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TECH news



Beijing's New Incentives for Regional Headquarters of Multinational Corporations

Beijing, with a favourable geographical location and thriving economic activities, has become one of the major cities in China where multinational corporations ("MNCs") set up regional headquarters ("RHQs") from which to manage their onshore and offshore subsidiaries. To encourage the setting up of RHQs, the Beijing municipal authorities issued in mid 2009

"Several Provisions on Encouraging Multinational Companies to Establish Regional Headquarters in Beijing" (<关于鼓励跨国公司设立地区总部的若干规定> (京政发〔2009〕15号)) and subsequently provided implementation details (collectively, the "2009 Provisions"). The 2009 Provisions offer more incentives when compared with similar provisions launched in 1999.

Beijing's New Incentives

The 2009 Provisions relax the conditions for RHQs. Both investment companies and management companies are now eligible to be qualified as RHQs, provided certain requirements are met. One of the requirements relates to minimum registered capital. Investment companies must have a minimum registered capital of USD30 million ("Investment RHQs"); while management companies must have a minimum registered capital of USD2 million ("Management RHQs").

The 2009 Provisions also expand the business scope of RHQs, permitting certain activities such as export/import and logistics services to be conducted. In addition, there are new preferential policies to strengthen Beijing as a city of choice for RHQs, including subsidies and rewards, simplified application procedures for entry-exit and residency permits, and talent attraction policies.

Shanghai's Incentives

Apart from Beijing, Shanghai, as another major city for RHQs, also offer incentives to MNCs. Shanghai issued in 2008 "Provisions on Encouraging Multinational Companies to Establish Regional Headquarters in Shanghai" (<上海市鼓励跨国公司设立地区总部的规定> (沪府发〔2008〕28号)) and subsequently provided implementation details.

Comparing Incentives from Beijing and Shanghai

To facilitate Tricor's MNC clients in their choice of location for RHQs in China, we have tabulated the respective incentives offered by the Beijing and Shanghai municipal authorities.

1. Subsidies/Rewards

RHQs will enjoy subsidies/rewards on meeting requirements regarding the following items:

Item	Beijing Incentives	Shanghai Incentives
Newly Registered / Relocated RHQs	<ul style="list-style-type: none"> One-off subsidy depending on registered capital: <ul style="list-style-type: none"> RMB5 million for registered capital between RMB100 million and RMB500 million RMB8 million for registered capital between RMB500 million and RMB1 billion RMB10 million for registered capital reaching RMB1 billion or above 	<ul style="list-style-type: none"> One-off subsidy of RMB5 million over a 3-year period (Applicable only to Investment RHQs)
Annual Turnover	<ul style="list-style-type: none"> One-off reward: <ul style="list-style-type: none"> RMB1 million for turnover reaching RMB1 billion for the first time RMB5 million for turnover reaching RMB5 billion to RMB10 billion for the first time RMB10 million for turnover reaching RMB10 billion for the first time Total rewards no more than RMB10 million in aggregate 	<ul style="list-style-type: none"> One-off reward: <ul style="list-style-type: none"> RMB10 million to Investment RHQs for turnover reaching RMB10 billion for the first time RMB5 million to Management RHQs for turnover reaching RMB5 billion for the first time
Rented or Purchased Office	<ul style="list-style-type: none"> 3-year subsidy for Rented Office: <ul style="list-style-type: none"> Term of lease exceeding 3 years Maximum subsidized office area not exceeding 3,000 square metres Rental subsidy of 30%, 20% and 10% of the respective year's rent for 3 consecutive years One-off subsidy for Purchased Office: <ul style="list-style-type: none"> Maximum subsidized office area up to 5,000 square metres Subsidy of RMB1,000 per square metre 	<ul style="list-style-type: none"> 3-year subsidy for Rented Office: <ul style="list-style-type: none"> Subsidized office area up to 1,000 square metres Rental subsidy of 30% of the rent up to RMB8 per square metre per day One-off subsidy for Purchased Office: <ul style="list-style-type: none"> Maximum amount of subsidy the same as for Rented Office
Main Responsible Officer / Senior Executive	<ul style="list-style-type: none"> Reward for one main responsible officer: <ul style="list-style-type: none"> 80% of the officer's financial contribution made to the municipal authorities, up to RMB500,000, for 3 consecutive years starting from the year following the company's recognition as RHQ 	<ul style="list-style-type: none"> To be advised by Shanghai Municipal Human Resources and Social Security Bureau and other related government authorities

Subsidies/Rewards (Continued)

<p>Main Responsible Officer / Senior Executive (continued)</p>	<ul style="list-style-type: none"> Reward for deputy general manager or above: <ul style="list-style-type: none"> 80% of Individual Income Tax (local retaining portion) for purchasing property, car, investments or training in Beijing according to the "Implementation Provisions of Rewards for Attracting Senior Talent to Beijing" 《北京市吸引高级人才奖励管理规定》 All rewards exempted from Individual Income Tax 	
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2. Simplified Entry-Exit Procedures and Talent Attraction Policies

Item	Beijing Incentives	Shanghai Incentives
<p>Temporary Entry Permit</p>	<ul style="list-style-type: none"> Foreign staff could apply for 1-year multiple-entry visa. Senior foreign executives could apply for 3 to 5-year multiple-entry F visa. 	<ul style="list-style-type: none"> Foreign staff could apply for 1-year multiple-entry visa. Senior foreign executives could apply for 2 to 5-year multiple-entry F visa.
<p>Talent Attraction / Work Permit</p>	<ul style="list-style-type: none"> Talents from other provinces of China could apply for Beijing Work and Residency Certificate. Foreign staff who work in Beijing could apply for Employment Certificate and Work Permit in one submission. 	<ul style="list-style-type: none"> Talents from other provinces of China could apply for Shanghai Work and Residency Certificate. Foreign staff who work in Shanghai could apply for Employment Certificate and Work Permit in one submission.
<p>Resident Permit</p>	<ul style="list-style-type: none"> Resident foreign staff could apply for 3 to 5-year Resident Permit depending on seniority. Senior foreign executives are privileged to apply for Certificate of Permanent Resident for Foreigner. 	<ul style="list-style-type: none"> Resident foreign staff could apply for 3 to 5-year Resident Permit depending on seniority. Senior foreign executives are privileged to apply for Certificate of Permanent Resident for Foreigner.
<p>Business Travel to Hong Kong, Macau and Taiwan</p>	<ul style="list-style-type: none"> Staff with Chinese nationality could apply for multiple-entry visa, namely, Exit-entry Permit for Travelling to and from Hong Kong and Macau, and multiple-entry business visa. Staff with Chinese nationality are privileged to apply for Exit - entry Permit for Travelling to and from Taiwan for Mainland Residents. 	<ul style="list-style-type: none"> Staff with Chinese nationality could apply for multiple-entry visa, namely, Exit-entry Permit for Travelling to and from Hong Kong and Macau. Staff with Shanghai residency are privileged to apply for Exit - entry Permit for Travelling to and from Taiwan for Mainland Residents.

Conclusion

Regardless of the benefits offered by the respective municipal authorities, MNCs should assess their own business needs in deciding the location for RHQs.

For more information on setting up RHQs in Mainland China, please do not hesitate to approach your usual Tricor contact.

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