

## China (Shanghai) Pilot Free Trade Zone – Dawn of a new era

The **China (Shanghai) Pilot Free Trade Zone** (“China (Shanghai) PFTZ”) pioneers an unprecedented degree of openness in relation to foreign investment and the foreign trade in both goods and services, with the objective of promoting and leading the development of an open Chinese economy

Deloitte assists investors to understand and navigate the rules, to keep updated concerning relevant developments, and to identify and seize emerging opportunities

Background		What it is & what's new	
		<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  Free Trade Area (WTO)         </div> <div style="text-align: center;">  Comprehensive Bonded Zone (PRC)         </div> <div style="text-align: center;">  Free Trade Zone (WCO)         </div> </div> <p><b>China (Shanghai) PFTZ is similar to Free Trade Zone, but primary focus on broad policy reform, instead of on preferential customs and tax treatment</b></p> <div style="display: flex;"> <div style="flex: 1;"> <p><b>Finance – potentially:</b></p> <ul style="list-style-type: none"> <li>RMB fully convertible (incl capital account)</li> <li>Financial market interest rates liberalized</li> <li>Pilot international trade and settlement center</li> <li>Wholly foreign-owned banks permitted and procedures for setting-up JV banks simplified</li> <li>Chinese banks permitted to engage in “offshore banking” business</li> </ul> </div> <div style="flex: 1;"> <p><b>Customs:</b></p> <ul style="list-style-type: none"> <li>Customs &amp; port supervision procedures simplified:               <ul style="list-style-type: none"> <li>Shift to electronic supervision</li> <li>Post declaration audits</li> </ul> </li> <li>Favorable in particular, for entrepot trades</li> <li>New supervision model: legal contractual relationships as well as cash flow do not have to track the physical flow of goods</li> </ul> </div> </div> <div style="display: flex;"> <div style="flex: 1;"> <p><b>Investment controls and approvals:</b></p> <ul style="list-style-type: none"> <li>Inbound investment approval and supervision procedures simplified</li> <li>Outbound investment controls simplified</li> <li>“Modern services” sectors encouraged</li> </ul> </div> <div style="flex: 1;"> <p><b>Tax:</b></p> <ul style="list-style-type: none"> <li>Internationally competitive tax regime</li> </ul> </div> </div>	
Potential benefits	Market reaction	Deloitte support	Our experience
<p><b>Enterprises and industries that may benefit:</b></p> <p>Promotion of regional headquarter and regional operations center activities:</p> <ul style="list-style-type: none"> <li>✓ Regional headquarters</li> <li>✓ Regional sales, operations and treasury centers</li> <li>✓ Outbound investment platform</li> </ul> <p>Promotion of modern service industries</p> <ul style="list-style-type: none"> <li>✓ Finance and leasing</li> <li>✓ Shipping and logistics</li> <li>✓ International trade</li> <li>✓ Professional and outsourcing services</li> <li>✓ Cultural, creative and media services</li> <li>✓ Education, training and healthcare services</li> <li>✓ Public sector services</li> <li>✓ Maintenance services</li> </ul>	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <b>Exploring opportunities</b> Objectives and direction of governing framework and rules already clear + Able to analyze potential impact + Able to seek clarification on “key” aspects         </div> <div style="text-align: center;"> <b>Asking questions</b> Review broad outline and other available information and consider how to make use of Pilot Area + Ask questions, or make requests of relevant authorities         </div> </div>	<ul style="list-style-type: none"> <li> <b>Understanding the China (Shanghai) PFTZ:</b> its objectives, the governing framework and rules</li> <li> <b>Analyzing potential impact</b> on investments and business models, and identify opportunities for consideration</li> <li> <b>Conducting feasibility studies</b> concerning new investments &amp; business models, and proposed changes to existing ones</li> <li> <b>Establishing a communication platform</b> between investors &amp; relevant responsible authorities</li> </ul>	<ul style="list-style-type: none"> <li>Leading provider of “gateway services”</li> <li>Ability to provide “one stop shop” service</li> <li>Leading adviser to public sector</li> <li>Adviser to more than 40 economic development zones</li> <li>Adviser to the Government on tax, finance &amp; business regulatory policy matters</li> </ul> <p><b>Contacts</b></p> <p><b>Vivian Jiang</b> Country Leader for Tax, Business Advisory &amp; Legal Deloitte China +86 21 6141 1098 / <a href="mailto:vivjiang@deloitte.com.cn">vivjiang@deloitte.com.cn</a></p> <p><b>Clare Lu</b> Partner/Attorney-at-law Qin Li Law Firm +86 21 6141 1488 / <a href="mailto:clu@qinlilawfirm.com">clu@qinlilawfirm.com</a></p> <p><small>Note: Qin Li Law Firm is a licensed Chinese law firm and forms part of Deloitte's global Tax &amp; Legal network. Deloitte Legal is one of the major legal practices around the world.</small></p>