

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

The **China (Shanghai) Pilot Free Trade Zone** (“China (Shanghai) Pilot FTZ”) pioneers an unprecedented degree of openness in relation to cross-border investment and 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 and trends, to keep updated concerning relevant developments, and to identify and seize emerging opportunities

Background & timeframe	Expected impact & what's new				Who will benefit		
<p>Trans-Pacific Partnership Agreement; Need to formulate position in FTA negotiations; Pressure to relax existing controls over investment & FOREX; Rmb "internationalization"...</p> <p>Need to and accelerate opening up of economy - Likonomics Functional Transformation of the Government</p> <p>Aug 22, 2013 MOFCOM announced State Council's approval of the establishment</p> <p>Aug 30, 2013 Standing Committee of the NPC authorized State Council to temporarily adjust regulations concerned</p> <p>Sep 29, 2013 Official launch with 55 pilot tasks out of 98 items reported as implemented</p> <p>March 2014 (expected) Pilot FTZ regulation promulgated</p>	<p>Formation/ set-up*</p> <p>No approval required (reporting only) for activities not on "Negative List"</p>	<p>Ongoing compliance*</p> <p>Significantly simplified</p>	<p>Finance, including foreign exchange control, group treasury and settlement activities</p> <p>Mainland China (excluding Pilot FTZ)</p> <p>Unclear, but likely at least on par with existing rules</p>	<p>Offshore</p> <p>Significantly relaxed, including free movement of RMB and liberalization of interest rates</p>	<p>Transactions with other enterprises outside China (Shanghai) Pilot FTZ</p> <p>Mainland China (excluding Pilot FTZ)</p> <p>Unclear, but likely at least on par with existing rules</p>	<p>Offshore</p> <p>Few, if any, restrictions; Customs procedures updated and streamlined</p>	<p>Preferential tax treatment</p> <p>To be announced</p> <p>Enterprises who:</p> <ul style="list-style-type: none"> Promote regional headquarter and regional operations center activities: <ul style="list-style-type: none"> Regional headquarters Regional sales, operations and treasury centers Outbound investment platform Promote modern service industries, including: <ul style="list-style-type: none"> Financial services Shipping services Commerce and trade services Professional services Cultural services Public sector services
<p>Market trends</p> <p>Reported in the media as the "first batch":</p> <p> 36 companies (both Chinese and foreign invested) including:</p> <ul style="list-style-type: none"> 8 local banks 2 foreign banks 1 financial leasing company <p>Discussion on new business models hitherto not possible in China is gaining momentum.</p>	<p>Our recommendation & support</p> <p>The government is taking a more "business friendly" and "market driven" approach in discussions with investors. For those who wish to explore business models that currently do not fit within existing rules, Deloitte recommends investors to "ask": What business model? Why (for the investor and China)?</p> <p>Deloitte support:</p> <ul style="list-style-type: none"> Understanding the China (Shanghai) Pilot FTZ and analyzing potential impact on investments and business models, and identify opportunities for consideration Conducting feasibility studies concerning new investments & business models, and proposed changes to existing ones Establishing a communication platform between investors & relevant responsible authorities 				<p>Our experience & contacts</p> <ul style="list-style-type: none"> ✓ Leading provider of "gateway services" ✓ Leading adviser to public sector ✓ Ability to provide "one stop shop" service ✓ Adviser to more than 40 economic development zones ✓ Adviser to the Government on tax, finance & business regulatory policy matters <p>Please visit www.deloitte.com/cn/pftz_en for more information.</p>		
<p>Contacts</p> <p>Northern China Finyi Cao Partner +86 10 8520 7525 / fcao@deloitte.com.cn</p> <p>Eastern China Eunice Kuo Partner +86 21 6141 1308 / eunicekuo@deloitte.com.cn</p> <p>Jeff Xu Partner +86 21 6141 1278 / jexu@deloitte.com.cn</p> <p>South Mainland and Macau Caesar Wong Partner +86 20 2831 1590 / caewong@deloitte.com.cn</p> <p>Hong Kong Sarah Chan Partner +852 2852 1628 / sarahchan@deloitte.com.hk</p> <p>Clare Lu Partner/Attorney-at-law Qin Li Law Firm +86 21 6141 1488 / clu@qinlilawfirm.com</p> <p><small>Note: Qin Li Law Firm is a licensed Chinese law firm and forms part of Deloitte's global Tax & Legal network. Deloitte Legal is one of the major legal practices around the world.</small></p>		<p>Formation/ set-up*</p> <p>No approval required (reporting only) for activities not on "Negative List"</p>		<p>Preferential tax treatment</p> <p>To be announced</p>			