

Tax policies to boost Shanghai's Pudong

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In brief

- » A new guideline to support Pudong's high-level reform and opening-up was released on 15 July 2021.
- » The said guideline clarifies the direction of relevant preferential tax policies to be issued to support Pudong's development.

Feedback

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In detail

China's Central Committee and the State Council released on 15 July 2021 the "Guideline about Supporting High-level Reform and Opening-up of the Pudong New Area and Building a Pioneer Area for Socialist Modernization" (the Guideline).

The Guideline sets a clear development target for Pudong New Area in Shanghai, and outlines 27 measures for future policy roll-out in order to meet the area's development target. Along with these incentive measures, the Guideline provides a high-level view on relevant tax policies to be issued to promote business activities in Pudong. Specifically, the following preferential tax policies are offered by the Guideline:

» Reduced corporate income tax (CIT) rate

Based on the experience in developing Shanghai Pilot Free Trade Zone Lin-gang Special Area, the Guideline suggests a reduced CIT tax rate for qualified companies in Pudong engaging in production and research in such key fields as integrated circuits, artificial intelligence, biomedicine and civil aviation.

The CIT on those companies will be levied at a reduced rate of 15% (lower than the China-wide standard CIT rate of 25%) for five years from the date of their establishment.

» Preferential CIT for venture capital companies

The Guideline proposes to assign a specific area in Pudong to launch preferential CIT policies for venture capital companies.

During the policy period, eligible venture capital companies can be exempted from certain CIT according to the shares held by individual shareholders at the end of an assessment year.

» Exemption on import taxes

Import taxes (import VAT and import consumption tax, where applicable) would be exempted for drugs to be used in clinical research.

In addition, the Guideline supports R&D institutions by exempting them from the import taxes for self-use equipment and offers a tax refund for the self-use equipment which are sourced in China.

» Incentives to bonded business

Measures for promoting Pudong's bonded business are also raised by the Guideline:

- Extending the policies of Yangshan Special Comprehensive Bonded Area to Pudong's customs supervision areas; and
- Encouraging shortlisted companies outside the customs supervision areas to carry out high value-added, high-tech, and environment-friendly repairing business for offshore market.

WTS China observation

To implement the measures mentioned in the Guideline, more details are expected to be released, adding vitality into the development of Pudong. Investors are advised to keep a close eye on Pudong's regulatory developments, so as to make full use of the policies in investment management, capital financing, and personnel management, etc.

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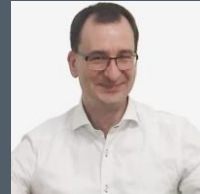
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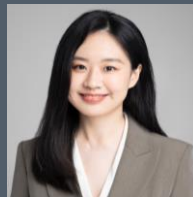


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