

Understanding the Preferential Policies of Hainan Free Trade Port, China

By Noam David Stern, Co-founder & Partner of **Nordic Life Science Platform** (30 March 2023)



As part of China’s continued business reform agenda and opening-up policy, the CPC Central Committee and State Council proclaimed in April 2018 their intention to develop the whole of Hainan Island to a pilot Free Trade Port to be completed in stages by 2035.

Hainan Free Trade Port

On **1 June 2020**, the State Council released the “**Overall Plan for the Construction of Hainan Free Trade Port**” to transform the whole of Hainan Island to China’s largest special economic zone.

Later, on **31 December 2020**, the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) jointly released the “**Special Administrative Measures for the Access of Foreign Investment in Hainan Free Trade Port**” that took effect on **1 February 2021**.

On **27 January 2021**, the NRDC and MOFCOM jointly issued the latest “**Catalogue of Encouraged Industries in Hainan Free Trade Port**” that has been in force since **1 January 2020** and remains in effect until **31 December 2024**. The Catalogue consists of 143 specially added encouraged industries for Hainan and is subject to revisions according to the development needs of Hainan FTP.

On **10 June 2021**, the “**Hainan Free Trade Port Law of the PRC**” was both adopted and took effect. It aims to develop all of Hainan Island into Hainan FTP and to achieve the liberalization and facilitation of cross-border trade, investment, capital flows, entry/exit of people, transportation, and data transfers based on equal national treatment.



Preferential Policies of Hainan FTP

In **trade**, Hainan FTP will become a special customs zone with independent customs clearance and supervision where goods not on the negative list can freely be imported from and exported to the rest of the world.

For **investment**, Hainan FTP will implement pre-access national treatment and the Negative List for managing foreign investment with minimal approval procedures, and create an open, transparent, and predictable investment environment which also includes IPR protection.

In **taxation**, Hainan FTP will adopt a streamlined tax system where VAT, consumption tax, vehicle purchase tax, urban maintenance & construction tax, and education surcharges will be combined into one sales tax levied at the retail point of purchase.

From 2025, all goods not on the “**Negative List of Commodities Subject to Import Taxes**” will be exempted from import duties when entering Hainan FTP. For goods entering Hainan FTP from the rest of China, any charged VAT and consumption tax shall be refunded.

For registered companies in Hainan FTP, businesses in the encouraged industries will pay a reduced **Corporate Income Tax of 15%** (standard 25%) while eligible talents working in Hainan FTP will pay an **Individual Income Tax of maximum 15%**.

Selected Preferential Policies

- Pre-access national treatment and use of special Hainan FTP Negative List for managing foreign investment with minimal approval procedures.

- Special tax incentives granted according to the Catalogue of Encouraged Industries in Hainan FTP.
- Exemption from import duties, import VAT and consumption tax on imported production equipment for enterprises' own use, and raw and auxiliary materials imported for production.
- Exemption from CIT on income acquired from new FDI before 2025 in tourism, modern services, and high-tech industry enterprises.
- Corporate Income Tax of 15% (from 2025, expanded to all industry sectors not on the investment Negative List).
- Maximum Individual Income Tax of 15% for eligible talents (from 2025, tax brackets for the same will be lowered to 3%, 10% and 15%).
- Quota for offshore duty-free shopping raised to RMB 100,000 per person per year (unlimited times) and with expanded categories of duty-free products.
- Implementation of a more convenient visa-free entry policy (currently includes 59 countries).
- Establishment of the Hainan International Intellectual Property Rights Exchange.

Hainan Boao Lecheng International Medical Tourism Pilot Zone (HBL)

In addition, HBL that is part of Hainan FTP has been granted preferential policies and incentives with the aim to create a world-class international medical destination and cluster for advanced medical treatment, professional rehabilitation, medical R&D, and technological innovation in China.

Special Fast-track Approval Procedure

HBL offers a special fast-track approval procedure that makes it easier and quicker to register, import, and sell medical devices and medicines in urgent need for use in Hainan Boao Lecheng that are not yet registered in China but approved overseas with a CE mark, FDA license or PMDA approval.

Real-World Evidence Studies

HBL is also the only place in China that allows the collection of Real-World Data (RWD) from the use of medical devices and medicines imported under the fast-track approval procedure that can supplement the application for the NMPA registration which can accelerate the approval process for selling in the rest of mainland China.

Nordic Life Science Platform (NLSP)

NLSP has been established to give Nordic life science companies a more safe, efficient, and easier access to the China's healthcare market and to take advantage of the preferential policies and opportunities at HBL that can serve as a **gateway and stepping stone** to the mainland China market.

NLSP is a **one-stop service platform** that delivers a **Step-by-Step Market Entry Model** with supporting services that helps Nordic companies to explore and enter China's healthcare market but also give them the option to stop or wait with the next step during the process.

To learn more, please visit www.nlsp.dk and contact us.