

# Introducing *Qianhai*

*Shenzhen's new special economic zone has been touted as the "Next Hong Kong," but its intention is to collaborate, not compete*

By Jennifer Khoo



*Photos provided by Qianhai International Liaison Services Limited*







*CGI renderings of Qianhai*

**A**t the mouth of the Pearl River Delta in Shenzhen just west of its border with Hong Kong, preparations for the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (“Qianhai”) are underway.

Backed by the might of the Chinese Central Government, ministries and regulators, Qianhai is a commercial development that aims to facilitate greater collaboration between Shenzhen and Hong Kong via mutual flows of capital, talent and information between the two cities.

Planned for completion by 2020, the area also hopes to become a pilot zone for cross-border RMB business innovation and a free trade hub for the 21st Century Maritime Silk Road. Even its location - close to two international airports, and within a one-hour commuting radius of the Pearl River Delta and a half-hour of Hong Kong - is strategic.

“Qianhai is delegated to implement financial reforms, to create a favorable financial environment, to optimize its financial infrastructure and to attract an array of investments from global financial institutions.





It aims to become one of the top entry points into China,” says Dr. Witman Hung, Principal Liaison Officer for Hong Kong Shenzhen Authority and a leading spokesperson on the subject.

### Clever schemes

To reach its development goals, which include attracting 650,000 talents and nurturing more than 100 Hong Kong-funded startups into innovative market leaders by 2020, Qianhai will need more than luck and good publicity.

Various special policies and incentives, such as capital support and tax benefits, are already being rolled out to attract foreign investment to the free trade zone.

Since 2010, Qianhai has also lowered the entry requirements for Hong Kong’s financial service providers and introduced a number of attractive schemes to promote cross-border investment activity. In 2013, the pilot program for Foreign-funded Equity Investment Enterprises in Shenzhen was launched to allow government-authorized Qualified Foreign Limited Partners (QFLP) to invest in non-listed domestic enterprises. Shortly after, in 2014, the Qualified Domestic Investment Enterprise (QDIE) scheme was implemented, allowing domestic investors to make overseas investments through a regulated pilot channel.

In addition to the financial services industry, Dr. Hung says Qianhai will provide support and financial backing to businesses in the logistics, information services, technology & professional services and creative industries, with the goal of establishing the area as a “cluster for the modern services.”

Qianhai is also committed to creating the right conditions for economic growth, such as a just legal framework, a transparent supervision mechanism and an open and fair business environment, says Dr. Hung. It will do this through the operation of three platforms: the Shenzhen Court of International Arbitration (SCIA), the Qianhai Tribunal and the Qianhai Anti-Corruption Bureau.



All activity in the free trade zone will be accountable to the Shenzhen Court of International Arbitration (SCIA) and the Qianhai Tribunal, which is partially made up of mediators and jurors sourced from Hong Kong. The Qianhai Tribunal pioneers in the permission of using Hong Kong laws for commercial disputes that involve Hong Kong-related parties. Jointly-operated Hong Kong and mainland law firms are also permitted to serve in the area.

The Qianhai Anti-Corruption Bureau, established in 2013, will maintain the transparency and credibility of government services. Efficiency is also a key goal; the availability of various e-services and shorter processing times are expected to make administrative tasks more straightforward for Hong Kong and foreign investors.

#### **Seeing the synergy**

In the first half of 2017, Qianhai amassed roughly RMB16.33 billion (US\$2.5 billion)

worth of investment in its fixed assets. 143,200 companies have already registered in the free trade zone, of which 4,603 are Hong Kong-funded enterprises that contributed over RMB5.94 billion (US\$910 million) in tax revenue as at the end of June.

Tempting as it may be to compare the two, Dr. Hung stresses that the Shenzhen free trade zone isn't trying to compete with Hong Kong; it is there to enable and accelerate collaboration between both cities, particularly with regards to cross-border finance.

"Through Qianhai, Shenzhen and Hong Kong can create magical synergy for their twin-city co-development," he says.



*Dr. Witman Hung*



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***- Dr. Witman Hung,  
Principal Liaison Officer  
for Hong Kong Shenzhen Authority***



# Summary of Qianhai's Special Policies and Incentives

## Lowered entry barriers for Hong Kong investors

Qianhai has waived the minimum capital requirement of RMB5 million exclusively for Hong Kong investors. In addition to the Closer Economic Partnership Arrangement (CEPA) framework which it already applies, Qianhai has further loosened the requirements of certain industry-related licenses for Hong Kong investors, such as the license for e-commerce platforms and the financial licenses for QFLP, financial leasing, fund management JV and securities JV.

## Tax incentives

Under Qianhai's Catalogue of Enterprise for Income Tax Preferential Program, businesses in any of the five focus industries (finance, logistics, information services, technology & professional services and creative services) will be entitled to a reduced corporate income tax rate of 15%, compared to the 25% charged in most other cities in the Mainland.

Tax benefits will also be given to individuals who satisfy the requirements of the Interim Measures on Individual Income Tax Subsidies for Overseas High-end Talents in Short Supply in Qianhai. Qualified talent will be granted financial subsidies by the Shenzhen government, enabling their individual income tax to be capped at 15%.

## Quest for innovation

Government funding is available for Qianhai-registered innovative companies in finance and the four modern

service industries (logistics, information services, technology & professional services and creative services) in the form of cash reward, loan interest subsidy, equity investment or industrial funds.

The limit for each funding application is RMB20 million (US\$3.1 million) for innovative headquarters, RMB2 million (US\$310,300) for Hong Kong funded enterprises and another RMB20 million (US\$3.1 million) for innovative projects related to the four aforementioned service industries. Approval of fund applications will be conducted annually on a case by case basis.

## Other benefits

Qianhai offers low-rent housing, start-up funding and overseas certificate recognition to foreign talent, and supports expats in their acquisition of Chinese "green cards."



*Special Zone Pavilion*

