

China unveils new list on encouraged foreign investments

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In brief

- » China has issued the 2020 version of its “Encouraged Sector List for Foreign Investments” on 27 December 2020.
- » The new list will take effect from 27 January 2021.

Feedback

WTS – strong presence in about 100 countries / regions

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In detail

Recently, China’s National Development and Reform Commission (NDRC, an economy planning authority) and Ministry of Commerce jointly issued the 2020 version of the “Encouraged Sector List for Foreign Investments”. The new list will take effect from 27 January 2021.

Unlike its previous updates which usually take two to five years, this latest revision is issued only one year after its 2019 version. It shows China’s nimble reaction to the fast change of the domestic and overseas economic climate.

As practiced since 1997, foreign investments in the listed areas are recognized as encouraged investments and can enjoy some tax benefits, e.g. an exemption of customs duty and import VAT for equipment they import for self-use purposes.

The list reflects the state’s strategic orientation to certain foreign investments. It contains a national list, applicable in all places, and a collection of provincial lists drawn up by twenty two (22) provinces and regions.

» National list

It has added sixty five (65) and updated fifty one (51) items to the 415-strong 2019 version. These changes focus on the areas of advance technology, special materials, high-end products and equipment, smart cars, advance medical products, environment protection technology, consumer products and civilian services. Some highlights are shown below:

Sector	Details
Advance technology	Research and development of 5G technology, blockchain technology
	Research and development of DNA encoded compound library
	Research and production of cell therapy medicine
	Production of high purity hydrofluoric acid, hydrogen fluoride
	Carbon capture, usage and storage technology
Special materials	Research and production of fibers with special functions or high performances
	Production of diffuser film, photomask base plate for semiconductors
	Research and production of performance nylon materials
High-end products and equipment	Production of high voltage vacuum components
	Production of special valves, special bearings, special glasses
	Production of automatic testing equipment
	Production of high-accuracy tools, high-end production equipment
Smart cars	Production of radar systems for self-driving cars
	Production of components for vehicles (EPB, ACC, wheel speed sensors, etc.)
	Production of charging poles
Advance medical products	Research and production of AI-augmented medical equipment
	Production of life support system for critical illnesses, ECMO
	Production of high-end radiotherapy equipment
Environment protection technology	Design, construction and operation of drainage treatment plants
	Construction, operation and consultancy on hazardous waste treatment facilities
	Production of noise and vibration cancelling equipment
	Construction and operation of clean energy electricity grids
Consumer products and civilian services	Production of wearable devices, consumer robots, smart home systems
	Development and application of online education, medical and working services
	Language trainings, elderly care services, psychology consulting institutions

There are also other additions and updates in such areas as agriculture, food products, transportation and distribution, etc.

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» Provincial lists

They contain sixty two (62) new items and thirty seven (37) updated items in twenty two (22) provinces and regions, especially:

- › **Vocational schools** are added to the list of eight (8) provinces and regions, in Shanxi, Liaoning, Anhui, Hubei, Hunan, Hainan, Chongqing and Gansu;
- › **Graphene and carbon fiber** related equipment and products are added in seven (7) provinces and regions, in Shanxi, Heilongjiang, Henan, Hubei, Guangxi, Sichuan and Gansu;
- › Production of **medical devices and epidemic protective goods** is promoted in six (6) provinces and regions, being Henan, Hubei, Guangxi, Hainan, Tibet and Shaanxi;
- › **Leisure projects, tourism development** are added to six (6) provinces and regions, Inner Mongolia, Heilongjiang, Hainan, Yunnan, Ningxia and Xinjiang;
- › **Hainan**, as announced in 2020, being developed as a free trade port, has added total **eighteen** (18) new items to its list.

The national and provincial list (in Chinese) is available at the official website of NDRC:

<https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202012/P020201228567029819518.pdf>

WTS China observation

To cope with the latest economic climate, China's central and local governments have updated jointly the encouraged sector list for foreign investments. The latest revision has demonstrated China's strategic directions: first, further opening up its economy by enlisting more sectors as encouraged ones for foreign investments; second, giving priority to advance manufacturing; third, upgrading its servicing sectors; forth, guiding more foreign investments to central and western areas.

Investors and business operators are advised to refer to the new list for planning or structuring any further investments in China, taking into consideration the fiscal and tax incentives potentially available to qualified investments, and the application requirements.

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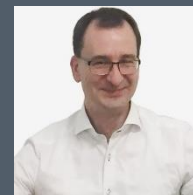
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