



The Hainan Free Trade Port Law

On June 10th, 2021, the Standing Committee of the 13th National People's Congress adopted the [Hainan Free Trade Port Law](#), effective immediately.

The law stipulates that Hainan will establish a free trade port policy and institutional system. The Chinese authorities' goal is to achieve the liberalization of trade, investment, cross-border capital flows, and safe flow of data.

One year before, Chinese authorities had already released the [plan](#) for the construction of the Hainan Free Trade Port. This new Law will lay a solid legal foundation for the construction operations, ensuring Hainan's opening-up and development is based on the rule of law.

Below are some key highlights of the new Law.

1. Freedom and facilitation of trade.

The authorities will establish a **special regional system for customs supervision** of the Hainan Free Trade Port, which will operate the island-wide customs clearance and operation. Goods and articles (except for those listed as restricted import) can **enter and exit freely between overseas and the Hainan FTP**, and the customs shall supervise them.

The Hainan FTP will also implement a **negative list management system for cross-border service trade** and a matching **fund payment and transfer system**.

2. Investment freedom

The Hainan Free Trade Port will **liberalize investment access**, except for areas that involve national security, social stability, ecological protection red lines, major public interests, and other areas where countries implement access management.

Hainan had already rolled out a negative list, effective from February 1st 2021. For more information on Hainan's negative list, you can read our previous commentary [here](#).

3. Taxation

The Law is encouraging Hainan Province to issue local government bonds to support the construction of the Hainan Free Trade Port project.

After year 2025 (when the system for custom supervision will be fully operative), goods imported from overseas will be **exempt from import duties**. Before that date, only certain qualifying imported goods will be exempted from import duties, VAT and consumption taxes.

For goods entering the Hainan Free Trade Port from the Mainland, the collected value-added and consumption tax will be refunded in accordance with the relevant regulations.

Preferential corporate and individual income tax will also be applied to eligible enterprises and individuals registered as residents in the Hainan Free Trade Port.

4. Environmental protection

The new Law puts a strong emphasis on the protection of the natural environment. The Hainan FTP implements a **lifelong accountability system** for damage to the ecological environment. The responsible persons that cause serious damage to the ecological environment will be strictly held accountable.

5. Talent support

With the goal of attracting **international talent**, the Hainan FTP will implement a more open policy for residence permits, **simplifying the working visa application policies**. Restrictions on foreign personnel taking vocational qualification examinations will also be relaxed, and a one-way recognition list system for qualified foreign professional qualifications will be implemented.

Contact our team for more information on the Hainan FTP Law and incentives for foreign investors.



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