Overview

In China’s 12th Five Year development plan, Qianhai in Shenzhen, Hengqin in Zhuhai and Nansha in Guangzhou have been earmarked as the key strategic development areas in the Pearl River Delta of Southern China in coming years. (Note 1)

The key focuses in Qianhai include financial and related professional services, modern logistics, information and technology with cross-border RMB lending measures as its backbone (Note 2). Hengqin intends to attract investments from leisure and tourism, financial, modern logistics, cultural innovation, medical and technology sectors. Nansha is positioning itself as a cluster of hi-tech manufacturing, modern logistics, terminals, tourism and education & training.

Tax & Financial Incentives

Qianhai and Hengqin are offering different Individual Income Tax (IIT) rebates for the expatriates working in Qianhai and Hengqin. In Qianhai qualified overseas talents or professional in short supply working are entitled for rebate if the IIT exceeds 15% of the taxable employment income. In Hengqin, qualified Hong Kong and Macau residents are entitled for rebate if the IIT exceeds the hypothetical individual tax in Hong Kong and Macau.

Qualified companies established in Qianhai or Hengqin which are engaged in encouraged projects may be entitled to enjoy a reduced Corporate Income Tax (CIT) rate of 15%, which is much lower than the standard rate of 25%.

Nansha is widely expected to offer inducements for foreign investors soon.

Note 1: It is reported that Guangdong Provincial Government has officially submitted application for an establishment of free trade zone in Qianhai, Hengqin and Nansha, which may be approved by the State Council in early next year.

Note 2: On 26 August 2013, Guangdong Provincial Government released an Opinion detailing the measures to support and accelerate the development of Qianhai.
This map below shows the key transportation network in place or planned to enhance the transport connection between the three strategic development areas and other parts of the world or within China.
**Major Potentials and Benefits:**

- CIT and IIT incentives for qualified enterprises and expatriate talents
- Cross-border RMB lending policy
- Different financing models to reduce funding costs and foreign exchange risk and enhance flexibility
- Pushing down overseas interest expenses to PRC investments and projects
- Asset finance and leasing can be used to improve capital efficiency and flexibility
- Strategic regional headquarters and investment vehicle for PRC investments and projects
- Distribution hub for tax free importation
- R&D centre for overall operation and tax efficient planning arrangement
- Possible more relaxed entry requirements for the tertiary industries and professionals in Hong Kong and Macau under the CEPA framework
- Better business environment such as enhanced telecommunications infrastructure, international arbitration rules, simplified company registration procedures, etc
- Restructuring of business models for better management and control, and operation and tax efficiency
- Other financial support and incentives offered by local government

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