

# Invest TEDA

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Entrepreneur: Administrative Commission of Tianjin  
Economic-Technological Development Area (TEDA)

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## TEDA ADMINISTRATIVE COMMISSION AND HANGU ADMINISTRATIVE COMMISSION SEAL A DEAL



The signing ceremony of Administration Authority Transfer Agreement of Chadian Industrial Park between TEDA Administrative Commission and Hangu Administrative Commission was held at TEDA Investment Service Center recently.

He Shushan, Chairman of TEDA, introduced TEDA's economic development and planning in 2011 and extended New Year's greetings to the guests. He said that TEDA Administrative Commission and Hangu Administrative Commission enjoyed a friendly cooperation for a long time. He also hoped that both parties are ready to take this opportunity to forge deeper and wider cooperation, so as to make new contribution to the reform and opening-up of Tianjin Binhai New Area.

According to the agreement, the administration of planning, land, real estate management, construction, etc. within the cooperative region of Chadian Industrial Park will be transferred from Hangu Administrative Commission to TEDA Administrative Commission. (Tr. by Ma Yu)

### **BAO-MIT STEEL JOINS TEDA, ADDING STRENGTH TO TBNA'S STEEL INDUSTRY**

Tianjin Bao-Mit Steel Processing & Distribution Co., Ltd. was registered in TEDA quiet recently. As a joint venture between Shanghai Bao Steel International Economic and Trading Co., Ltd. and Mitsui, the company has a registered capital of 135 million yuan (total investment being 198 million yuan) and will be focusing on cutting, processing and marketing of steel and storage of general commodities.

Main production equipments of the company include an 800-ton continuous blanking line (with oscillating shear), a 1,850-mm slitter line, and a three-in-one shear machine. The project is expected to start construction in March, 2012 and become operational in December, 2012. It mainly provides JIT material processing, distribution, and storage services to automotive, home appliance and energy users in Tanggu and surrounding regions. (Tr. By Zhang Shanshan)

### **HENGYUN LEASING JOINS TEDA TO LAUNCH HEAVY TRUCK LEASING BUSINESS IN CHINA**

Hengyun International Leasing Co., Ltd. settled down in TEDA recently. With heavy-duty truck leasing and guarantee business as its core business, Hengyun was the first of its kind to launch heavy-duty truck leasing business in China. So far Tianjin is home to 59 financial leasing companies, among which 56 are located in the Tianjin Binhai New Area.

“Today, subject matters of financial leasing are becoming increasingly diversified in the Tianjin Binhai New Area. This marks the industry’s transition from a quantity-intensive model towards a quality-intensive one. Recent newcomers such as Hengyun International, Xinhai Leasing, and New Century International Leasing have further boosted the inter-connection between leasing and real industries,” according to Mr. Yang Haitian, Chairman of Tianjin Financial Leasing Industry Association and a renowned economist. It is reported that TBNA will further promote innovative business models such as luxury leasing and public rent house leasing to help the industry achieve more in-depth and wide growth. For the city, financial leasing industry will serve not only as a new marketing channel but also as the second financial channel and social consumption channel. (Tr. By Zhang Shanshan)

### **BRIDGESTONE REINVESTS IN TEDA**

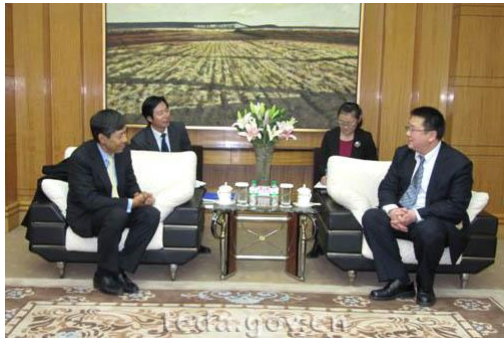
Bridgestone (Tianjin) Tire Co., Ltd. is jointly established by Tianjin Bohai Chemical Industry Co., Ltd. and Bridgestone (China) Investment Co. Ltd. in 1995, which is specialized in manufacturing and sales of meridian tire. The registration address is at No. 2, 1st Dongting Rd., TEDA. The registered capital is 49.016 million USD and total investment volume 89 million USD.

According to the business outlook and market demand, the investor set to reinvest 56.923 million USD in technological upgrading for the current project. After reinvestment, the registered capital will increase to 105.939 million USD and total investment 259.769 million USD.

The company will introduce the latest trend and technology of plant building to reduce energy consumption and pollution and produce tire in a more environmental-friendly way. The company is expected to finish the construction of the new and eco-friendly plant and put it into operation at the end of 2012. (Tr. by Ma Yu)

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## CHAIRMAN OF MIZUHO CHINA VISITS TEDA



Recently, Vice Chairman Lang Dong of TEDA (Nangang) Administrative Commission welcomed Mr. Ohashi Keizo, Chairman of Mizuho Corporate Bank (China) Co., Ltd. and his delegation at TEDA Investment Service Center.

Mr. Ohashi Keizo said that he was impressed by the unparalleled growth TEDA has registered since his first visit to the region in 2009. During the past two years, Mizuho and TEDA carried out successful cooperation in a variety of fields, which positively contributed to the growth of Mizuho as well. In the future, Mizuho will continue its partnership in energy conservation, environmental protection, HR training and finance with TEDA to make further contribution to the economy of TEDA, TBNA and Tianjin. (Tr. By Zhang Shanshan)

### **TEDA AIMS AT A NEW HIGH IN 2012, GDP TO TOP 200 BILLION YUAN**

TEDA ended 2011 with GDP estimate of 186.5 billion yuan, up by 24%, and has achieved the goals in the 11th five-year plan, as evidenced by the top rank among all national development zones in 14 successive years in terms of economic strength and investment environment comprehensive index. In 2012, TEDA will focus on turning itself into a base of high-end industry, R&D and talent pool with international environment and harmonious & credible society. The GDP estimate will exceed 200 billion yuan in 2012 and industrial output value 700 billion yuan. Economy and society will develop in a fast and sound approach.

While putting restructuring, transformation and upgrading high on the agenda, TEDA ~~will also be dedicated to boosting the optimization and upgrading of traditional pillar~~

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industries such as electronics, automobile and petrochemical, and set to enhance industries such as aerospace, next generation information technology, high-end equipment manufacturing, biopharmaceutical and new energy & new materials as well. A new round of good & large projects, the engine of real economy, will go through construction and operation. Construction of great projects such as China-Russia oil refinery project, Sinopec LNG and Shell lubricants will be launched, while Foxconn manufacturing base, Great Wall Motor Phase II and the new plant of Samsung Mobile Display will be finished and put into operation. By the end of the 12th five-year plan, the industrial output value of electronics, automobile, equipment manufacturing and petrochemical industries will surmount 200 billion yuan respectively. The added value of modern service industry is expected to cap 100 billion yuan and gross industrial output value over 1 trillion yuan.

Being resolved to facilitate the growth of numerous Little Tech Giants into the backbone of the industry, TEDA will be the home to over 300 national-level high-tech companies and 4,800 scientific and technological SMEs, with a talent pool of over 100 academicians and the leading global experts and more than 1,500 supreme talents.  
(Tr. by Ma Yu)

### **2011 INDUSTRIAL OUTPUT VALUE OF TEDA HIT 610.2 BILLION YUAN, ACCOUNTING FOR 48.1% OF TBNA'S TOTAL**

Recently the 2012 TEDA Working Conference revealed that the region registered new breakthrough in terms of comprehensive economic strength in 2011 and the growth speed, scale and returns of its economy achieved the best performance in recent years. Its total industrial output value grew by 20.1% to 610.28 billion yuan, which doubled the 2006 record and accounts for 48.1% of the TBNA's total. Its export grew by 20.3% to 19.91 billion US dollars, which translates into 72.6% of the TBNA's total. The year 2011 also witnessed another 70,000 new jobs.

By the end of the 12th Five-year Plan Period, over 100 one-billion-yuan advanced manufacturers will emerge in TEDA. The total output value of electronics, automobile, equipment, and petrochemical industries will each exceed 200 billion yuan while that of modern service industry will exceed 100 billion yuan. Its total industrial output value is expected to exceed one trillion yuan. There will be over 300 state-level hi-tech enterprises, over 4,800 hi-tech SMEs, and 240 100-million-yuan “little giants”. There will be over 100 academicians, industry experts, and leading talents and over 1,500 senior talents gathering in the region. (Tr. By Zhang Shanshan)

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## **Deloitte Tax Update**

26 October 2011, the State Council announced the launch of the VAT reform pilot program in Shanghai. While this marks the prelude to the VAT reform, it will also provide valuable experience for the promotion of future national VAT reform. Tianjin, as an important economic center of North China, should also be highly concerned about it. Since the pilot program was first announced, the guidance has been eagerly awaited. Under this circumstance, China's Ministry of Finance (MOF) and the State Administration of Taxation (SAT) jointly issued guidance on 16 November 2011 to provide detailed implementation rules for the program. And while it does not address all issues, the guidance clarifies many questions.

The MOF/SAT guidance on the pilot program comes in the form of two circulars:

- Notice for the Introduction of the Pilot Scheme to Convert Business Tax to VAT (Caishui 【2011】 110 (Circular 110)); and
- Notice for Converting from Business Tax to VAT in the Transportation Industry and Certain Modern Service Sectors in Shanghai (Caishui 【2011】 111 (Circular 111)).

Circular 110 outlines the general principles for the overall VAT reform pilot program in China while no date for the full reform pilot program is mentioned. The Circular clarifies that the VAT reform pilot program will be carried out in two phases:

- Phase 1: The initial pilot applicable to specific sectors in Shanghai; and

- Phase 2: Roll out of the pilot to other regions, or nationwide, for specified sectors when conditions permit.

Once the two pilot programs are completed, the VAT reform is expected to be rolled out nationwide for all service sectors – the third and final phase of the reform.

Circular 110 states the general principles of the overall reform pilot program, which include:

- Confirmation that the pilot program will commence on 1 January 2012 and, when conditions permit, it is expected that the VAT reform will be expanded nationwide.
- Applicable VAT rates:
  - Leasing of moveable and tangible goods: 17%;
  - Provision of transportation and construction services: 11%; and
  - Provision of other specified modern services: 6%.
- Financial and insurance services, as well as services provided to consumers for their daily needs, generally will be taxed using the simplified taxing method, while other service sectors will be taxed using the ordinary taxing method.
- Services provided from overseas and received in China will be subject to VAT at the above rates. The provision of services from China to overseas customers will be exempt or zero rated for VAT purposes.
- Cross-region taxation

- Taxpayers covered by the pilot program must pay VAT at the location where their organization is situated. Business Tax (BT) paid in other regions can be deducted when calculating the VAT due.

- Taxpayers that do not fall within the scope of the pilot program will continue to pay BT even if they are operating in the pilot regions.

## **Deloitte Tax Q & A**

**Q1:** The financial service sector is not covered in the Shanghai pilot, so we can say that the foreign invested bank will not be affected this time. Is it right?

**A1:** No. It is correct that the financial service sector is not covered in the Shanghai pilot program. However, foreign invested banks in Shanghai may also provide some services that are not directly related to the financial transactions (such as certain consulting services). Such services may still subject the banks to VAT. In addition, banks in Shanghai will be required to withhold VAT for VATable service payments to overseas suppliers.

**Q2:** Our company is headquartered in Tianjin and has a branch in Shanghai. Will the Shanghai branch be charging VAT for its services provided to the head office?

**A2:** Yes for VATable services covered under the pilot program and supplied between the head and branch office, as they are two separate taxpayers from a VAT perspective with separate Tax ID numbers. In addition, it is heard that the Ministry of Finance (MOF) and State Administration of Taxation (SAT) are drafting a new circular regarding the VAT treatment on these transactions. This circular is expected to be issued soon, and may provide more guidance on this question.