

China sets up green channel for foreign loans

Contacts

China

Martin Ng
Managing Partner
martin.ng@wts.cn
+ 86 21 5047 8665 ext.202

Ened Du
Associate Partner
ened.du@wts.cn
+ 86 21 5047 8665 ext.215

Lisa Zhou
Associate
Lisa.Zhou@wts.cn
+ 86 21 5047 8665 ext.203

In brief

- » Qualified tech firms in 17 regions can now apply for a foreign loan quota up to the limit of either USD 10 million or USD 5 million (depending on the location) based on their own need, irrespective of their size of capital investment.
- » The new policy has expanded the practice regions, from 9 to 17, and has raised the loan quota to a higher level.



Feedback

WTS – strong presence in about 100 countries / regions

Albania • Angola • Argentina • Australia • Austria • Azerbaijan • Belarus • Belgium • Bolivia • Bosnia-Herzegovina • Brazil • Bulgaria • Cambodia • Canada • Chile • China • Colombia • Costa Rica • Croatia • Cyprus • Czech Republic • Denmark • Egypt • Ecuador • El Salvador • Estonia • Finland • France • Germany • Ghana • Greece • Guatemala • Honduras • Hong Kong • Hungary • India • Indonesia • Iran • Ireland • Island • Israel • Italy • Japan • Kazakhstan • Kenya • Korea • Kuwait • Laos • Latvia • Lebanon • Lithuania • Luxembourg • FYR Macedonia • Malaysia • Malta • Mauritius • Mexico • Mongolia • Montenegro • Morocco • Netherlands • New Zealand • Nicaragua • Nigeria • Norway • Oman • Pakistan • Panama • Peru • Philippines • Poland • Portugal • Qatar • Romania • Russia • Saudi Arabia • Serbia • Singapore • Slovakia • Slovenia • South Africa • Spain • Sri Lanka • Sweden • Switzerland • Taiwan • Thailand • Tunisia • Turkey • Turkmenistan • UK • United Arab Emirates • Ukraine • Uruguay • USA • Uzbekistan • Venezuela • Vietnam

2022 (No. 3 issue)

August 2022

In detail

Tech firms in 17 provincial or city regions in China are now given a hassle-free channel to raise foreign loans, effective from 30 May 2022. They can now apply for a foreign loan quota within the limit of USD 10 million if located in one of the listed 9 regions, or USD 5 million if located in other listed 8 regions. In general, foreign loans refer to loans from overseas sources or foreign-currency loans borrowed in China.

This means that in-scope tech firms are exceptionally treated in the manner that they are no longer governed by the current quota tied to capital size or leverage ratio, following the release of the circular called "*Facilitation of Cross-border Financing for High-tech and Highly-specialised Firms*" (Hui-fa [2022] No. 16), issued on 30 May 2022 by the State Administration of Foreign Exchange (SAFE).

In-scope tech firms

The following two types of tech firms in 17 provinces are admissible to the green channel for foreign loans:

- **High-tech enterprises**, being those officially assessed and recognized, possessing their own intellectual properties, technology and valuable assets; and
- **Highly specialized enterprises**, being those officially certified, with the characteristics of "specialization, refinement, specialty and novelty" in their operation.

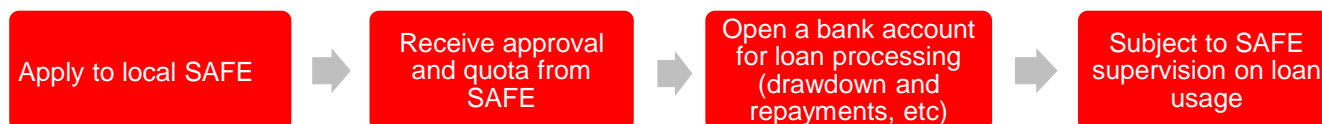
In total, 17 regions are enlisted to join the practice, an expansion from nine since 2020, covering the following provinces and cities:

Maxim foreign loan quota	2022
9 regions (USD 10 million)	Shanghai, Jiangsu, Hubei, Guangdong, Beijing, Chongqing, Hainan, Shenzhen, Ningbo.
8 regions (USD 5 million)	Tianjin, Shandong, Sichuan, Shaanxi, Zhejiang, Anhui, Hunan, Qingdao.

Foreign loan quota

Within the limit of either USD 10 million or 5 million (depending on the location), qualified firms can apply for a foreign loan quota based on their own need. No further reference is made to capital size or financial gearing as in the case for non-qualifiers.

Under the new policy, in-scope tech firms can raise foreign loans within the given quota, in one go or in instalments, based on the loan amounts stated in the loan agreements. The registration procedures for foreign loans are also made simple and easy.



Application criteria

Applicants are required to meet the following conditions:

1. They should be non-financial enterprises registered in the 17 regions, in actual operation for over one year;
2. They should be officially certified high-tech or highly specialized enterprises;
3. They should be rank-A enterprises if they are registered entities in SAFE's system; and
4. They have never been subject to SAFE's penalty in the past two years.

Loan usage

The foreign loan funds raised under the said scheme are subject to similar requirements governing foreign loans, i.e.:

- They should be allocated to China and used for supporting operations in China;
- They shall not be used in areas prohibited by laws and regulations;
- They shall not be used in securities investment;
- They shall not be lent to non-affiliates (unless permitted by the business scope);
- They shall not be used for the construction or purchasing of non-self-use real estate, nor for financing real estate enterprises or fundraising enterprises run by local governments.

WTS China's observation

The new program is an encouraging move to support high-tech and highly specialized sectors, allowing them priority access to international and domestic financing means. Attention should be paid to the existing loan registration requirement which still remains obligatory, and SAFE's supervision on the usage of the loan funds.

WTS

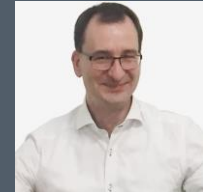
China Contact

Martin Ng
Managing Partner
martin.ng@wts.cn
+ 86 21 5047 8665 ext.202



Germany Contact

Ralf Dietzel
Partner
ralf.dietzel@wts.de
+49 (0) 89 28646 1745



Ened DU
Associate Partner
ened.du@wts.cn
+ 86 21 5047 8665 ext.215



Xiaolun Heijenga
Partner
xiaolun.heijenga@wts.de
+ 49-69-1338 456 320



Lisa Zhou
Associate
Lisa.Zhou@wts.cn
+ 86 21 5047 8665 ext.203



WTS China Co., Ltd.

Unit 06-07, 9th Floor, Tower A, Financial Street Hailun Center,
No.440 Hailun Road, Hongkou District, Shanghai, China 200080
T: +86 21 5047 8665
F: +86 21 3882 1211
www.wts.cn
info@wts.cn



Disclaimer

The above information is intended for general information on the stated subjects and is not exhaustive treatment of any subject. Thus, the content of this Info letter is not intended to replace professional tax advice on the covered subjects. WTS China Co., Ltd. cannot take responsibility for the topicality, completeness or quality of the information provided. None of the information contained in this Info letter is meant to replace a personal consultation. Liability claims regarding damage caused by the use or disuse of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected. If you wish to receive the advice of WTS China Co., Ltd., please make contact with one of our advisors. All copyright is strictly reserved by WTS China Co., Ltd.