

Regulations on Special Economic Zones in Guangdong Province

(Approved for implementation at the 15th Meeting of the Standing Committee of the Fifth National People's Congress on August 26, 1980)

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Chapter I General Provisions

Article 1 In order to develop economic cooperation and technical exchanges with foreign countries and to promote the socialist modernization programme, certain areas shall be delineated respectively in the three cities of Shenzhen, Zhuhai and Shantou in Guangdong Province for the establishment of special economic zones (hereinafter referred to as "special zones"). The special zones shall encourage foreign citizens, overseas Chinese, compatriots from Hongkong and Macao and their companies and enterprises (hereinafter referred to as "investors") to open factories and set up enterprises and other establishments with their own investment or in joint ventures with our side, and shall protect their assets, the profits due them and their other lawful rights and interests in accordance with the law.

Article 2 Enterprises and individuals in the special zones must abide by the laws, decrees and pertinent provisions of the People's Republic of China. Where there are specific provisions in these Regulations, they shall be observed accordingly.

Article 3 A Guangdong Provincial Committee for the Administration of Special Economic Zones shall be set up to exercise unified administration of the special zones on behalf of the Guangdong Provincial People's Government.

Article 4 The special zones shall provide investors with a wide scope of operation, create favourable operating conditions and guarantee them stable business sites. Investors may establish, with their own investment or in joint ventures with our side, all projects that have positive significance for international economic cooperation and technical exchanges, including industry, agriculture, animal husbandry, aquaculture, tourism, housing and construction, and research and manufacture involving high technology, as well as other

businesses of common interest to investors and to our side.

Article 5 Land-levelling projects and various public works in the special zones such as water supply, drainage, power supply, roads, wharves, communications and warehouses shall be undertaken by the Guangdong Provincial Committee for the Administration of Special Economic Zones. When necessary, foreign investment may be used in building these projects.

Article 6 Each of the special zones shall invite Chinese and foreign specialists and relevant personages who are enthusiastic about China's modernization programme to form an advisory committee that will serve as a consultative body for that special zone.

Chapter II Registration and Operation

Article 7 Investors wishing to open factories or set up various economic undertakings in the special zones with their own investment shall apply to the Guangdong Provincial Committee for the Administration of Special Economic Zones, which shall issue them registration certificates and land use certificates after examination and approval.

Article 8 Investors may open accounts and conduct their foreign exchange transactions with the Bank of China established in the special zones or with other banks established there with the approval of the Chinese side.

Investors may take out various kinds of insurance policies at the People's insurance Company of China in the special zones or at other insurance companies established there with the approval of the Chinese side.

Article 9 Products of the enterprises in the special zones shall be sold on the international market. If their products are to be sold in the interior of China, they must have the approval of the Guangdong Provincial Committee for the Administration of Special Economic Zones and go through the procedures for paying customs duties.

Article 10 Investors may operate their enterprises independently in the special zones and employ foreign personnel for technical and managerial work.

Article 11 If an enterprise established by an investor in the special zones wishes to terminate operations before its scheduled expiration, it shall report the reasons to the Guangdong Provincial Committee for the Administration of Special Economic Zones, go through termination procedures and settle claims and debts. After termination of operations, its assets may be assigned and its funds may be remitted out of China.

Chapter III Preferential Treatment

Article 12 Land in the special zones is owned by the People's Republic of China. The land to be used by investors shall be provided according to actual needs, and preferential treatment shall be given with respect to the duration of its use, the amount of the use fee and the method of payment according to the different types of business and uses. Provisions for specific measures shall be made separately.

Article 13 The machinery and equipment, spare parts, raw and semi-processed materials, means of transportation and other capital goods necessary for production that are imported by enterprises in the special zones shall be exempted from import duties. The necessary consumer goods may either be subjected to import duties or allowed a reduction or exemption therefrom, depending on the specific situation of each case. When the above-mentioned goods are imported or products of the special zones are exported, a customs declaration shall be filed.

Article 14 The enterprise income tax rate in the special zones is 15 percent. Special preferential treatment shall be given to enterprises established within two years of the promulgation of these Regulations, to enterprises with an investment US\$ 5 million or more, and to enterprises involving higher technology or having a longer period of capital turnover.

Article 15 The lawful profit that an investor receives after payment of the enterprise income tax, and the wages and salaries and other legitimate earnings that foreign, overseas Chinese and Hongkong and Macao workers and staff members of an enterprise in the special zones receive after payment of the individual income tax, may be remitted abroad through the Bank of China or other banks in the special zones, in accordance with the provisions of the foreign exchange control measures of the special zones.

Article 16 An investor that reinvests its share of the profit in the special zones for a period of five years or longer may apply for a reduction of or an exemption from income tax on the reinvested portion.

Article 17 Enterprises in the special zones shall be encouraged to use machinery and equipment, raw and semi-processed materials and other materials produced in China, and preferential prices shall be offered on the basis of China's current export prices for the same kinds of commodities, using foreign exchange to settle accounts. These products and materials may be shipped directly to the special zones with the sales vouchers of the selling units.

Article 18 Entry and exit procedures shall be simplified and conveniences given to the foreign personnel, overseas Chinese and compatriots from Hongkong and Macao entering and leaving the special zones.

Chapter IV Labour Management

Article 19 A labour service company shall be set up in each of the special zones. Chinese staff members and workers to be employed by enterprises in the special zones, whether they are recommended by the local labour service companies or recruited by the investors themselves with the consent of the Guangdong Provincial Committee for the Administration of Special Economic Zones, shall all be tested by the enterprises before employment and labour contracts shall be signed with the staff members and workers.

Article 20 The staff members and workers employed by enterprises in the special zones shall be managed by the enterprises according to their business requirements and, when necessary, may be dismissed, after going through the procedures provided in the labour contracts.

Staff members and workers of the enterprises in the special zones may submit their resignations to the enterprises in accordance with the provisions of the labour contracts.

Article 21 The wage levels, types of wages, award measures and the labour insurance and various state subsidies for the Chinese staff members and workers of the enterprises in the special zones shall be included in the contracts signed by the enterprises with the staff members and workers as stipulated by the Guangdong Provincial Committee for the Administration of Special Economic Zones.

Article 22 Enterprises in the special zones shall adopt the necessary measures for labour protection to ensure that staff members and workers work in safe and hygienic conditions.

Chapter V Administrative Organization

Article 23 The Guangdong Provincial Committee for the Administration of Special Economic Zones shall exercise the following functions and powers:

(1) to draw up development plans for the special zones and organize their implementation;

(2) to examine and approve the investment projects of investors in the special zones;

(3) to handle registration of industrial and commercial enterprises and land allotment in the special zones;

(4) to coordinate working relations among the banking, insurance, taxation, Customs, frontier inspection, postal and telecommunications and other organizations in the special zones;

(5) to provide the staff members and workers needed by enterprises in the special

zones and protect the legitimate rights and interests of the staff members and workers;

(6) to establish educational, cultural, health and various public welfare institutions in the special zones; and

(7) to maintain law and order in the special zones and protect, in accordance with the law, the persons and property in the special zones against encroachment.

Article 24 The Shenzhen Special Zone shall be under the direct management and administration of the Guangdong Provincial Committee for the Administration of Special Economic Zones. Necessary offices shall be set up in the Zhuhai and Shantou Special Zones.

Article 25 A Guangdong Provincial Special Economic Zones Development Company shall be set up to suit the expanding economic activities in the special zones. Its scope of business shall include: undertaking to raise funds and handle trust investment business; operating, or jointing with investors in operating, relevant enterprises in the special zones; acting as agent for investors in the special zones in transactions relating to sales and purchases in trade with the interior; and providing services for business talks.

Chapter VI Supplementary Provisions

Article 26 These Regulations shall go into effect after they have been adopted by the People's Congress of Guangdong Province and submitted to and approved by the Standing Committee of the National People's Congress of the People's Republic of China.