

Hainan Free Trade Port Law of the People's Republic of China

(Adopted at the 29th session of the Standing Committee of the 13th National People's Congress on June 10, 2021)

Table of Contents

Chapter I General Provisions

Chapter II Trade Liberalization and Facilitation

Chapter III Investment Liberalization and Facilitation

Chapter IV Fiscal and Taxation System

Chapter V Ecological and Environmental Protection

Chapter VI Industry Development and Talent Support

Chapter VII Comprehensive Measures

Chapter VIII Supplementary Provisions

Chapter I General Provisions

Article 1 The Hainan Free Trade Port Law of the People's Republic of China (hereinafter referred to as the "Law") is enacted in order to construct high-level Hainan Free Trade Port with Chinese characteristics, promote the formation of a new pattern of higher-level reform and opening-up, establish a new open economic system, and promote the stable, sound, and sustainable development of the socialist market economy.

Article 2 The State is developing the entire Hainan Island into Hainan Free Trade Port, and supports the step-by-step, stage-by-stage establishment of a free trade port policy and institutional system to achieve the liberalization and facilitation of trade, investment,

cross-border capital flows, entry/exit of people, transportation as well as data transfers in a secure and orderly fashion.

The Law shall apply to the construction and management activities of Hainan Free Trade Port. In the absence of any provisions herein, the provisions of other relevant laws and regulations shall apply.

Article 3 The construction of Hainan Free Trade Port should embody Chinese characteristics, draw on international experience, focus on Hainan's strategic positioning, give play to Hainan's advantages, promote reform and innovation, strengthen risk prevention, implement the new philosophy of innovative, coordinated, green, open, and shared development, adhere to high-quality development, stay on the overall national security outlook, commit to a people-centered approach, and realize economic prosperity, social civilization, ecological livability, and people's happiness.

Article 4 When constructing Hainan Free Trade Port, with a focus on trade and investment liberalization and facilitation, we must continuously optimize an international, convenient business environment that calls for the rule of law and a fair, unified, efficient market environment, backed by free, orderly, secure, and convenient cross-border flows of various production factors and a modern industrial system, and guaranteed by a specifically arranged tax system, an efficient social governance system, and an improved legal system.

Article 5 Hainan Free Trade Port will implement the strictest ecological and environmental protection system, adhere to ecological priority and green development, establish an innovative ecological conservation framework, and be developed into a national pilot zone for ecological conservation.

Article 6 The State establishes a leadership mechanism for the construction of Hainan Free Trade Port, and makes overall planning for and coordinates major policies and matters on the construction of Hainan Free Trade Port. The development and reform, finance, commerce, financial management, customs, and tax departments under the State

Council shall, according to the division of responsibilities, provide guidance for boosting the construction of Hainan Free Trade Port.

The State establishes an administrative system that is compatible with the construction of Hainan Free Trade Port, and an innovative regulatory mode.

Hainan Province must earnestly fulfill its responsibilities, strengthen organizational leadership, and make every effort to make headway in the construction of Hainan Free Trade Port.

Article 7 The State supports the construction and development of Hainan Free Trade Port, and supports Hainan Province in exercising autonomy in reform in accordance with the requirements of the Central Government and legal provisions. The State Council and its relevant departments shall, according to the practical needs for the construction of Hainan Free Trade Port, authorize or entrust the People's Government of Hainan Province and its relevant departments to exercise the relevant administrative functions and powers in a timely and lawful manner.

Article 8 Hainan Free Trade Port should build its systematic, complete, scientific, and standard governance system in effective operation, promote the reform and functional transformation of government institutions, standardize government services, strengthen the construction of a social contradiction prevention and resolution mechanism, improve the level of social governance intelligence, and perfect the social governance pattern of joint contribution, co-governance, and shared benefits.

The State promotes the reform of and innovation in administrative divisions in Hainan Free Trade Port and optimizes the setting and structural system of administrative divisions.

Article 9 The State supports Hainan Free Trade Port in actively adapting to new trends in the development of international economic and trade rules and the reform of the

global economic governance system, and in actively carrying out international exchanges and cooperation.

Article 10 The People's Congress of Hainan Province and its Standing Committee may, in accordance with the Law and the basic principles of the Constitution and laws and administrative regulations and in combination with the specific situation and practical needs of the construction of Hainan Free Trade Port, formulate regulations on trade, investment, and related management activities (hereinafter referred to as the "Hainan Free Trade Port Regulations") for implementation within Hainan Free Trade Port.

Hainan Free Trade Port Regulations shall be submitted to the Standing Committee of the National People's Congress and the State Council for record-filing; in case of any modification to laws or administrative regulations, the circumstances requiring the modification and reasons therefor shall be explained.

Hainan Free Trade Port Regulations, if involving matters subject to the legislation of laws by the National People's Congress and its Standing Committee in accordance with the law or subject to the legislation of administrative regulations by the State Council, shall be reported respectively to the Standing Committee of the National People's Congress or the State Council and come into force upon approval.

Chapter II Trade Liberalization and Facilitation

Article 11 The State establishes and improves the system of areas under special customs supervision in Hainan Free Trade Port that feature independent customs operation throughout Hainan Island. On the basis of lawful and effective supervision, a secure and convenient goods trade management system featuring free entry and exit should be established to enable trade liberalization and facilitation.

Article 12 Hainan Free Trade Port should construct port infrastructure to high standards, and strengthen controls of public health safety, bio-safety at border crossings, food safety, and product quality safety.

Article 13 At a line between Hainan Free Trade Port and other countries and regions beyond the territory of China, goods and articles can be freely imported and exported, and supervised by the customs in accordance with the law, except those included in Hainan Free Trade Port's lists of goods and articles prohibited and restricted for import and export.

The lists prescribed in the preceding paragraph shall be prepared by the competent department of commerce under the State Council in concert with the relevant departments under the State Council as well as Hainan Province.

Article 14 Goods entering other regions within the territory of China (hereinafter referred to as "the rest of China") from Hainan Free Trade Port will, in principle, go through the relevant procedures in accordance with the import provisions. Articles entering the rest of China from Hainan Free Trade Port will be supervised in accordance with the provisions. We will simplify import management for the means of transport from Hainan Free Trade Port to the rest of China.

The entry of goods, articles, and means of transport into the Hainan Free Trade Port from the rest of China shall be managed in accordance with domestic circulation provisions.

The specific measures for the entry and exit of goods, articles, and means of transport between Hainan Free Trade Port and the rest of China shall be formulated by the relevant departments under the State Council in concert with Hainan Province.

Article 15 The customs implements low-intervention, high-efficiency supervision on trade in goods and related activities freely carried out by various market players within Hainan Free Trade Port in accordance with the law.

Subject to the compliance with the requirements for environmental protection and work safety, Hainan Free Trade Port sets no storage period for imports and exports, and the storage location of the goods can be chosen freely.

Article 16 Hainan Free Trade Port implements the customs clearance facilitation policy, and streamlines the process and procedures for the circulation of goods. Except for goods subject to inspection and quarantine under the law or subject to license-based management, the customs should directly release goods entering Hainan Free Trade Port in accordance with the relevant provisions, to provide market players with customs clearance facilitation services.

Article 17 Hainan Free Trade Port applies a negative list management system to cross-border trade in services, and implements a supporting system of payment and transfer of funds. Cross-border trade in services not in the list shall be managed in accordance with the principle of consistent methods for inclusion in and being beyond the list.

The negative list of cross-border trade in services shall be prepared by the competent department of commerce under the State Council in concert with the relevant departments under the State Council as well as Hainan Province.

Chapter III Investment Liberalization and Facilitation

Article 18 Hainan Free Trade Port will implement investment liberalization and facilitation policies, promote the investment system featuring minimal approval procedures in all respects, improve the investment promotion and protection system, strengthen the protection of property rights, and guarantee fair competition, to create an open, transparent, and predictable investment environment.

Except for national security, social stability, red line of ecological protection, major public interests, and other areas where access management is implemented by the State, investment access is liberalized across the board in Hainan Free Trade Port.

Article 19 Hainan Free Trade Port implements the pre-establishment national treatment plus negative list management system for foreign investment. The negative list of foreign investment access that is particularly applicable to Hainan Free Trade Port shall be prepared by the relevant departments under the State Council in concert with Hainan Province, and released after being reported to the State Council for approval.

Article 20 The State eases market access to Hainan Free Trade Port. The special list for Hainan Free Trade Port to ease market access (special measures) shall be formulated by the relevant departments under the State Council in concert with Hainan Province.

Hainan Free Trade Port will adopt investment facilitation measures focusing on process supervision, and gradually grant enterprises market access with a prior commitment. The specific measures will be formulated by Hainan Province in concert with the relevant departments under the State Council.

Article 21 Hainan Free Trade Port shall, in accordance with the principles of convenience, efficiency, and transparency, streamline procedures for handling matters, raise its work efficiency, optimize government services, establish a system for facilitating the establishment, operation, and cancellation of market players and other systems, and optimize bankruptcy proceedings. The specific measures shall be formulated by the People's Congress of Hainan Province and its Standing Committee.

Article 22 The State protects the investment, earnings, and other legitimate rights and interests of natural persons, legal persons, and unincorporated organizations in Hainan Free Trade Port in accordance with the law, and strengthens the protection of small and medium-sized investors.

Article 23 The State protects the intellectual property rights of natural persons, legal persons, and unincorporated organizations in Hainan Free Trade Port in accordance with the law, promotes the improvement in capacities in creation, application, and management services for intellectual property rights, establishes and perfects the mechanism for classified credit supervision or disciplinary actions against discreditable behaviors and

other mechanisms in the sector of intellectual property rights, and strictly investigates legal liability for any infringement of intellectual property rights in accordance with the law.

Article 24 Hainan Free Trade Port will establish a unified, open, competitive, and orderly market system, strengthen the foundational status of competition policies, implement the fair competition review system, and reinforce and improve anti-monopoly and anti-unfair competition law enforcement to protect fair market competition.

Various market players in Hainan Free Trade Port enjoy equal treatment in accordance with the law in terms of access permit, business operation, factor acquisition, standard establishment, and preferential policies. The specific measures shall be formulated by the People's Congress of Hainan Province and its Standing Committee.

Chapter IV Fiscal and Taxation System

Article 25 During the development and construction phase of Hainan Free Trade Port, the central budget shall provide Hainan Free Trade Port with appropriate financial support according to the practical situation and in combination with changes in the tax system. We should encourage Hainan Province to issue local government bonds within the limits approved by the State Council to support the construction of Hainan Free Trade Port. Hainan Province will establish the Construction Investment Fund for Hainan Free Trade Port which will operate under government guidelines and market rules.

Article 26 Hainan Free Trade Port may voluntarily reduce, exempt, or postpone the contribution to government funds other than those for ecological compensation according to the development needs.

Article 27 A tax system of Hainan Free Trade Port in line with the needs shall be established in accordance with the principle of realizing a simple and scientific structure of tax categories, fully optimized elements of tax system, significantly reduced tax burden

level, clear income attribution, and generally balanced fiscal revenue and expenditure and in combination with the direction of China's tax reform.

While independent customs operations are carried out throughout Hainan Island, value-added tax, consumption tax, vehicle purchase tax, urban maintenance and construction tax, education surcharges, and other taxes and charges will be streamlined, and sales tax will be levied in the retail of goods and services; after independent customs operations throughout Hainan Island, the tax system will be further simplified.

The financial department under the State Council shall, in concert with the relevant departments under the State Council and Hainan Province, put forward a specific program to simplify the tax system in a timely manner.

Article 28 After the independent customs operation throughout Hainan Island and the streamlining of the tax system, imported taxable commodities are subject to the catalogue-based management in Hainan Free Trade Port; commodities not listed in the catalogue are exempted from import tariffs when entering Hainan Free Trade Port. The catalogue of imported taxable commodities shall be prepared by the financial department under the State Council in concert with the relevant departments under the State Council as well as Hainan Province.

Before the independent customs operation throughout Hainan Island and the streamlining of the tax system, some imported commodities are exempted from import tariffs, import value-added tax, and consumption tax.

Export tariffs shall be levied on exported taxable commodities leaving China from Hainan Free Trade Port.

Article 29 Import tariffs on goods entering the rest of China from Hainan Free Trade Port will, in principle, be levied; however, for output products produced by encouraged industrial enterprises without or with imported intermediary products, whose added value exceeds a certain proportion after being processed at Hainan Free Trade Port, they are

exempt from tariffs. The specific measures will be formulated by the relevant departments under the State Council in concert with Hainan Province.

The value-added tax and consumption tax levied on goods entering Hainan Free Trade Port from the rest of China shall be refunded in accordance with the relevant provisions of the State Council.

Before the independent customs operation throughout Hainan Island and the streamlining of the tax system, visitors departing from Hainan Island who purchase and pick up duty-free commodities are exempted from import tariffs, import value-added tax, and consumption tax in accordance with the relevant provisions. After the independent customs operations throughout Hainan Island and the streamlining of the tax system, the tax management measures for the entry and exit of articles between Hainan Free Trade Port and the rest of China shall be formulated by the relevant departments under the State Council in concert with Hainan Province.

Article 30 Corporate income tax preferences are applied to eligible enterprises that are registered in Hainan Free Trade Port; personal income tax preferences are applied to eligible individuals in Hainan Free Trade Port.

Article 31 Hainan Free Trade Port shall establish an efficient and unified tax collection and administration service system, improve the scientificization, information technology, and convenience of tax collection and administration services and their conformity with international standards, actively participate in international tax collection and administration cooperation, improve the quality and efficiency of tax collection and administration services, and protect the legitimate rights and interests of taxpayers.

Chapter V Ecological and Environmental Protection

Article 32 Hainan Free Trade Port will improve the ecological and environmental evaluation and monitoring system, prepare an ecological and environmental access list, prevent pollution, and protect the ecology and environment; improve the property rights system and the paid use system for natural resource assets, and promote the conservation and efficient utilization of resources.

Article 33 Hainan Free Trade Port will make steady headway in the construction of a national land spatial planning system, and conduct differentiated regulation of natural ecological space use, strictly guard the red line of ecological protection, build a system of natural reserves mainly represented by national parks, and promote green urbanization and the construction of beautiful villages.

Hainan Free Trade Port shall strictly protect the marine ecology and environment, and establish and improve the regional land and sea linkage mechanism for ecological protection and restoration and pollution prevention and control.

Article 34 Hainan Free Trade Port will apply a strict security access management system for entry and exit environments, strengthen inspection and quarantine capacity building, prevent invasion of foreign species, and prohibit the importation of overseas solid waste; improve the treatment and disposal capacity for hazardous waste such as medical waste, improve preparedness and response capabilities for ecological and environmental emergencies, and strengthen ecological risk prevention and control.

Article 35 Hainan Free Trade Port will promote the establishment of a government-led and sustainable ecological protection compensation mechanism featuring enterprise and social participation, and market-oriented operations, establish a mechanism for realizing the value of ecological products, and encourage the use of market mechanisms to promote the protection of ecology and environment and achieve sustainable development.

Article 36 Hainan Free Trade Port implements the objective accountability and an assessment and evaluation system for environmental protection. The annual assessment of

departments in charge of environmental supervision and management of the corresponding level of local people's governments at or above the county level and their principals as well as people's governments at the lower level and their principals is subject to the one-vote veto system for the completion of environmental protection objectives.

In regions where environmental protection objectives have not been completed, the examination and approval of environmental impact assessment documents for construction projects with additional total amount of major pollutant discharge shall be suspended within one year; the persons mainly liable of local people's governments in charge and departments responsible for environmental supervision and management shall not be promoted or transferred to important positions within one year, and shall be subject to disciplinary sanctions in accordance with the law.

Article 37 Hainan Free Trade Port implements lifelong accountability for ecological and environmental damage. Main principals of local people's governments and the relevant departments breaching the requirements for scientific development and causing serious damage to ecology and environment as well as persons directly in charge and other persons directly liable shall be strictly prosecuted for liability.

Chapter VI Industry Development and Talent Support

Article 38 The State supports Hainan Free Trade Port in establishing an open eco-friendly and service-oriented industry system, and actively developing key industries such as tourism, modern services, high-tech industries, and high-efficiency agriculture with tropical characteristics.

Article 39 Hainan Free Trade Port will build itself into an international tourism and consumption destination, advance the in-depth integration of tourism and cultural sports, health care, elderly care, and wellness, and foster new types and models of tourism.

Article 40 Hainan Free Trade Port shall deepen the opening up of modern services to both domestic and overseas markets, build an international shipping hub, promote the

integrated development of ports, industries, and cities, improve marine service infrastructure, and build an internationally competitive marine service system.

High-level overseas universities and vocational colleges are allowed to run branch schools specialized in science, engineering, agriculture, and medical science in Hainan Free Trade Port.

Article 41 The State supports Hainan Free Trade Port in building major scientific research infrastructure and conditions platforms, and establishing a scientific and technological innovation management system in conformity with scientific research rules and an international scientific and technological cooperation mechanism.

Article 42 Hainan Free Trade Port will establish a secure, orderly, free, and convenient data flow management system in accordance with the law, protect the data-related rights and interests of individuals and organizations in accordance with the law, expand openness of communication resources and services in an orderly manner, expand data openness, and promote digital economic development with data as key elements.

The State supports Hainan Free Trade Port in exploring the implementation of an institutional arrangement for cross-border flow of regional international data.

Article 43 Hainan Free Trade Port will apply a high-level open policy for transportation liberalization and facilitation, establish more open shipping and ship management systems, establish the "Yangpu Port of China" as the port of registry, and implement a special ship registration system; ease airspace control and airway rights restrictions, optimize the allocation of air freedom resources, and improve transportation facilitation and service guarantee level.

Article 44 Hainan Free Trade Port shall deepen the reform of the talent development framework, establish an innovative support mechanism for talent training, and build a

scientific and rational mechanism for the introduction, identification, use, and treatment of talents.

Article 45 Hainan Free Trade Port will establish an efficient and convenient entry and exit management system, gradually expand the applicable scope of the visa-free entry policy, extend visa-free stay, optimize entry and exit inspection management, and facilitate entry and exit customs clearance.

Article 46 Hainan Free Trade Port shall adopt more open talent and residence policies, apply a more relaxed policy for temporary entry and exit of personnel and a convenient work visa policy, implement a negative list management for the work permits of foreigners, and further improve the residence system.

Article 47 Hainan Free Trade Port shall ease restrictions on the participation of overseas personnel in professional qualification examinations, and adopt a one-way approval list system for the recognition of qualified overseas professional qualifications.

Chapter VII Comprehensive Measures

Article 48 The State Council may authorize the People's Government of Hainan Province to approve matters relating to the transfer of agricultural land to construction land and land acquisition subject to approval by the State Council according to the needs for the construction of Hainan Free Trade Port; under the premise of never crossing the red line of ecological protection or breaking key indexes such as permanent basic farmland area, cultivated land, forestland amount in keeping, and total scale of construction land as well as ensuring the quality of land will not be undermined, authorize the People's Government of Hainan Province to approve the layout adjustment of cultivated land, permanent basic farmland, forestland, and construction land.

Hainan Free Trade Port must actively foster the integrated and coordinated development of urban, rural, and reclamation areas, promote new models for construction land in small towns, and push forward the capitalization of agricultural reclamation land.

We must guarantee the sea utilization demand for national key projects in Hainan Free Trade Port in accordance with the law.

Article 49 Hainan Free Trade Port shall effectively protect cultivated land, strengthen land management, and establish an intensive and economical development and conservation system for land resources, evaluation criteria, and a system for revitalizing and disposing of existing construction land. If the land use right is acquired for development by way of transfer to fully utilize idle land, or a project has not been completed one year after the completion date agreed in the transfer contract, the idle fee of land shall be collected at a certain proportion of the present value of the land to be transferred before the completion of the project. The specific measures shall be formulated by Hainan Province.

Article 50 Hainan Free Trade Port will continue to ensure that the financial sector serves the real economy and advance financial reform and innovation, and will be the first to implement the policy for the financial industry to open up wider to the outside world.

Article 51 Hainan Free Trade Port shall establish a cross-border capital flow management system suitable for high-level trade and investment liberalization and facilitation, open capital projects in stages, gradually advance the full convertibility under the foreign debts of non-financial enterprises, promote the facilitation of cross-border trade settlement, and work for the free and convenient capital flow between Hainan Free Trade Port and overseas regions in an orderly manner.

Article 52 An approved financial institution in Hainan Free Trade Port may operate offshore financial business through a designated account or in a specific area.

Article 53 Hainan Free Trade Port will strengthen the construction and application of a social credit system and construct the establishment of a mechanism on incentives for honesty and discipline for dishonesty.

Article 54 The State supports the exploration of the reform of the judicial system that is compatible with Hainan Free Trade Port. Hainan Free Trade Port will establish a

diversified commercial dispute resolution mechanism, improve the centralized trial mechanism for international commercial dispute cases, and support the settlement of disputes through non-litigation methods such as arbitration and mediation.

Article 55 Hainan Free Trade Port shall establish a risk warning and prevention and control system to prevent and resolve major risks.

The customs is responsible for the routine supervision at ports and other customs supervision zones, and the investigation and follow-up supervision of smuggling in accordance with the law. Coast guard organs are responsible for investigating and punishing illegal maritime smuggling. The People's Government of Hainan Province is responsible for the comprehensive governance of anti-smuggling work in the whole province, and for strengthening the control over locations where no customs has been established and carrying out coordinated inter-regional prevention and control efforts in anti-smuggling work with other regions. Personnel, goods, articles, and means of transport that enter and exit between overseas regions and Hainan Free Trade Port, and Hainan Free Trade Port and the rest of China must enter and exit from the ports.

Hainan Free Trade Port will investment a foreign investment security review system, where foreign investment that affects or may affect state security undergoes security review.

Hainan Free Trade Port will establish and improve the financial risk prevention and control system, implement the graded network security protection system, establish a personnel flow risk prevention and control system, develop a monitoring and early warning mechanism and a prevention, control, and rescue mechanism for infectious diseases and public health emergencies, and guarantee the order and safety in the fields of finance, network and data, personnel mobility, and public health.

Chapter VIII Supplementary Provisions

Article 56 After the implementation of the Law and before the independent customs operations throughout Hainan Island in Hainan Free Trade Port, for matters prescribed in the Law, the State Council and its relevant departments and Hainan Province may, according to the principle under the Law and the division of responsibilities, formulate specific transitional measures to promote the construction of Hainan Free Trade Port.

Article 57 The Law shall come into force as of the date of promulgation.