



Hainan FTP: China's first free trade port (FAQs)

In brief

- » China's Hainan Province aims at officially completing its formal customs closure operations on 18 December 2025, making it the nation's first Free Trade Port (FTP).
- » Hainan FTP, positioned as China's most open economic zone, will surpass existing Free Trade Zones (FTZs) with policies designed to drive unprecedented liberalization, aiming at a pioneering development comparable and competitive with globally renowned free trade hubs like Hong Kong and Singapore.

Hainan Free Trade Port (FTP)



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FAQs in detail

This FAQ article offers insight into Hainan Free Trade Port's (FTP) distinctive position and features.

Hainan FTP will be officially launched on 18 December 2025, coinciding with the completion of island-wide customs closure operations. This milestone marks a groundbreaking leap in China's customs governance: it heralds the birth of the nation's first-ever FTP and realizes a pivotal upgrade—elevating Hainan Island from a Free Trade Zone (FTZ) to a fully integrated FTP.

This upgrade will position Hainan as a unique and highly autonomous customs territory, with new legal and regulatory systems—setting it apart from other zones in China.

1. What does the "closure" of Hainan FTP mean?

The "closure" refers not to shutting down, but an island-wide customs closure: The whole Hainan Island (and the whole province) is treated as a single, giant customs-sealed zone effective 18 December 2025, as a milestone accomplishment under the 2020-issued five-year plan. The closure will introduce unique operational features across two customs points of Hainan:

- At the first border (*overseas-Hainan*), most imported goods entering Hainan from overseas will be **exempt** from import tariffs, VAT, and consumption tax—making luxury goods, electronics, and premium imports more affordable in Hainan.
- At the second border (*Hainan-mainland*), goods containing imported materials can further enter the mainland **duty-free** if they are re-processed by Hainan enterprises in an encouraged sector and can meet the 30% value-added threshold.

2. What sort of liberalisation can the Hainan FTP model bring?

Hainan HTP model enables a highly liberalized business environment featuring the following:

- Free market entry:** Foreign investment enjoys unrestricted access to sectors not listed on Hainan's "negative list" (the shortest of all), enjoying the same level of treatment as for domestic enterprises.
- Free capital flow:** Cross-border capital flows will be much easier and freer, facilitating international investment and finance within the foreign exchange regulations.
- Free imports:** Companies operating in Hainan can benefit from duty-free imports of raw materials and components, enabling them to manufacture locally and export goods with a competitive edge. Additionally, products manufactured by Hainan's encouraged industries and sold domestically within mainland China may also qualify for duty exemptions, provided they meet the required 30% value-added threshold.
- Free flow of personnel:** The "closure" is paired with visa-free access for citizens of many countries (so far 86 countries, outnumbering any place in China), greatly facilitating visits by tourists and business professionals.
- Quick flow of data:** Hainan FTP pilots cross-border data transfer security schemes, adopting a more open approach to international data flows than other areas, positioning it as a prime hub for digital trade.

Hainan is constructing two submarine fiber-optic cables designed for international internet data exchanges, connecting to Hong Kong SAR and Singapore. Hainan is also approved to inaugurate the International Telecommunication Service Entrance-Exit Bureau (ITSEEB) operation which functions as an interconnection node between domestic and overseas network. This makes Hainan the fourth province in China—after Beijing, Shanghai, and Guangdong—to simultaneously host such a bureau for all three major operators (China Telecom, China Mobile, and China Unicom).

3. Why is Hainan FTP so strategically important?



Hainan FTP is not just another special economic zone; it is the first of its kind in China's special customs administration and a cornerstone of China's long-term strategic economic plan. It enables deeper liberalization in capital account convertibility, market access, data flow and cross-border services. Its state-level significance is underscored by Chinese President, Xi Jinping's visit on 6 November 2025.

Hainan is China's largest customs-administered zone and the country's second-largest island (after Taiwan Island). Spanning 33,000 km²—30 times the size of Hong Kong SAR, twice that of Beijing, half the size of Bavaria, 13 times Luxembourg, 20 times Dubai, 25 times Los Angeles, 21 times London, and 45 times Singapore.

It boasts a mature air-land-sea transport network. Its infrastructure enables it to comprehensively accommodate diverse industries in one location: tourism, global trade, manufacturing, onshore/offshore finance, duty-free retail, and international conferences.

4. How is Hainan FTP different from other free trade zones (FTZs)?

Hainan FTP differs fundamentally from Free Trade Zones (FTZs): it is a geographically distinct, highly autonomous customs territory. Its openness is unparalleled among FTZs, reflected in its shortest negative list, highly liberalized capital flow, unparalleled duty-free privileges at two customs borders, and low-tax benefits (corporate income tax at 15% for encouraged sectors and individual income tax both capped at 15%). In a brief comparison:

-  FTZ is like a test track. It is a controlled environment within the national framework where new policies could be tried out before being rolled out more widely.
-  FTP is like a brand-new and separate system with its unique rules, linked to the existing system only at specific, controlled points (called the "second border").

5. How can goods be shipped from Hainan Island to mainland by sea and train?

Goods can be shipped from Hainan's two major ports: **Haikou Port** (the primary hub for general cargo, containers, and passengers) and **Yangpu Port** (a deep-water port specializing in containers, bulk cargo, and petrochemicals).

To ship goods from Hainan Island to the mainland by sea and rail: Containers are loaded onto specialized roll-on/roll-off (RORO) cargo ships or container ships sailing from Hainan to nearby Guangdong ports (e.g., **Zhanjiang, Guangzhou, or Shenzhen**). The voyage typically takes 1.5–3 hours.

Upon arrival at the mainland port, containers are unloaded and transferred to an adjacent railway yard connected to the national rail network, enabling long-haul transport across China.

6. How can goods be shipped from Hainan to mainland by air?

Hainan is served by two major airports: **Haikou** Meilan International Airport (HAK) and **Sanya** Phoenix International Airport (SYX). Primary mainland destinations include Guangzhou, Shanghai, Beijing, Shenzhen, and Hangzhou. For example, flights between Haikou and Guangzhou take just over an hour.

The airfreight shipment can be booked via integrators, freight forwarders or directly with the airlines.

7. What are the preferential policies offered by Hainan FTP?

	Incentives in Hainan FTP	Beneficiary in Hainan
1. Foreign direct investment (FDI)	<p>Shortest negative list. Most liberalized in China. Significantly eased restrictions on direct investment and financing. E.g.</p> <ul style="list-style-type: none"> a) Allow wholly foreign-owned hospital. b) Allow wholly foreign-owned investment in commercial conferences. c) Allow wholly foreign-owned brokerage in securities, funds and futures. d) Allow R&D and tech application in human stem cells and gene diagnosis. e) Allow foreign investment in polytechnic, agricultural and medical schools. f) Allow Hainan-based FIEs participate in corporate standard draft / setting. g) Allow foreign-invested holding companies to use debts for equity investment. h) Allow Hainan entities to conduct offshore repairs. i) Encourage FIEs to co-invest with various funds. j) Encourage foreign investment in reinsurance entities or branches. k) Encourage foreign investment in R&D centers and platforms. l) Encourage the establishment of international dispute resolution bodies. m) Allow Hainan arbitration bodies to hire foreign arbitrators. 	Liberalization across the board.
2. CIT rate (onshore income)	15% for encouraged business (policy renewed until 2027 yearend).	Hainan entities.
3. CIT rate (offshore income)	0% for offshore dividends earned by Hainan entities in tourism, modern services or high-tech business (policy renewed until 2027 yearend).	Hainan entities with overseas profits.
4. IIT rate	Individual income tax rate (IIT) capped at 15% for high-end and scarce talent.	Hainan employees.
5. Tariff (1st border)	0% import duty, VAT and consumption tax for most goods (if not listed as dutiable), self-use equipment; and for vehicles, vessels, planes and yachts.	Importers.
6. Tariff (2nd border)	0% import duty for encouraged business whose products are wholly obtained or processed with added value over 30% in Hainan.	Hainan encourage business.
7. RHQs	Encourage foreign investors to set up regional headquarters (RHQs) which are categorized into 5 types and can enjoy subsidies.	Foreign investors.
8. QFLPs / QDLPs	Simplify setup process for qualified foreign limited partners (QFLPs) and qualified domestic limited partners (QDLPs) entities	Hainan QFLP / QDLP applicants.
9. Reinvestment	Exempt SAFE registration for reinvestment made by foreign-invested China holding companies in Hainan.	Hainan holding companies.
10. Wealth products	Allow overseas investors (corporate/individuals) to invest in Hainan financial products.	Foreign investors.
11. Self-use asset purchase	Allow one-off expense for assets valued under RMB 5 million or a shortened / accelerated depreciation / amortization for assets over RMB 5 million.	Hainan entities.
12. Data export	Simplified security assessment declaration, dedicated channel.	Hainan e-platforms.
13. Offshore trade	Support offshore trading by multi-department coordination and subsidies.	Hainan encouraged business.
14. Immigration	Provide visa-free access to visitors from 86 nations.	Foreign visitors.
15. Offshore account	Allow Hainan foreign-invested enterprises (FIEs) to set up multi-purpose free-trade bank accounts for cross-border fund flows.	Hainan FIEs.
16. Cash pooling	Support cross-border cash pooling.	Hainan MNCs.
17. Retailing	Provide duty-free shopping quota to all visitors (RMB 100,000 / year / head)	Hainan visitors.





WTS China Co., Ltd.
 Unit 06-07, 20th Floor, Building 1, Shengbang International Tower, No.1318 North Sichuan Road, Hongkou District, Shanghai, China 200080
www.wts.cn
info@wts.cn
 member of

wts global

WTS Global website: www.wts.com
 WTS Global contacts: wts.com/global/locations

China Contact

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



Maggie Han
 Partner
maggie.han@wts.cn
 + 86 21 5047 8665 ext.206



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



Sissi Shen
 Manager
sissi.shen@wts.cn
 + 86 21 5047 8665 ext.220



This edition was developed with the support of Chloe Cai (intern).

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