hub with a beautiful, natural environment renowned for its high standard of liveability. The city also has a strong industrial base.



## Logistics

**Jiangmen** is establishing itself as a logistics hub with several notable pillar industries including **motorcycles, metal production and paper making**.



## Green energy

**Huizhou** is one of China's top green cities and specialises in **petrochemicals and electronic information, as well as clean energy**.



# Hong Kong: Finance excellence

## **Quality & efficient financing platform**

- High Standard of corporate governance
- Abundant talent pool
- Ability to manage and operate mature projects
- Diversified investors including banks, private equities and etc

## **World's largest offshore Renminbi business hub**

- Largest pool of RMB deposits: RMB 658bn
- Largest Dim Sum Bond market outstanding RMB 400bn
- Daily RMB clearing and settlement turnover: RMB 1,100bn

## **Asia Infrastructure Investment Bank (AIIB)**

- Approval of Hong Kong's membership highlights what Hong Kong can offer - project loans, bond issuance, treasury management, private equity investments and many others.

## **Infrastructure Financing Facilitation Office (IFFO)**

- The IFFO now boasts 77 members - ranging from multilateral financial agencies, development banks, private and public sector investors, to insurance companies and professional service firms - all keen to ride the wave of GBA and Belt and Road opportunities.



# What's Next for the Greater Bay Area

**Dr Jimmy Chiang**  
**Associate Director-General**  
**Invest Hong Kong**

**12 Nov 2020**

**Invest****HK**





# Overview

- **Outline Development Plan**
- **New Policies and Specific Opportunities**
  - Financial Services
  - Business and Professional Services
  - Innovation and Technology
  - Facilitating People in HK to Work/Live in Mainland China
- **InvestHK's Services**

# Outline Development Plan for the GBA

Promulgated by the State Council on 18 February 2019

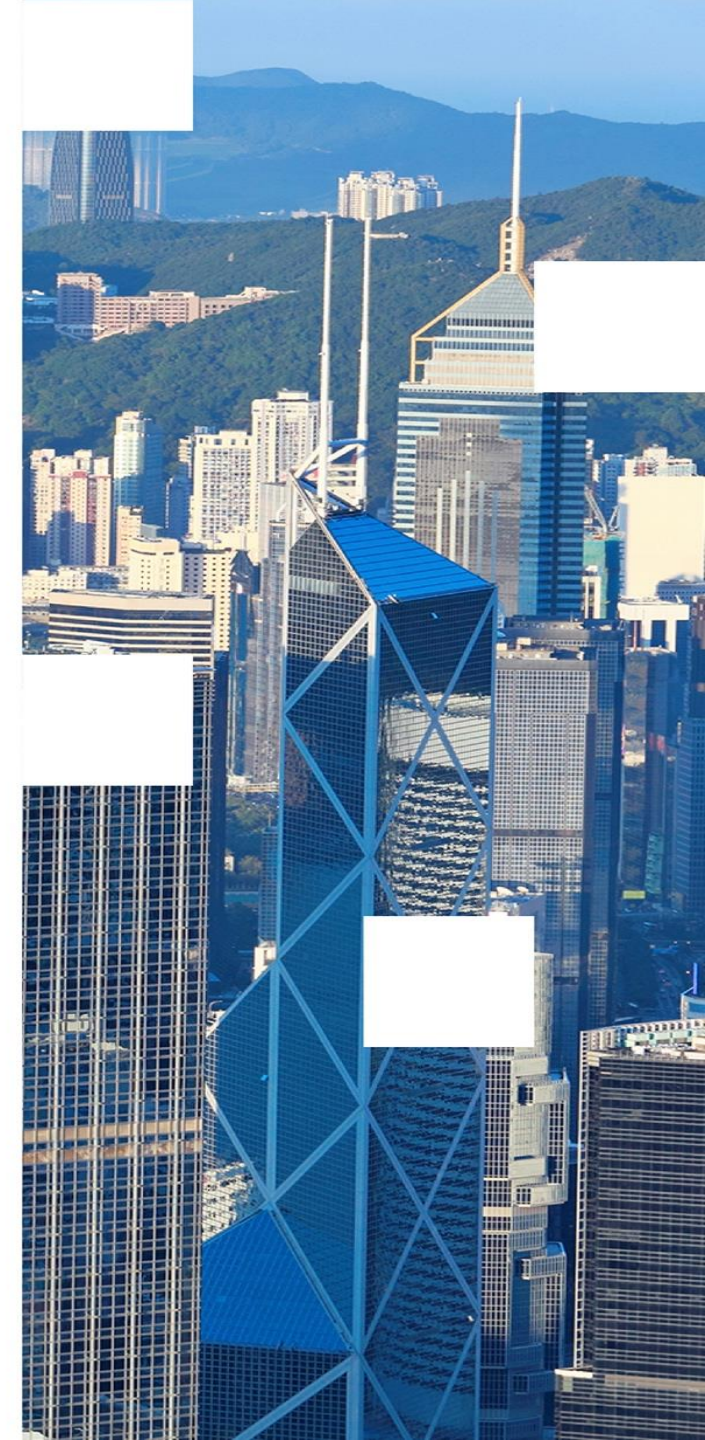
- To implement the **innovation-driven development strategy**, improve the regional synergistic innovation system, pool together international innovation resources, and develop an internationally competitive innovation development area
- To implement the **coordinated regional development strategy**, fully leverage the comparative advantages of different areas, strengthen policy coordination and planning interface
- To develop a **new system for an open economy**, create a high-level platform for opening up, converge with high-standard trade and investment rules, and accelerate the development of new edges in international cooperation and competition





# Strategic Development Objectives

- 1 A globally influential international **innovation and technology hub**
- 2 Expediting infrastructural **connectivity**
- 3 Building a globally competitive **modern industrial system**
- 4 Taking forward **ecological conservation**
- 5 A **quality living circle** for living, working and travelling
- 6 An important support pillar for the **Belt and Road Initiative** (BRI)
- 7 A **showcase** for in-depth cooperation between the Mainland and Hong Kong and Macau



# Positioning of the 4 Core Cities

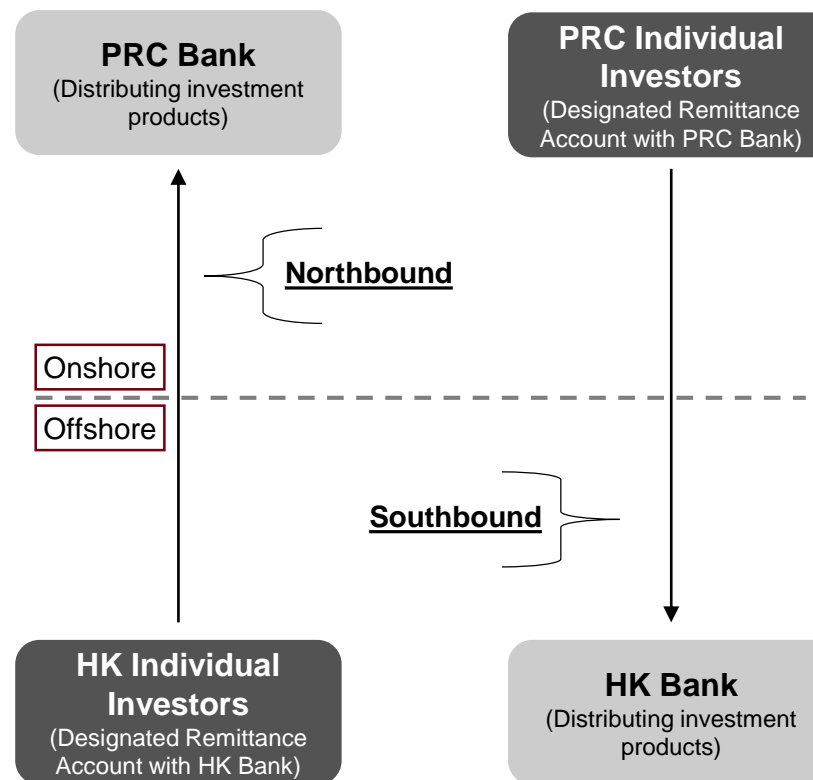


# Financial Services Wealth Management Connect in the GBA

## What is Wealth Management Connect?

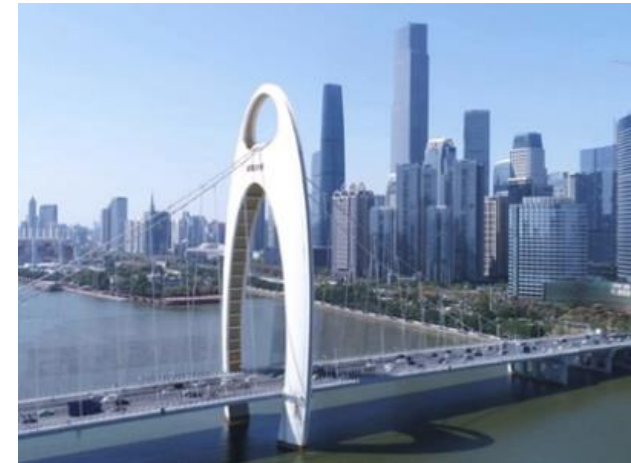
It is an arrangement under which individual residents in the GBA carry out cross-boundary investment in wealth management products distributed by banks in the GBA, including

- a) **Southbound route** for individual residents of the Mainland cities in the GBA to access offshore wealth investment products through designated intermediaries (eg banks) in Hong Kong (and Macao) (ie Mainland investors investing in Hong Kong / Macao); and
- b) **Northbound route** – for individual residents of Hong Kong and Macao to access onshore PRC wealth investment products through designated custodians in Mainland cities in the GBA (ie offshore investors investing in Mainland China).



# Financial Services Potential Insurance Developments

- Two **services centres** by end of 2020 - in Shenzhen and another mainland Chinese city featuring counters for Hong Kong insurers who initially will be limited to **handling claims** and **processing payments** of their mainland clients
- The Central Government removes the eligibility requirement on years of operating experience for Hong Kong service suppliers to establish **insurance loss adjusting companies** on the Mainland
- The Central Government supports Mainland insurers to issue **catastrophe bonds** in Hong Kong by relaxing the requirements for establishing special purpose insurers





# Business and Professional Services

## Legal

- Hong Kong and Mainland law firms can form partnership associations in the Mainland
- Hong Kong legal practitioners can obtain Mainland qualifications to practice in the nine Pearl River Delta municipalities in the Guangdong-Hong Kong-Macao Greater Bay Area

## Architecture & Engineering

- Allow Hong Kong-registered companies to directly provide services in the GBA
- Simplify procedures for Hong Kong companies to start business in the GBA

## Construction

- Mutual recognition of qualifications for construction professionals
- Expand liberalization measures for Hong Kong construction professionals to practice in the Mainland



# Innovation and Technology Policy Breakthroughs

1

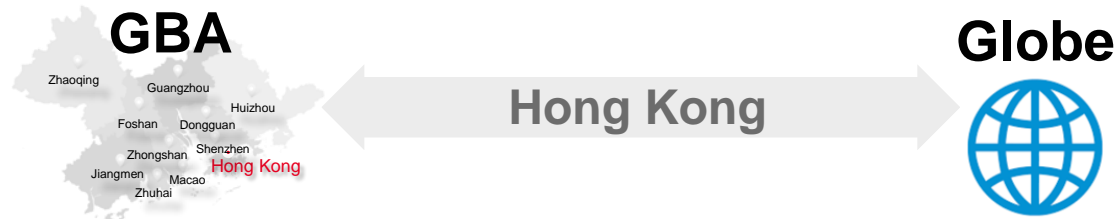
Support the development of the **Shenzhen-Hong Kong I&T Co-operation Zone**

2

Facilitate customs clearance of imported **animal-derived biomaterials** into the GBA

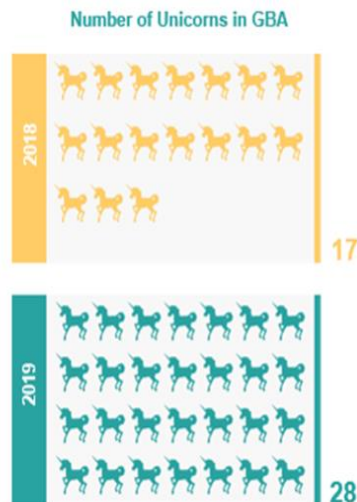
3

Relax limitation on exporting Mainland **genetic resources** to Hong Kong



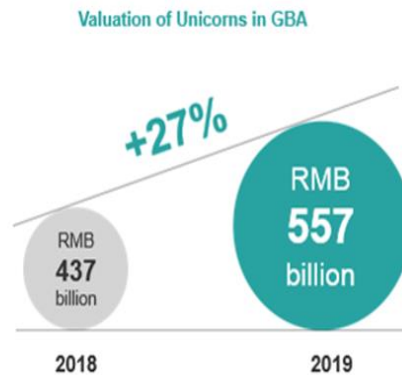
# More Family Offices to be Set up in the GBA

The number of unicorns in GBA and their valuations are growing



Note: "Unicorn" refers to a startup with at least US\$1 billion valuation  
Source: Hurun Unicorn Index 1Q2018, 1Q2019

Mainland China supports the engagement of Hong Kong PE funds in the financing of innovation and technology enterprises in GBA



- The new **Limited Partnership Fund Regime** has been introduced since 31 August 2020.
- A very **positive demand** - a total of 11 applications received on the first day of introduction.
- The new regime further promotes:
  1. Hong Kong's asset and wealth management ecosystem with the development of more PE and VC funds
  2. Hong Kong as an IFC
  3. Hong Kong's PE and VC funds focusing on the GBA as an investment theme



## More investment opportunities for family offices

Sources: Fung Business Intelligence, China Council for the Promotion of International Trade, Hurun Wealth Report in Nov 2019



# Facilitating People in Hong Kong to Work and Live in Mainland China

1

“183 days” of domestic residence for personal income tax

2

Tax relief for high-end talents and talent in short-supply

3

Easier entering and exiting Mainland for Hong Kong vehicles

4

Easier travel to/from Mainland for non-Chinese permanent residents

5

Easier bank account opening and use of mobile payment

6

Local treatments for property purchase and children’s education

7

Use of HK-registered drugs and medical devices in designated hospitals





# Useful Resources

Dedicated website  
([www.bayarea.gov.hk](http://www.bayarea.gov.hk))



Facebook及Instagram pages  
(@[hk.bayarea](https://www.facebook.com/hk.bayarea))



WeChat ID :  
HKCMAB



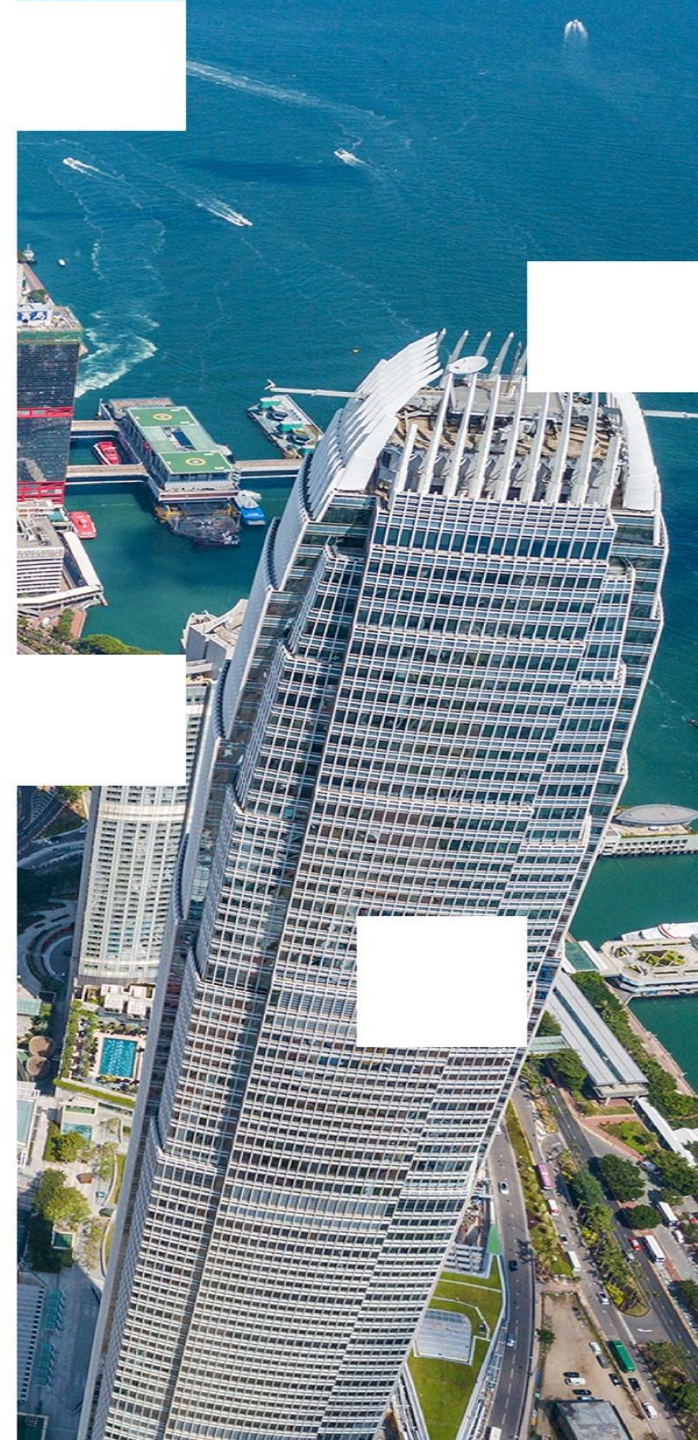
# Conclusion

GBA will be a more and more important economic region in China

IFC status of Hong Kong will be further strengthened

Hong Kong / Shenzhen can be a R&D centre for global I&T companies, while other GBA cities can support advanced, mass manufacturing

Hong Kong is well positioned to serve as the gateway for global businesses to access the GBA and China

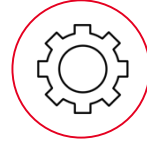


# How We Help Companies Grow



## Planning

- Guidance in strategic implementation and evaluation of business decisions
- Advising on living and working in Hong Kong (housing, healthcare, schooling and networking, etc)



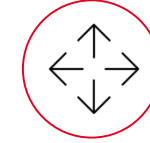
## Set-up

- Providing support with business licences, visa applications, trademark registration, IP and trade regulations, etc
- Informing on tax and business regulations
- Arranging meetings with service providers, professional associations and government departments
- Advising on sector-specific industries and opportunities



## Launch

- Connecting with lawyers, accountants, human resource specialists, consultancies, designers, interior specialists and real estate companies, etc
- Providing marketing and public relations services



## Expansion

- Tools for continuous expansion
- Ensuring a sustainable foundation for growth
- Continuing to support across marketing and public relations



# Get in Touch

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# InvestHK

# Company setup, Tax & accounting requirements in Greater Bay Area

**Dario Acconci**

**Managing Director, South-East Asia,  
Hawksford**

**Francesco Montonati**

**Associate Director, Hong Kong,  
Hawksford**





# AGENDA

- Accessing GBA via Hong Kong
- Company setup in Hong Kong
- BUD Fund
- Taxes And Accounting in the GBA
- Tax Incentives in the GBA





# About Hawksford

- International provider of **corporate, private clients and fund administration services**
- Pan-Asian and European (**10 locations**) with unrivalled expertise in key growth markets such as China (**5 offices**)
- Specialized sector experience: **tech and innovation, manufacturing and trade, consumer and retail, and luxury/fashion**
- We are trusted to deliver efficient administration services to **large and multinational corporates, FTSE listed companies, and SMEs as well as entrepreneurs, HNW individuals and intermediaries**



# Our Presence & Expertise In Asia

## Business Establishment

- Incorporation of new entities
- Outsourcing administration services
- Corporate secretarial services
- Annual compliance
- Bank account opening
- Business license applications
- Board & committee meetings support
- Corporate governance
- Director services
- Project Management

## Tax & Accounting

- Tax compliance
- Bookkeeping and preparation of year-end financial statements
- Statutory requirements and management reporting
- Payroll, leaves & claims management
- establishment and social contributions schemes
- Corporate tax return preparation and filing
- Personal tax filing
- Temporary CFO

## Immigration Advisory & Applications

- Citizenship
- Permanent residence
- Employment pass
- Dependent pass
- Entrepreneur pass
- Other work passes



# Accessing GBA via Hong Kong



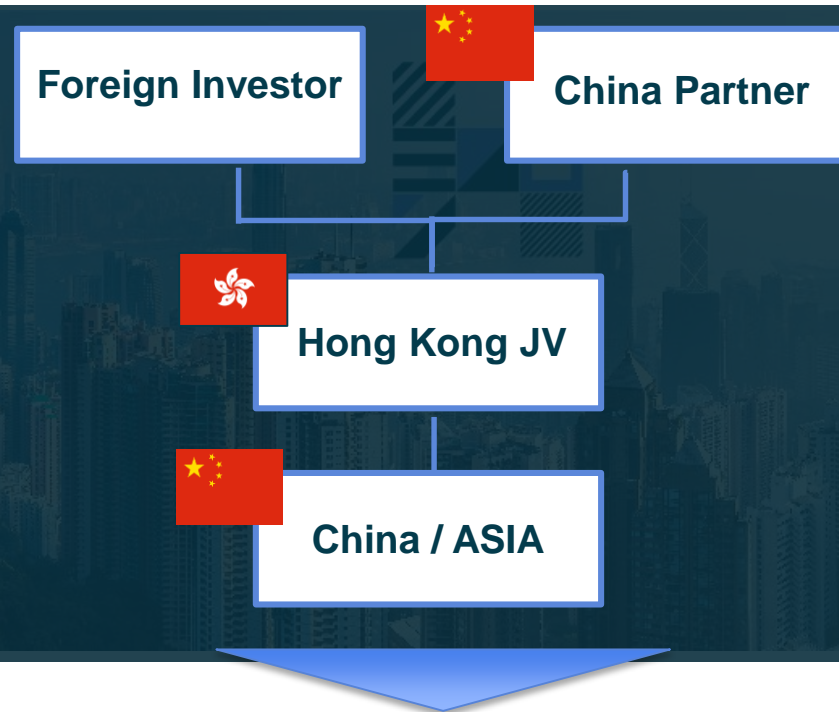


# Accessing China/Asia via Hong Kong



- Buffer between headquarter and PRC
- Streamlined process for incorporation in China
- Facilitates disposal of assets
- Benefit from double taxation agreements and CEPA

# Accessing China/Asia via Hong Kong



- Common law jurisdiction
- Efficient/simple corporate / commercial law framework
- Best jurisdiction in Asia for dispute resolution (courts/arbitration)
- Regulate the JV in Hong Kong, implement the Shareholders' Agreement

# Company setup in Hong Kong





# There are three alternatives to access the Hong Kong market

## 1. Private Limited Company

- Limited by shares
- Limited by guarantee



- private limited company incorporated in Hong Kong with the shareholder being another local or foreign corporate entity
- separate legal entity thus the parent company's liability is limited to the amount of share capital it has contributed to the subsidiary

## 2. Branch office



- legal entity registered with the Company Registry
- Hong Kong branch office must appoint at least one person who is resident in Hong Kong and authorized to accept legal notices served on the company

## 3. Representative Office (RO)



- Representative office has to restrict itself to promotion and liaison activities, undertaking market research and co-ordinating activities on behalf of the parent company
- The only requirement is to register with the Inland Revenue Department and obtain a Business Registration Certificate

# Limited Liability Company: An Overview

- Name
- No Business Scope
- Share Capital
- Registered Office
- Shareholder(s)
- Director(s)
- Company Secretary (new TCSP)
- Designated Representative (new SCR)
- Tax Representative



# Subsidiary company

- Private limited company incorporated in Hong Kong with the shareholder being another local or foreign corporate entity
- Separate legal entity thus the parent company's liability is limited to the amount of share capital it has contributed to the subsidiary
- Name must be approved by the Companies Registry
- 100% shareholding by a foreign company is allowed
- Hong Kong subsidiary must have at least one director & a minimum of one shareholder and a maximum of 50
- It is mandatory to have a local resident company secretary (individual or body corporate) & must appoint an auditor who must be a member of the Hong Kong Society of Accountants and holds a practicing certificate
- Subsidiaries are subject to the same tax regime and tax rates as other private limited companies in Hong Kong



# Tax

## Tax: An Overview

- VAT: not applicable
- Profit Tax: 8.25%\* // 16.5%
- Dividends: not applicable
- Royalties: 16.5% // 4.95%
- Capital Gain: not applicable



\*from financial year 2018/2019

# Two-Tiered Profits Tax Rates Regime



- Starting from year of assessment 2018/2019, under the two-tiered profits tax rates regime, the profits tax rate for the first \$2 million of assessable profits will be lowered to 8.25% for corporations and 7.5% (half of the standard rate) for unincorporated businesses (mostly partnerships and sole proprietorships). Assessable profits above \$2 million will continue to be subject to the rate of 16.5% for corporations and standard rate of 15% for unincorporated businesses.
- In case of connected entities, the 2-tiered profits tax rates may apply to only one of them;
- Submission of additional forms (S1, S2) together with Profits Tax Return (new Part 9):
  - S1: connected entities in Hong Kong
  - S2: transactions with non-resident associated persons/entities

# Example



## 2017-2018

- **Yearly Profit:** HK\$ 3,000,000
- **Tax Rate:** 16,50%
- **Tax Payable:** HK\$ 495,000
- **75%\* Tax Reduction:** HK\$ 30,000
- **Total Amount:** HK\$ 495,000-HK\$ 30,000

**= HK\$ 465,000**

\*capped at HKD 30,000

## 2018-2019

- **Yearly Profit:** HK\$ 3,000,000
- **Tax Rate on HK\$ 2,000,000:** 8,25%
- **Tax Rate on HK\$ 1,000,000 :** 16,50%
- **Tax Payable:** HK\$ 330,000
- **100%\*\* Tax Reduction:** HK\$ 20,000
- **Total Amount:** HK\$ 330,000-HK\$ 20,000

**= HK\$ 310,000**

\*\*capped at HKD 20,000



# BUD Fund

“Dedicated Fund on Branding,  
Upgrading and Domestic Sales”



# BUD Fund

## Scope

- Firstly launched in 2012, it provides funding for non-listed Hong Kong enterprises to undertake projects to develop brands, upgrade and restructure their business operations and promote sales in **Mainland China, the Association of Southeast Asian Nations (ASEAN)** and all economies with which Hong Kong has signed Free Trade Agreements;
- **All non-listed enterprises registered in Hong Kong under the Business Registration Ordinance, with substantive business operations in Hong Kong, are eligible to apply.**
- The program covers three areas: (i) branding; (ii) upgrading and restructuring; and (iii) domestic sales/promoting sales

## Duration

- Open to applications all year round, with application's vetting time set at 60 working days (tentative)
- Each approved project should be completed within 24 months.

## Funding

- Government will cover (i.e. reimburse) a maximum of 50% of the total approved project cost. (e.g. if total project cost is HKD 1,000,000, Government may reimburse up to HKD 500,000 – provided all costs qualify);
- Total cumulative funding ceiling per enterprise is HKD **4,000,000** (with a sub-cap of HKD 1,000,000 per project).
- Initial payment for approved project can be requested (guarantee may be required).

# BUD Fund

## PROCUREMENT AND COSTS

- A procurement procedure shall be followed for each cost to be reimbursed, varying according to the amount of the cost to be reimbursed;
- Furthermore, each cost category will have to respect and remain within a certain % of the total project cost (e.g.: promotional costs – advertisement - shall not be higher than 50% of the total project cost, etc.);

## PROJECT MONITORING – REPORTING REQUIREMENTS

- Statements of income and expenditure shall be kept throughout the whole project period.
- Projects with duration of over 18 months shall submit a Progress Report and Annual Audited Accounts covering the first twelve months. Such Report should include a summary of the project progress against the project implementation plan set out in the Approved Project Proposal as well as a statement of income and expenditure for the reporting period.
- Both projects that are 18 months or below or more than 18 months to up to 24 months, need to submit a Final Report and Final Audited Accounts.





# BUD Fund

Branding	Upgrading and Restructuring	Domestic Sales
<ul style="list-style-type: none"><li>▪ Brand Strategy and Positioning – corporate brand visioning, product and service planning;</li><li>▪ Brand Building, Design and Communication – brand identity and personality development, rebranding;</li><li>▪ Brand Management – brand assessment, brand protection; and</li><li>▪ Brand Tracking – brand equity research and brand sustainability study</li></ul>	<ul style="list-style-type: none"><li>▪ Business Model Upgrading &amp; Restructuring</li><li>▪ Product Innovation and Repositioning – product strategy, new product development;</li><li>▪ Material Management – supply chain planning and execution;</li><li>▪ Technology Upgrading – manufacturing technology upgrading, process and business automation;</li><li>▪ Management Upgrading – world-class management system, business process re-engineering, quality improvement; and</li><li>▪ Logistics Management – warehouse management, fleet management and distribution management.</li></ul>	<ul style="list-style-type: none"><li>▪ Domestic Sales Strategic Planning – visioning process and strategy formulation;</li><li>▪ Domestic Sales Business Operation Management – operation transformation;</li><li>▪ Domestic Sales Channel Management – marketing strategy and research, sales and distribution development;</li><li>▪ Domestic Sales Team Formation and Management – staff development, performance management;</li></ul>

# Taxes & Accounting in GBA



# Wholly Owned Foreign Enterprise (WFOE)

## Compliance accounting and tax

### Corporate Income Tax

- **25%** is the standard rate. 5% and 10% for micro-small enterprises
- **15%** CIT rate is applicable to certain companies in specific fields encouraged by the Government or qualified as “High Tech”

### VAT and local surcharges

- **13%** is the standard rate applicable on trading and import of goods
- **6%** is the standard rate applicable on services rendered in China
- Small scale tax payers apply 3% VAT rate on goods and services (not deductible)
- Local surcharges (from 0.45% to 0.12%) are applicable on payable VAT. The percentage is different in each city and district
- **0%** on export of goods and input VAT refund is allowed under certain circumstances



# Wholly Owned Foreign Enterprise (WFOE)

## Compliance accounting and tax

### Individual Income Tax

- 3% to 45% progressive rates

### Consumption Tax

- Applicable to certain categories of consumable products including alcoholic beverages, cosmetics, jewelry, automobiles, luxury watches etc. The consumption tax rate is from 1% to 56% of the sales value/volumes of the goods

### Withholding tax

- 10% is the standard rate. It's applicable on payments of service fees, dividends and royalties to non-residents
- Double Tax Treaty applicable in order to avoid double taxation

# Taxation (Dividends, Royalties, Interests)

## Dividends

Dividends paid from PRC to HK are subject to DTA withholding tax of 5%\*

Dividends paid from HK to overseas are not subject to withholding tax

## Royalties

Royalties paid from PRC to HK are subject to DTA withholding tax of 5%-7%\*

Royalties paid from HK to overseas are subject to withholding tax 4.95% - 16.5%\*

## Interests

Interests paid from PRC to HK are subject to DTA withholding tax of 7%\*

Interests paid from HK to overseas are not subject to withholding tax

Hong Kong offers the most tax efficient way to pay dividends, royalties and interest, with a clear legal framework

\*Provided recipient is beneficial owner

\*\*DTA withholding tax special rate may apply

# Profit Repatriation

HONG KONG HOLDING	
Gross Profit PRC	100
Corporate Tax PRC	25% (25)
Net Profit PRC	75
Statutory Surplus Reserve PRC	10% (7.5)
Withholding Tax PRC	5% (3.37)
Net Profit PRC to HK	64.13
Gross Profit HK (territoriality principle)	100
Corporate Tax HK	8.25% (8.25)
Net Profit HK	91.75
Total Profit to overseas	155.88*** (91.75+64.13)



- Dividend distribution subject to approval of PRC authorities
- 3 months application time
- Subject to tax filing and payment of yearly Corporate Tax
- Interim dividend: No

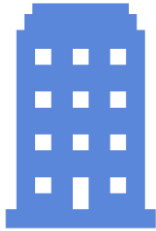
- Free dividend distribution
- No application time
- No prior tax filing required
- Interim Dividend: yes (available reserves)

# Tax Incentives in the Greater Bay Area





# Enterprise income tax (EIT) benefits for High-Tech enterprises



Corporate taxation benefits

EIT from 25%  
reduced to 15%

Research and  
development  
(R&D) subsidies

Training  
reimbursements

Establishment and  
business scope

The company has been established for more than 1 year in Mainland China and its main operations are conducted within PRC related to electronic information, Aerospace, advance manufacturing, bio-medicine and new materials

IP Protection

Through independent R&D, transfer, donation, merger and acquisition, enterprises obtain the ownership of intellectual property rights that play a core supporting role in technology for their main products (services)

R&D to Sales  
revenue ratio

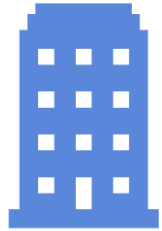
R&D to Income ration for the last 3 years meets one of the following:

1. For annual revenues > 50mln RMB, R&D expenses not less than 5% of revenues in the last accounting year;
2. For 50mln RMB < Annual revenues < 200mln RMB, R&D expenses not less than 4% of the sales revenue in the previous accounting year
3. Annual revenues > 200mln RMB, R&D expenses not less than 3% of sales revenues in the previous accounting year

R&D in PRC is at least 60% of overall R&D expenditures, and high-tech related revenues shall be at least 60% of overall income

Requirements

# Enterprise income tax (EIT) benefits for High-Tech enterprises



Corporate taxation benefits

EIT from 25%  
reduced to 15%

Research and  
development  
(R&D) subsidies

Training  
reimbursements

Personnel  
specialization

Personnel engaging scientific and technological research and development activities shall be not less than 10% of the total number of employees in the company

Innovation (point  
system)

Companies' innovation is graded as follow (full score is 100 point, 71 at least for eligibility)

1. Intellectual property rights (30 points);
2. Scientific and technological achievements, transformation ability (30 points)
3. Research and development organization and management level (20 points)
4. Enterprise growth (20 points)

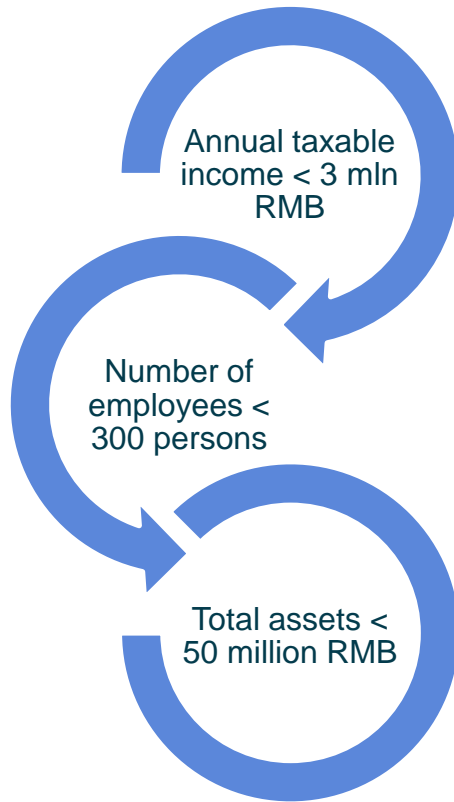
Environmental  
protection

No major safety, quality, serious environmental violation

Requirements

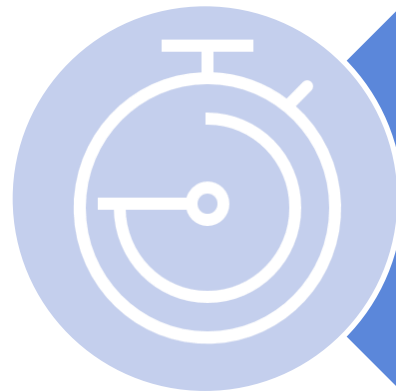
# Are you a micro-enterprise?

## Requirements



Progressive EIT rate into 3 brackets:

- Yearly taxable profits less than 1 mln RMB: EIT rate of 5%
- 1 mln RMB < yearly taxable profits < 3 mln RMB : EIT rate of 10%
- Yearly taxable profits higher than 3 mln RMB: EIT rate of 25%



FY2020 EIT settlement postponement:

- Timely declare EIT for Q2, Q3 and Q4;
- Settle relevant payments (if any) only in January 2021

# Micro-enterprises EIT calculation and timeline

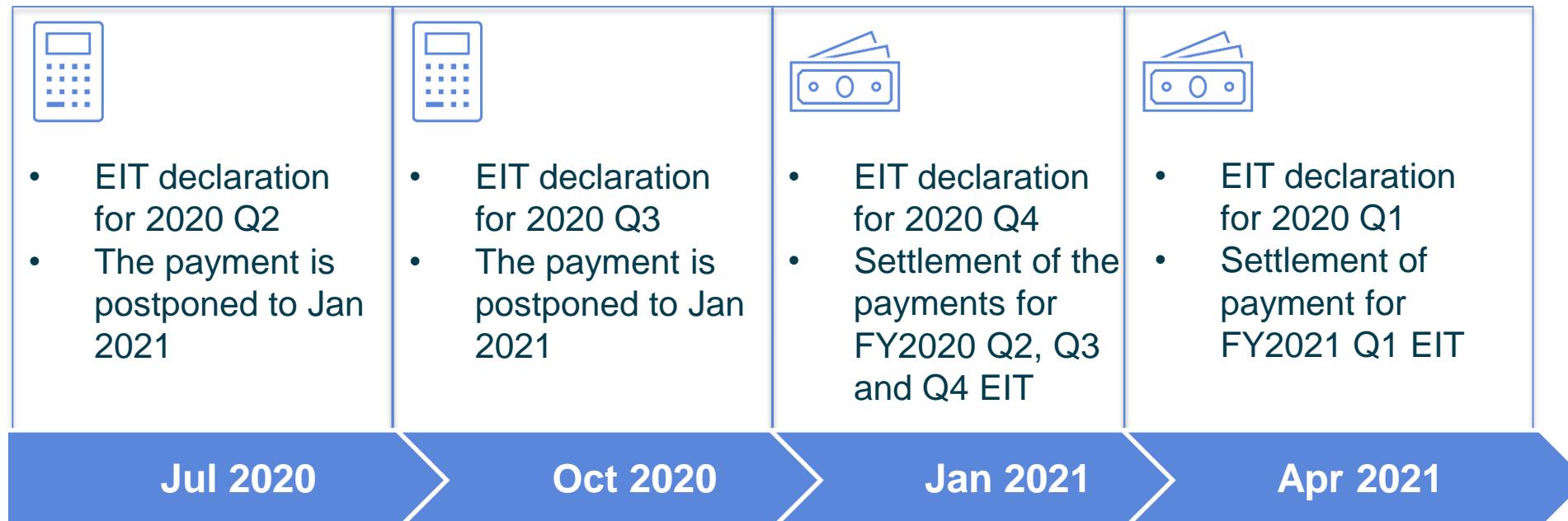
## EIT beneficiary treatment example

Source: Announcement No. 2 of 2019  
issued by State Taxation Administration

Year	Taxable income (RMB)	Portion (RMB)	Tax rate	Income tax (RMB)	
2018	2.1 mln	2,100,000	25%	525,000	
2019	2.5 mln	1,000,000	5%	50,000	200,000
		1,500,000	10%	150,000	

## EIT payment postponement scheme

Source: Announcement No. 10 of 2020  
issued by State Taxation Administration





# Tax incentives in the Greater Bay Area (GBA)



## Individual income tax benefits

### Who

- Hong Kong and Macao permanent residents
- Hong Kong residents enrolled in the Hong Kong Entry scheme
- Taiwan residents
- Foreign nationals
- Overseas Chinese with permanent residence abroad

### Conditions

Shall meet either of the following:

- Class A work permit holders
- Guangdong excellent talent card holders (into local talent projects)
- Scientific and technical staff in key development industries

### Benefits

The selected individuals will be eligible for a subsidy of the amount of individual income tax paid in the nine core cities of the GBA exceeding the 15% of their yearly taxable income

# Tax incentives in the Greater Bay Area (GBA)



Taxable  
income

- Salaries and wages
- Income from labor services
- income from manuscript remuneration
- income from royalties
- Income from operations
- Talent projects subsidies

Calculation

The subsidy is calculated as:  
Total IIT paid during the year – (taxable  
income for the year \* 15%)

# GBA IIT subsidy practical comparison on a yearly basis



## Employee A

not enrolled in the subsidy program

- Gross salary: 600,000 RMB
- Social insurance: 27,608.54 RMB
- Standard deductions: 60,000 RMB\*
- Special IIT deductions: 30,000 RMB\*\*
- Taxable income: 482,391.46 RMB
- **IIT paid: 91,797.44 RMB**

VS



## Employee B

enrolled in GBA IIT subsidy program in Guangzhou

- Gross salary: 600,000 RMB
- Social insurance: 27,608.54 RMB
- Standard deductions: 60,000 RMB\*
- Special IIT deductions: 30,000 RMB\*\*
- Taxable income: 482,391.46 RMB
- IIT subsidy: 19,438.72 RMB\*\*\*
- **IIT paid after subsidy: 72,358.72 RMB**

*\*5,000 RMB per month for both local and foreign staff*

*\*\*1,000RMB per month for children education and 1,500 RMB per month for rental expenditures*

*\*\*\*IIT Subsidy = IIT paid - (taxable income \* 15%) = 91,797 - (482,391.46 \* 15%)*

*Each municipality might have different yearly income threshold: eg Guangzhou sets the minimum yearly income for eligible candidates to 300,000 RMB, whereas the minimum threshold is set to 500,000 RMB in Shenzhen*

# CONTACT US



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# Q & A



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# THANK YOU FOR YOUR PARTICIPATION



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