

# *Fujian Pilot Free Trade Zone (1): official launch and release of the overall plan*

*April 2015  
Issue 18*

## ***In brief***

On 20 April 2015, the State Council officially announced the <Overall Plan of China (Fujian) Pilot Free Trade Zone (Fujian PFTZ) > (Overall Plan)<sup>1</sup>. On the same day, the State Council also released the Overall Plan of Guangdong PFTZ, the Overall Plan of Tianjin PFTZ, the deepening reform plan of Shanghai PFTZ<sup>2</sup> and the administrative measures of special treatment (2015 Negative List) on foreign investments<sup>3</sup> which is applicable to all four PFTZs. Fujian PFTZ was officially launched on the day after the release of the Overall Plan.

By virtue of the advantageous geographical location of being on the coast across the strait from Taiwan, as well as the starting point of the 21<sup>st</sup>-Century Maritime Silk Road (Maritime Silk Road), Fujian PFTZ strategically aims at being the demonstration zone for the deepening cross-strait economic cooperation and the core area for the development of the Maritime Silk Road. The Overall Plan of the Fujian PFTZ has distinctive features which set out clear objectives as well as regional characteristics. In this issue of News Flash, we will share the basic information of the Fujian PFTZ, highlights in the Overall Plan and our suggestions for investments in the Fujian PFTZ.

## ***In detail***

### ***Basic information and objectives of the Fujian PFTZ***

The Fujian PFTZ covers 118.04 square kilometres, comprising of three independent areas: Pingtan Area; Xiamen Area (including Xiangyu Bonded Area, Xiangyu Bonded Logistics Park, Xiamen Haicang Bonded Port Area) and Fuzhou Area (including Fuzhou Bonded Area, Fuzhou Export Processing Area, and Fuzhou Bonded Port Area).

The overall development objectives for the Fujian PFTZ are the innovation of cross-strait cooperation mechanisms and promotion of collaboration with regions along the Maritime

Silk Road. Based on the above objectives, the Fujian PFTZ sets forth specific functions for each of the three areas. Particularly, the Pingtan Area focuses on the development of a cross-strait common homeland and international tourism island. The Xiamen Area focuses on the development of the demonstration zone for cross-strait emerging industries and modern service industries, the southeast international shipping centre as well as the cross-strait regional financial service centre and trading centre. The Fuzhou Area focuses on establishing an advanced manufacturing base, serving as the platform for communication and collaboration among countries and regions along the Maritime Silk Road as well as the demonstration zone for cross-strait cooperation in trade in services and financial services.

### ***Policy highlights of the Fujian PFTZ***

In general, the Fujian PFTZ has many policies, which are similar to the policies in the other three PFTZs, including the policy on deepening the reform of administrative mechanism through decentralising the administrative approval authority; the procedure on simplifying company's administration and supervision by using "one window" service; the policy on the reform on the administration of investments by exploring the use of the same administration model for both foreign and domestic enterprises where their investment sectors are not within the scope of the Negative List and adopting the record-filing model for outbound investments, and the policies on the use of an integrated

customs clearance mechanism for areas within the Fujian PFTZ. In addition, the Overall Plan of Fujian PFTZ has its own distinct geographical and regional features. Among 16 primary missions and measures, 4 of them are related to Taiwan while 3 of them are related to the Pingtan Area. Obviously, the direction for the development of Fujian PFTZ is very clear.

***The 1<sup>st</sup> highlight: Deepening of the economic cooperation and development of a new model for cross-strait development***

In terms of deepening cross-strait economic cooperation, the most noticeable parts in the Overall Plan are Article 2(4) and Article 2(5). It mentioned that, under the framework of the <Cross-Strait Economic Cooperation Framework Agreement (ECFA)>, the Fujian PFTZ will pioneer the liberalisation of trade in services and pilot run the cooperation on certain financial services. There will be four initiatives in promoting cross-strait investment and trade liberalisation, which not only emphasizes the new model for trade in goods, but also extends to the expansion of opening-up of trade in services to Taiwan investors.

With regard to the opening-up of trade in services, the Overall Plan indicates that the following sectors will be further opened up to Taiwan investors: telecommunication, transportation, trade and commerce (including tourism), construction, product certification, engineering technology, professional services, medical services, etc. The Overall Plan also contains detailed measures for the opening-up of each of these sectors to Taiwan investors. To a certain degree, these measures are better than the 2015 Negative List. In view of this, the Overall Plan particularly emphasizes these opening-up measures should only be implemented under the framework of ECFA and apply to those enterprises incorporated in the Fujian PFTZ.

With respect to the financial sector, the Overall Plan also lists out many innovative measures regarding cross-strait cooperation on financial services that will be implemented in the Fujian PFTZ on a trial basis. These measures include support on the establishment of joint-invested financial institution by Taiwan investors, cross-border usage of Renminbi, conversion of Renminbi within the capital item limit,

a higher foreign investors threshold for investment in Mainland securities and funds, set up of fund management company in the form of joint venture, etc.

***The 2<sup>nd</sup> highlight: establishing the platform for the Maritime Silk Road***

Fujian, being the window for Mainland's opening-up strategy, is the vital gateway for Chinese enterprise and individual "go-abroad". The Overall Plan points out that the Fujian PFTZ (particularly the Fuzhou Area) will be established as an important platform strategically to connect with the Maritime Silk Road. From a policy perspective, Fujian PFTZ will further explore innovative trading business model, including developing cross-border e-commerce business, improving the e-commerce support system related to customs, inspection and quarantine, tax refund, cross-border payment. Looking at the shipping sector, the Fujian PFTZ will provide further breakthrough in relation to foreign investment threshold, forms of investment, approval authority to support the development of the marine economic strategy in "One Belt and One Road". Meanwhile, the Fujian PFTZ also has other distinctive measures, e.g. cross-border Renminbi settlement, cross-border Renminbi financing, tax refund at departure port, etc. Through these policies, the Fujian PFTZ aims to establish four platforms for the Maritime Silk Road, namely financing platform; exhibition and trading platform, marine product trading platform and shipping platform, so that it can act as the opening-up and cooperation hot spot for countries or regions along the Maritime Silk Road.

***The 3<sup>rd</sup> highlight: nurturing advantageous opening-up measures of Pingtan Area***

There will be the following three measures to nurture the new advantages of the Pingtan Area: (1) liberalisation of trade in service for Taiwan investors under ECFA; (2) further liberalisation of the shipping and transportation sector; (3) establishment of the international tourism island. As early as 2011, the State Council has approved the overall development plan of the Pingtan Comprehensive Experimental Zone, which was positioned as the area to showcase cross-strait's communication and cooperation and to pioneer the development of the economic zone at the west coast of the

strait in a scientific way. With the implementation of the policies for the Fujian PFTZ, the advantage of the Pingtan Area with a package of existing and new policies is expected to provide more investment opportunities and convenience for Taiwan investors as well as other foreign investors.

***The 4<sup>th</sup> highlight: Fiscal and taxation policies***

The Pingtan Area of the Fujian PFTZ has some tax preferential treatments, including a reduced Corporate Income Tax (CIT) rate of 15% for qualified enterprises; and Individual Income Tax (IIT) subsidy for qualified Taiwan residents. The Overall Plan clarifies that the current tax preferential treatments applicable in Pingtan Area will be valid, but will not be extended to the rest of the Fujian PFTZ. Furthermore, the Fujian PFTZ shall, in principle, follow those tax policies which have been implemented on a trial basis in the Shanghai PFTZ. The scope and tax policies which are currently adopted in the customs special supervision areas of the Fujian PFTZ will

keep unchanged. Looking at the four PFTZs in Mainland, only Pingtan Area in Fujian PFTZ, Qianhai and Hengqin Area in Guangdong PFTZ have tax preferential treatments on CIT and IIT. This is a welcoming highlight for enterprises investing in these three areas.

***The takeaway***

The Fujian PFTZ carries a dual role as the trial area of deepening cross-strait cooperation and the core area for the Maritime Silk Road under the "One Belt One Road" strategy. The policy of Fujian PFTZ has distinctive features with clear objectives. The innovative policies in the Fujian PFTZ and certain further opening-up measures for Taiwan investors will definitely bring new economic growth and investment opportunities into the area.

According to public information, based on the Overall Plan, the government of Fujian province will sort out and formulate detailed measures and implementation guidance. Most of the measures are expected to be released within the first half of this year, except for those which required approval from the State. It is expected that these implementation measures will be in relation to finance, customs, foreign exchange, tax services, investment

convenience, etc., associated with the Overall Plan.

For Taiwan investors and other foreign investors, Fujian PFTZ will doubtlessly provide more investment opportunities and convenience. Enterprises, which have interests in investing in the Fujian PFTZ can take advantage of this opportunity by re-examining the current operation of the enterprise and analysing the potential impacts brought about by the Fujian PFTZ, to identify and seize business opportunities and to expand their competitive advantages. Our

specialists for Fujian PFTZ are closely monitoring the developments of the Fujian PFTZ and will share our observations and suggestions with you on a regular basis.

### **Endnote**

1. *For the Overall Plan of the Fujian PFTZ, please refer to Guofa [2015] No.20, or the official link on the State Council's website:  
[http://www.gov.cn/zhengce/content/2015-04/20/content\\_9633.htm](http://www.gov.cn/zhengce/content/2015-04/20/content_9633.htm).*
2. *Guangdong PFTZ, Tianjin PFTZ, and SH PFTZ are the abbreviation of*

*<China (Guangdong) Pilot Free Trade Zone>, <China (Tianjin) Pilot Free Trade Zone> and <China (Shanghai) Pilot Free Trade Zone> respectively.*

3. *The administrative measures of special treatment on foreign investments (2015 Negative list), please refer to Guobanfa [2015] No. 23, or the official link on the State Council's website:  
[http://www.gov.cn/zhengce/content/2015-04/20/content\\_9627.htm](http://www.gov.cn/zhengce/content/2015-04/20/content_9627.htm).*

## **Let's talk**

For a deeper discussion of how this issue might affect your business, please contact a member of **PwC's China Tax and Business Service for Fujian PFTZ** :

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