

## VAT reform drives economic structure adjustment

Zhang Lei and Feng Jianmin

THE highly anticipated value added tax reform launched three months ago is progressing well in Jiading District, and industry insiders believe that it will drive economic structure adjustment.

From January 1, Shanghai businesses in the transportation, construction and certain modern services industries, such as research and development, information technology, cultural products, leasing and consulting, began accounting for VAT instead of the business tax on the services they provide.

The VAT rates applicable to each of the selected industries are 17 percent for leasing of current tangible assets, 11 percent for transportation and construction, while 6 percent for modern services.

District authorities said eight out of nine sectors that previously paid business tax are involved in the reform. Of Jiading District's 109,300 companies, 18,300 need to shift from business tax to VAT.

### Lighter tax burdens

Authorities said that tax in the circulation industries, including transportation, telecommunications, research and technology services, and logistics, has always been high and unreasonable. Various taxes often overlapped. Through eliminating the duplicated tax through VAT reform, companies will face lighter tax burdens.

For example, Shanghai Qisheng Logistics Co, whose yearly turnover is expected to be 10 million yuan (US\$1.58 million) this year, can reduce its tax by 50,000 yuan a year.

In general, the VAT reform is an important structural tax-reduction policy. An official at the district's finance department said: "Through preferential tax rates and transitional policies, the sectors involved in the reform will face no increase in tax overall. The current VAT payers will also enjoy lower tax as their purchases from the new VAT payers are deductible."

He said that even though revenue from tax may decrease in the short term, the impact could be eliminated in the longer term when the service industries prosper. Fiscal revenue will not be impacted much.

The reform has lifted Jiading District's competitive advantage to some extent. Industry insiders said that several logistics companies in Shanghai's nearby Taicang City, Jiangsu Province, have moved their headquarters to Jiading District for the tax benefits.

# Power grid to get major capacity upgrade

Sun Ling, Zhang Lei and Fu Chenghao

Jiading District plans to invest around 400 million yuan (US\$63.3 million) in 2012 and 2013 in upgrading its power grid network, which will benefit 43,000 households and nearly 130,000 people upon completion.

This will be the first time for Jiading to upgrade its low voltage power distribution network on a large scale, according to the Jiading Power Supply Co.

Under the project, the power company will increase the insulation rate of its 10-kilovolt lines, change inefficient transformers and upgrade aging power equipment. It will also help change the old power meters in old residential quarters.

The project will be completed in two

phases, with the first already starting in early February.

At Jiafu Community in Juyuan New Area, which was part of the first phase project, power transformers on three power poles have been replaced — half the size but twice the capacity compared with previous ones.

"We also introduced more wires of larger capacity and adjusted the location of power poles. By doing so, the power carrying capacity has been tripled, which will benefit the 264 households in the residential quarter," said Xu Dong, who is in charge of the Jiafu project.

"We are using more home appliances but bigger power consumption will often turn off the circuit breakers," a Jiafu

resident surnamed Wang said. "That meant I couldn't turn on other high-power electrical appliances, while the air-conditioning was running. Now with the power network upgrades, we finally can use power without trouble. I'm really happy."

According to the local power supplier, the transformer capacity is around 100-200 KVA in Jiading's old community blocks — a low level easy to cause damage to high-power appliances. Upon upgrade, the average capacity will be increased to 315-400 KVA.

Power failures caused by low voltage will decline sharply, even to zero during summer and winter, the power company said.



## Fresh and healthy

A farmer picks Boor's Mustard Herb, or *luohancai*, at the Jiading Agriculture Technology Center. Due to technology upgrades, the annual output of *luohancai* increased to 1,000 kilograms from 400 kilograms. — Qing Qing

## Yesmy gets offshore yuan investment first

Guan Wenfei and Hu Xiaoceng

YESMY (Shanghai) Commerce & Trading Co has recently won approval from Jiading government, allowing its American investor Yesmy Limited to make a capital injection directly in offshore yuan. This is the first direct investment project using cross-border yuan in Jiading.

Yesmy, registered in Jiading's 3131 Creative Park, has

the country's biggest online liquor shopping platform with more than 3 million members. Under China's former foreign-exchange management policy, Yesmy's foreign investor needs to deposit the foreign currency funds in the Bank of China's clearing account in Hong Kong, and then convert it to yuan for investment in the Chinese company.

"In recent years, the gradual appreciation of yuan has

caused about 1 million yuan shrinkage in the investment received, which was converted from US dollar," said Yao Chunhua, Yesmy's general manager of corporate finance.

Last October, China officially started the cross-border yuan direct investment operation. Yesmy promptly opened a yuan settlement account at BOC Hong Kong upon hearing the news. Yao said the loss due to exchange rate fluctua-

tions would likely be avoided by single-currency fund transfers.

Yao is quite optimistic about the prospects from the new policy, because most investments received by domestic e-commerce players in recent years are from overseas.

However, the launch of direct investment in offshore yuan will not lower the threshold of cross-board yuan settlement.

### News in Briefs

#### Computing in the cloud

A cloud computing laboratory will be set up to provide application services for the data centers of small and medium-sized companies. Shanghai Jiading Advanced Technology Innovation and Business Incubator will take charge of the project along with Loongson Technology Corp.

#### Roewe rolls out e-cars

THE first batch of 200 Roewe 50 electric cars will be available for sale and test-drive in Jiading District. Having reached

a marketing cooperation agreement with Roewe's producer, Shanghai Automotive Industry Corporation, the district aims to step up its role as the first demonstration area on the Chinese mainland to promote new-energy cars.

#### New digital art park

A digital art park will be built in the district with 1.5 billion yuan (US\$238 million) investment. The project, which is located in the culture and business area of Nanxiang Town, will cover an

area of 25.7 hectares and features a 6,000-square-meter spherical building on the water as the art center.

#### Nuclear pump passes test

A residual heat removal pump developed by Shanghai Kaiquan Pump (Group) Co, a private company in Jiading District, has passed tests by the state energy authority and will be installed at a third-generation nuclear power plant to demonstrate the breakthrough in China's nuclear technology development.