

Healthy Investments

The Chinese public healthcare system has recently been subject for great debate, in this months issue of the NCO Newsletter we will take a look at some of the most relevant and recent changes affecting foreign investments in this sector.

Government spending

The Chinese government has been working to gradually reform and upgrade the country's [healthcare sector](#) for its 1.3 billion citizens.



According to a 2009 blueprint, the goal is to provide “safe, effective, convenient and affordable” health services to rural and urban residents by 2020. The blueprint also stated that the ongoing reform of the sector should be seen as a response to strong public complaints over high medical fees, low accessibility to services and low medical insurance coverage.

As a result government investments of 850 billion rmb will be made in five key areas from 2009 to 2011 to kick-off the plan; community and rural medical services, public sanitation, drugs, health insurance and public hospitals.

NCO Update

Guidelines for the annual audit – update

The annual audit deadline for foreign invested enterprises (FIEs) in China is coming up and in order to comply with requirements and deadlines we have worked out a guidance list.

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Foreign investments and a level playing field

In an effort to make basic healthcare services available to all citizens, the Chinese government announced last month a change in policies regarding [private investments](#) in the healthcare sector. The sector has previously been restricted, with regards to private and foreign investments, but the change in policies will now allow a further and less restricted inflow of investments.

Prior to the new policies, Sino-foreign joint-ventures (JV) was the only form of establishment allowed for foreign investors, two major shifts have now gradually simplified establishment procedures and opened up the sector:

- The authority to approve the setup of JV hospitals is now placed at provincial government level instead of central authorities.
- Pilot projects with wholly foreign owned enterprises (WFOE) running private hospitals will be launched. It is expected that these will pave the way for new foreign, privately owned hospitals in China, although wholly foreign owned hospitals will still be subject to approval by the Ministry of Health and the Ministry of Commerce.

This will be the first relaxation of existing restrictions limiting investments in China's healthcare industry and will encourage a greater private and foreign capital involvement.

Foreign investments will be able to benefit from equal policy treatment regarding grants of medical insurance status and fewer market admittance restrictions.

They will also be subject to a three year [preferential tax policy](#) currently enjoyed by Chinese state-owned hospitals. Both for-profit and non-profit hospitals will be eligible for tax exemptions although these will differ accordingly:

- For-profit: business tax, property and medicine tax.
- Non-profit: medical service income tax, medicine VAT as well as taxes on housing, land and vehicle usage.

Go West

One of the key areas of focus from the Chinese government is the rural areas, meaning the central and western parts of the country.



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China steps up efforts in combating IPR infringements

New Campaign

China's long-term battle against infringement of intellectual property rights (IPR) has recently been stepped up as the Chinese government launched a six months nationwide campaign strengthening the enforcement of IPRs. [Read more...](#)

Luxury in demand

China's fast growing upper- and middle-classes has gone on a spending spree as the Chinese consumer goods market, currently ranking third in the world, is set to overtake Japan's second place by 2015. For retailers, two noticeable developments are expected to take place during the next five and 10 years. [Read more...](#)

US – Sino partnership to

These parts have previously been somewhat neglected. The government is now working on extending health insurance to these vast areas. Here it can be difficult to find proper facilities and experienced doctors, whereas in big cities like Shanghai and Beijing, public hospitals are often overcrowded with patients waiting in long queues. By clearly specifying these geographical focus areas the Chinese government emphasizes its commitment to channel investments and to improve basic healthcare in its lesser developed areas.

Opportunities

It is not only private hospitals and their investors that will benefit from less restrictions and simpler procedures. Industries directly linked to the healthcare sector, such as facility services, pharmaceutical, insurance and the medical industries, will all see new opportunities arise in a more open, level and competitive healthcare sector. As an array of services will be more accessible to potential customers throughout the country, the demand for these will automatically increase.

Q&A – Establishing an enterprise in China

Q₁: *Is it possible to have more than one RO in China?*

A₁: It is possible to open several ROs, but most foreign enterprises choose to set up only one RO in either Beijing or Shanghai, where staff can oversee their China operations. If more than one RO is set up, each RO must be registered individually in the city where it is located.

Q₂: *Do I need to carry out business activities continually in order to uphold my business license?*

A₂: According to Chinese law, a FIE must have ongoing business activities once the business license has been granted. Otherwise, the business license may be withdrawn.

boost China's clean energy sector

China is facing serious issues regarding scarcity of resources, increasing energy costs and energy shortages in its continued process of industrialization and urbanization, therefore it is pivot to keep focusing on clean and renewable energies.

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Q&A – Choosing the right location in China

Q₁: *Is it possible to purchase land in China?*

A₁: Despite economic and political reforms in China, the Chinese government has not yet given up the established socialist idea of state ownership of land. In China, individuals or private legal persons cannot own land; land is either collectively owned (rural areas) or state-owned (urban areas).

If you need a site for your production facilities in China, you will have to apply to the local authorities to acquire the necessary land-use rights. Always make sure that the conditions under which you are granted land-use rights meet your specific requirements in terms of period of usage, scope of application, renewal conditions, etc.

When acquiring land-use rights you need to distinguish between allocated land-use rights and granted land-use rights.

Allocated land-use rights are often allocated from the Chinese government for specific investment projects free of charge. Usually, the right is not transferable, and the land cannot be leased or mortgaged. The holder of an allocated land-use right is required to pay a land-use tax on an annual basis.

Granted land-use rights can be acquired by paying a land-grant fee to the Chinese government. The fee varies significantly depending on the market value and location. Within the fixed term of the land-use right, the holder has the right of use similar to that of an owner. The land is transferable and it can be leased and mortgaged.

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