

## **CEPA Newsletter ♦ June 2004 Edition ♦ Issue no. 4**

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### **Editor's Notes**

In the past 2 months, substantial increase in the number of Macao Service Supplier Certificates issued by Macao Economic Services has been recorded. Until now, more than one hundred certificates have been issued. The industries involved not only concentrate on logistics, freight forwarding and transport, but also include other sectors liberalized under CEPA, such as value-added telecommunications and advertising services. The involvement of a wide range of service sectors reveals a trend of diversification of the enterprises attempting to expand their businesses in the Mainland through CEPA. As local business community is getting more and more familiar with CEPA, it has changed from passive to proactive in seeking for business opportunities in CEPA. For instance, the International Logistics & Forwarding Association of Macao (ILFAM) requested government officials to explain the application procedures for the Service Supplier Certificates. Also, the Macao Society of Registered Auditors and the Macao Society of Certified Practising Accountants (MSCPA) jointly invited Zhuhai officials to hold a seminar on the investment environment and taxation in the Mainland in order to provide useful information to the industry for expanding businesses in the Mainland, reducing the operational costs and investment risks of the firms, and enhancing the benefits of CEPA. It is believed that with the strong support from the Central Government, massive promotion by the SAR Government, and investment and cooperation opportunities available among companies, the results of CEPA will be phenomenal.

## 1. Thresholds to the Mainland wholesale and retail market have been lowered substantially

Mr. Sou Tim Peng, Acting Director of Macao Economic Services, explained at the Macao Chamber of Commerce on the 14<sup>th</sup> May the implementation of the “Administrative Measures for Commercial Enterprises with Foreign Investment”, which came into force on 1<sup>st</sup> June. The market access thresholds for four commercial sectors, namely wholesale, retail, brokerage agencies and franchising, have been substantially lowered from 1<sup>st</sup> June as follows:



Officials from the Macao Economic Services explained the new “Administrative Measures”

### *Minimum registered capital requirements:*

With accordance to the relevant provisions in the “Corporate Law” of the PRC, it is stipulated that:

Retail enterprises: minimum of RMB 300, 000

Wholesale enterprises: minimum of RMB 500, 000

Share Holding Companies: minimum of RMB 10,000,000

### *Period of Operation:*

Generally no longer than 30 years but can be renewed

Generally no longer than 40 years in the Central and Western regions

### *The proportion of registered capital relative to total investment:*

Amount of Sino-foreign joint venture investment	Proportion of registered capital
USD3 million or below	70%
USD 3 million – 10 million  (For any investment less than USD4.2 million, registered capital cannot be lower than USD2.1 million)	50%
USD 10,000,001 –USD 30,000,000	40%

(For any investment less than USD 12.5 million, registered capital cannot be lower than USD 5 million)	
USD 30 million or above  (For any investment less than USD 36 million, the registered capital cannot be lower than USD 12 million)	1/3

From 1<sup>st</sup> June to 11<sup>th</sup> December of 2004, Macao enterprises that are to take advantage of the business opportunities brought about by the new regulations to set up wholly-owned enterprises must apply for “Service Supplier Certificates” in accordance with the requirements of CEPA. However, the registered capital and total investments of the enterprises are only required to comply with the requirements set out in the “Administrative Measures for Commercial Enterprises with Foreign Investment”.

With the new regulations and CEPA in place, Macao investors can now have an earlier access of half-year than other foreign investors in seizing business opportunities in Mainland. In addition, Macao enterprises in the commercial field do not need to apply for the “Service Supplier Certificates” from Macao Economic Services after 11<sup>th</sup> December, 2004 but register directly with relevant departments in Mainland when setting up wholesale, retail, brokerage agencies and franchising companies.

For details about the new regulations, please visit our website: <http://www.economia.gov.mo> or visit the CEPA Information Centre.

## **2. Delegation from the Guangdong Provincial Committee of the Chinese People’s Political Consultative Conference (CPPCC) visited Macao Economic Services**

A delegation of around 20 people from the Guangdong Provincial Committee of the Chinese People’s Political Consultative Conference (CPPCC) visited Macao Economic Services on 13<sup>th</sup> May to understand the economic environment of Macao and the implementation of CEPA. Mr. Sou Tim Peng, Acting Director of Macao Economic Services, introduced the



Delegation from the Guangdong Provincial Committee visited Economic Services

progress for CEPA implementation after it came into effect. He expressed appreciation towards the Guangdong Province for their huge efforts in cooperating with Macao to implement CEPA, especially through disseminating information via the internet and establishing ‘Green lanes’ to provide one-stop services to investors. Also, many investors have set up CEPA shopping malls in Guangdong, Shenzhen and Zhuhai selling CEPA zero-tariff goods. It is evident that CEPA has brought about positive effects in terms of promoting economic integration between the Mainland and Macao.

### **3. Local telecommunications and advertising enterprises obtained Service Supplier Certificates to the Mainland market**

The Macao Economic Services first granted “Macao Service Supplier Certificates” to enterprises from two service sectors, i.e. telecommunications and advertising, on 21<sup>st</sup> April.



Ms. Fernanda Madeira, Director of E-Commerce Section of CTM, stated upon receiving the certificate that CEPA has brought forth unprecedented business opportunities to Macao enterprises. The preferential treatments under CEPA, e.g. tax benefits and the opening up of the Mainland service markets, have provided unparalleled chances to CTM to enter the Mainland telecommunications market. CTM would speed up its development in the Mainland and look for suitable business partners. At present, the company is exploring several business projects that will be in line with the economic development of Macao and at the same time create great value to the company in the long term. She hoped that the company could seize this opportunity to develop the Mainland market as soon as it can.

When asked about the strategies of the company in developing the Mainland market, Ms. Madeira said that they were very confident that their development in the Mainland would be promising. In fact, the company has launched telecommunications-related businesses in the Mainland for a few years. Therefore, after a period of trial-and-error, CTM has a certain degree of understanding about the Mainland market. Furthermore, the company has been cooperating with its businesses partners in market analysis, which is extremely useful for the company in determining its development direction on different levels. When it comes to selecting business

projects, Ms. Madeira expressed that the priority of the company is to expand its business territory and to bolster its foothold in the market.

Sharp Asia Company Ltd., another enterprise that obtained the “Macao Service Supplier Certificate”, is an advertising company. Its manager, Ms. Leung Chui Man, said that the Mainland advertising market had been growing rapidly in recent years, so business opportunities are all over the place. Macao advertising enterprises are very keen on developing their businesses in the Mainland. She also stated that the launch of “Individual Travel Scheme” facilitates the movement of people between the Mainland and Macao and has brought about tremendous business opportunities to the service industries in both places. CEPA has bestowed a huge competitive edge on Macao enterprises in developing their businesses.

In face of the enormous and promising Mainland advertising market, Ms. Leung said that the first move of the company after obtaining the Certificate is to establish cooperative relation with other Mainland advertising firms in order to broaden its business network. She expressed modestly that local advertising industry was not very familiar with the Mainland market, and thus she believed it would take some time for the company to explore the market before it can decide on how to develop its business in the Mainland. She thought that although advertising companies in Macao are evidently dwarfed by their Mainland counterparts, Macao companies are still competitive because local professionals continuously enrich themselves by taking courses overseas, and they brim with creative concepts. She hoped that companies in the two places would strengthen exchanges in the future so as to create a win-win business environment.

#### **4. List of goods applying for zero-tariff benefit in CEPA II was submitted to the Ministry of Commerce of People’s Republic of China**

In regards to CEPA Trade in Goods, the deadline for submitting the list of goods that are to enjoy zero-tariffs benefits was due at the end of April. According to the statistics of Macao Economic Services, there were a total of 18 applications (including 17 applications from individuals and 1 application from Industrial Association of Macao on behalf of its members), involving 200 products classified according to the first 8-digit Mainland tariff codes. This batch of goods included currently produced products and products planned for production, including food, beverages, metallic products, commercial machineries, televisions, display devices, printing products, chemicals, woolen yarns, photographic and photographic development equipment, chemical agents, clothing, marble products, car lubricants, woolen products and commercial

electrical appliances such as beverage frozen machines and ice-making machines.

In accordance with CEPA, the General Administration of Customs and Macao Economic Services will conclude the consultation on the rules of origin for the new batch of CEPA products before 1<sup>st</sup> October. Before 1<sup>st</sup> December, they would announce the list of products and the relevant rules of origin, which will be appended to CEPA upon confirmation. From 2005, the Mainland will apply zero tariffs to Macao products accompanied with the CEPA Specific Certificate of Origin. For products that are not currently produced, manufacturers should apply for including the products in the next phase of CEPA after the products concerned have been put into production and verified by Macao Economic Services. Upon confirmation by both the General Administration of Customs and Macao Economic Services, the Mainland will add the list of products to relevant annexes of CEPA. Then the products can be exported to the Mainland on zero tariffs basis in line with CEPA in the year following the confirmation.

## **5. Zhuhai officials came to Macao for a seminar on investing and taxation in the Mainland**

After CEPA has come into effect, Macao small and medium sized enterprises (SMEs) become very keen on investing in the Mainland. In order to enable the local business community to understand more about investment and taxation in the Mainland, Macau Society of Registered Auditors and Macau Society of Certified Practicing Accountants (MSCPA) held a Seminar on Investing and Taxation in the Mainland on 22<sup>nd</sup> March in the Conference Hall of Public Administration Building and invited Mainland and Macao officials to the seminar. Mr. Luo Iong Chong, director of the Centre for Foreign Investment of the Zhuhai Foreign Trade and Economic Cooperation Bureau, introduced investment procedures in Zhuhai. He pointed out that Macao enterprises that are to invest in Zhuhai should register the company names with Zhuhai Administration for Industry and Commerce in advance, and then apply for approval of the respective investment projects with the Foreign Trade and Economic Cooperation Department (FTECD). FTECD



Officials from Zhuhai explained the investment environment during the seminar

will then examine the investment projects in accordance with the “Directory on Industries Open to Foreign Investment”, “Mainland and Macao Closer Economic Partnership Arrangement”, opinions from other registration and industrial management departments to confirm that the application information meets the requirements and deadlines, etc. Upon receiving the approval

and certificates from FTECD, the enterprises should set out to complete various kinds of registration, including foreign exchange, customs and labor, etc.

In order to facilitate the registration process, Zhuhai government has rolled out a “one-stop online registration” scheme, in which the Foreign Investment Service Centre is charged of assisting enterprises in the follow-up registration. Enterprises can contact the Center, which in general can assist applicants in finishing all registrations within 5-8 working days.

(Website of Zhuhai Foreign Investment Service Centre: <http://www.zhuhai.com.cn>).

Another speaker, Ms. Huang Mei Chang, Section Chief of Zhuhai Local Taxation Bureau, pointed out in the seminar that there are basically three types of tax in the Mainland, namely turnover tax, income tax and property tax. Value-added tax, consumption tax and business tax are under the category of turnover tax. Income tax mainly consists of corporate income tax and individual income tax. Property tax will be levied upon property transactions, including urban real estate tax and stamp tax etc. Macao companies should register for taxation purpose within 30 days after obtaining the Industrial and Commercial Administration Licenses. Concerning the major problem that Macao SMEs will encounter, i.e. taxation of individually-owned stores, the Taxation Bureau will tax individual income by a fixed amount based on the nature and scale of the businesses. For relevant information on taxation in Zhuhai, please visit the CEPA section on the Zhuhai government website: <http://www.zhuhai-trade.gov.cn/cepa/index.htm>

Furthermore, officials from Macao Economic Services also explained the application procedures and required documents for ‘Macao Service Supplier Certificate’. Ms. Ho Mei Va, President of Macao Society of Certified Practicing Accountants (MSCPA), gave a brief introduction on the general situation of applying for the “Temporary Audit Business Permit” in Guangdong province to the audience.

For the documents required for the “Temporary Audit Business Permit”, please visit Macao Economic Services website: [www.economia.gov.mo](http://www.economia.gov.mo) or consult the “Accounting Department of Financial Services Office of Guangdong Province”,

Address: No.376 Beijing Road Guangzhou Guangdong Province,

Postal code: 510030,

Fax:020-83170423,

Contact person: Chen Bo (020-83170215) and Zhang Ia Lai (020-83170155).

## 6. Forging ahead to the Mainland medical market

After the “Mainland and Macao Closer Economic Partnership Arrangement” came into effect on 1<sup>st</sup> January, 2004, qualified Macao permanent residents, after undergoing required procedures, could enter the huge Mainland medical market to provide medical services for a wider range of people.

According to the regulations of the “Interim Procedures of the Physician Qualification Examination” of the Ministry of Health of the People’s Republic of China, there are two levels of Physician Qualification Examinations, which are the qualification examinations for practicing physicians and for practicing assistant physicians. 4 types of examinations are available: clinical, Chinese medical (including traditional Chinese medicine and a combination of Chinese and western medicine), dental medicine and public hygiene. The examinations consist of two parts, i.e. an evaluation of practical techniques and a written examination. All candidates must pass these two examinations before granted the “Physician Qualification Certificate”, which is issued by the Ministry of Health and distributed by the administrative department of health in the respective provinces, and the qualifications as practicing physicians or practicing assistant physicians.



Courtesy photos from the Health Bureau of Macao SAR

The enrollment for the 2004 National Physician Qualification Examination was due on 30<sup>th</sup> April. According to the announcement of the Government of Macao SAR Department of Health, 87 Macao practicing physicians have enrolled in the 2004 National Physician Qualification Examination. Among them, 76 enrolled for the clinical physician examination, 8 enrolled for the dental medicine and 3 enrolled for Chinese medicine examination.

For further details on the enrolment and the examinations, please visit the website of the Department of Health of Guangdong Province: [www.gdwst.gov.cn](http://www.gdwst.gov.cn)