

New Hainan Island duty free allowance could be in place by end of the month

Details of the new Hainan Island duty free policy, which includes a new RMB100,000 purchasing allowance and expanded duty free category list are expected to be revealed at the end of the month or in early July.



TRBusiness has also learned that the raised allowance and new duty free product categories could also be implemented within this timeframe.

As reported, the decision to more than triple the existing RMB30,000 duty free allowance is in line with plans for a Free Trade Port (FTP) on the tropical island. The overall FTP plan was released by the Chinese government on 1 June.

In recent years, the Chinese Ministry of Finance has increased the duty free special allowance on several occasions. In 2016, it was **doubled to RMB16,000** from RMB8,000 and two years later it was raised to **RMB30,000**. This marked the fifth adjustment to the quota since the successful offshore duty free scheme was introduced in 2011.

This publication has also been informed that more products for daily consumption, along with additional luxury items will be added to the list of offshore duty free product categories. The number of categories now stands at 38 following the addition of medical devices last year. Categories include perfume, cosmetics, glasses and jewellery and purchases are limited to two items per person at any one time.

EXPANDED DUTY FREE RANGE

The expansion of the duty free range is part of the Chinese governments FTP plan, as also revealed by *TRBusiness*.

Ruslan Tulenov, Supervisor, Hainan Provincial Bureau of International Economic Development (left) told *TRBusiness*: "Hainan is building a Free Trade Port and will become an International Tourism Consumption Centre, which is already something very meaningful."

"The opportunity to visit somewhere different is the main motivation for many tourists visiting Hainan, but they also want to shop. This increased allowance will give regular people like us the opportunity to purchase high-quality products in big quantities."

Adding further details on the additional duty free product categories, Tulenov said: "We are expecting some product categories for daily consumption to be expanded, along with the addition of luxury brands such as Chloe, Vacheron Constantin, Gucci and Cartier."

He commented: "It is important to point out that these are the items we are expecting to be introduced. Once the detailed policy is released, we will know which kind of products will be in both categories."

The increased Hainan duty free allowance and additional duty free product categories are among several

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"The government wants to make Hainan a Free Trade Port with a zero-tariff policy on certain imported goods and items. Qualifying goods and items will be exempt from import duties, import value added tax and consumption tax.

"In short, China wants to share the benefits of the Hainan Free Trade Port with the rest of the world and make Hainan feel like heaven for shopping."

The governments FTP plans have already caught the attention of international players, according to Tulenov.

"Since the masterplan was released, many international companies in the travel, tourism, airline, luxury and leisure industries have expressed a desire to enter China through the Hainan Free Trade Port."

Under current government plans, the aim is to complete the high-level FTP by 2050 and ensure it has a strong global influence.

He remarked: "The master plan for developing what is already Chinas largest special economic zone into a Free Trade Port, suggests the aim is to develop the island into a globally influential duty-free trading center by the middle of the century.

"A mechanism for policy facilitation enabling free trade and investment is to be created by 2025. By then, the Hainan Free Trade Port will be established and the island will be a Special Customs Supervision Area. Hainan will be like a big duty free zone."

Tulenov indicates the island will be developed into an FTP by 2035 and become the countrys major gateway to the rest of the world, especially South East Asia.

In the interim, the Hainan Provincial Bureau of International Economic Development must generate foreign investment in the FTP and provide a non-stop service for global investors.

HAINAN EXPO PREPARATIONS

Meanwhile, the Bureau is heavily involved in the organisation of next year's China International Consumer Products Expo (*Hainan Expo*). This will be jointly held by the Chinese Ministry of Commerce and Hainan Provincial government.

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The Hainan Provincial Bureau of International Economic Development is charged with the task of generating foreign investment in the Free Trade Port.

He explained: "The Hainan Expo is kind of similar state-level to the China International Import Expo which is held in Shanghai every year. The advantage of our expo is that we can do business to business and business to consumer."

Global luxury brands have been invited to attend the expo, sell their products and develop new business relationships. "We will also invite them to continuously participate in the construction of the Hainan Free Trade Port," Tulenov emphasised.

A zero-tariff policy, much like the one which is expected to be part of the FTP, will be implemented on products imported especially for the expo. Items will be exempt from import duties, import VAT and consumption tax.

The Chinese government revealed its overall Free Trade Port plan on 1 June 2020.

He added: "The Hainan Expo is a big opportunity for all the big luxury and consumable brands to come to Hainan, assess the climate and try out the Hainan FTP policies."

Recent offshore duty free developments on the island include the opening of two new duty free shops (**Haikou Riyue Plaza Duty Free Shop** and **Qionghai Boao Duty Free Shop**) last year. These new stores added to existing outlets at Haikou Airport and in Sanya.

Construction work is also continuing on the new **Haikou International Duty Free Mall** in Hainan. This will be operated by China Duty Free Group (CDFG), whose parent company, China International Trade Service Corporation Limited, recently **acquired a majority stake (51%)** in Hainan Duty Free Co. Ltd (HNDF).

The Haikou mall, which will house duty free stores, duty paid shops, offices and a hotel is scheduled for

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China Duty Free Groups Sanya International Duty Free Shopping Complex.

Ongoing duty free development in Hainan, alongside the recent awarding of the **Wangfujing duty free license**, is further evidence of the government's commitment to driving consumer spend domestically.

In other Hainan-related news, China Eastern Airlines has joined forces with several partners, including Trip.Com and Shanghai-based Juneyao Airlines to launch a new Hainan-based carrier (*Sanya International Airlines*).

The planned launch of the new airline was revealed in an announcement to the Hong Kong stock exchange on Sunday 14 June, which was seen by *TRBusiness*. No timeframe was given for the launch of the airline, which will join existing Hainan carrier, Hainan Airlines.

Offering an insight into how Hainan was impacted by the deadly coronavirus (Covid-19), Tulenov praises the local Hainan government which implemented strict measures to control the virus.

"We haven't worn masks for almost five months and people are living normal lives. Tourists are returning and hotels are booked one or two months in advance," he concluded.