

**Synergizing GBA –
Doing business and investing
in the Greater Bay Area**



Preface

The Guangdong-Hong Kong-Macau Greater Bay Area (GBA), located on the southeastern coast of China, consists of two Special Administrative Regions of Hong Kong and Macau, as well as nine mainland cities of Guangdong Province on the Pearl River Delta: Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing (hereinafter referred to as the “nine Pearl River cities” or “nine mainland cities”). The region spans a total land area of 56,000 square kilometers, with a population of around 72.6693 million as of the end of 2019¹.

The GBA plays a special and critical role in China’s economic development, owing to its strategic geographical location, sophisticated transport systems, and major air travel hubs, mature international shipping centers and some of the biggest ports in the world located in Hong Kong, Guangzhou and Shenzhen.

In February 2019, the Chinese government released the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* (hereinafter referred to as the “Outline”), which positioned the GBA as a world-class city cluster, a globally influential tech innovation center, a key component in the Belt and Road Initiative, a demonstration zone for deepening the cooperation between the mainland and Hong Kong, Macau and Shenzhen, and a prime region for living, work and travel. The Outline signifies the Chinese government’s commitment to and conviction in the long-term development of the GBA and its attitude of encouraging local and foreign investments in the region.

After decades of reform and opening-up, China is now one of the world’s biggest economies. On this foundation, the nation is accelerating the implementation of its regional development strategies, one of the most crucial of which involves the GBA.

At EY, we recognize the importance of timely and comprehensive information to investment decision-making and business operations. To that end, we have compiled this guide as an overview of the economic status of the GBA from various angles, such as its geographical location, society and culture, pillar industries, and competitive advantage. We have also listed the tax and non-tax benefits and subsidies available to players in the GBA while projecting the potential development of future policies. Whether you are an investor or a company or individual already operating in the region, we hope you will find this guide useful in helping you better understand the latest policies involving the GBA, and leverage the various policy benefits and incentives as you prosper with and participate in the growth of the GBA.

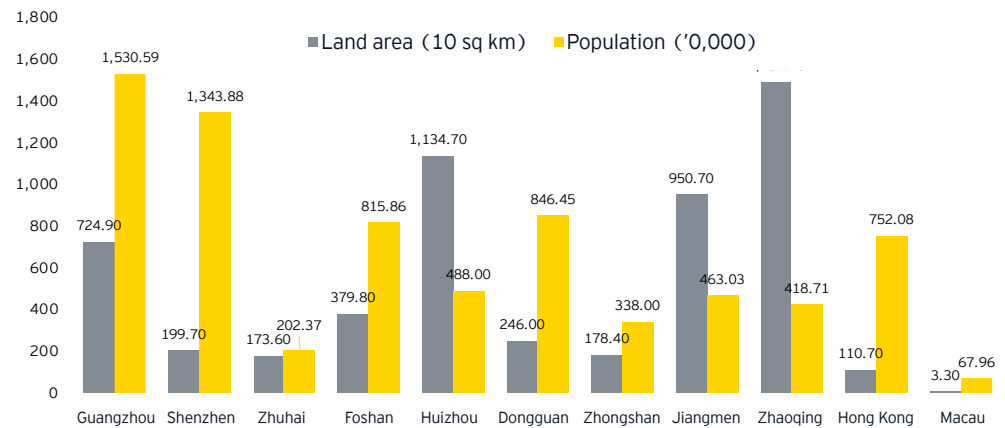


Figure 1 | An overview of the Greater Bay Area

Overview	
Geography	South China
Land area	56,000 square kilometers
Administrative divisions	Guangdong Province Hong Kong SAR Macau SAR
Climate	Subtropical monsoon climate
Time zone	UTC +08:00, Beijing Time
Population	Approx. 72.6693 million (as of the end of 2019)
Official languages	Nine Pearl River cities: Chinese Hong Kong: Chinese and English Macau: Chinese and Portuguese
Official currencies	Nine Pearl River cities: Renminbi Hong Kong: Hong Kong Dollars Macau: Macanese pataca
Gross Domestic Product (GDP)	US\$1.746033 trillion (2020)
Total import and export value	US\$2.050737 trillion (2020)

Source:
 Government Information Bureau of the Macao Special Administrative Region
 Hong Kong and Macao Affairs Office of the State Council
 GovHK - the one-stop portal of the Hong Kong Special Administrative Region Government
 Government of Macao Special Administrative Region, Statistics and Census Service

Figure 2 | The GBA's urban land area and population (as of the end of 2019)



Source: Government of Macao Special Administrative Region, Statistics and Census Service

Note: The policies (including but not limited to the laws, regulations, the circulars and statistic) referred in this guide are based on information publicly available as of 1 July 2021. All data are cited based on the officially released figures denominated in Renminbi and the local currencies of Hong Kong SAR and Macau SAR; the USD conversions have been calculated at the central parity rate of the interbank foreign exchange market announced by the People's Bank of China on 31 December 2020 (USD 1= RMB 6.5249) and are for reference only. Unless otherwise specified, all conversions from RMB into USD in this guide are based on this exchange rate.

1. Government of Macao Special Administrative Region, Statistics and Census Service

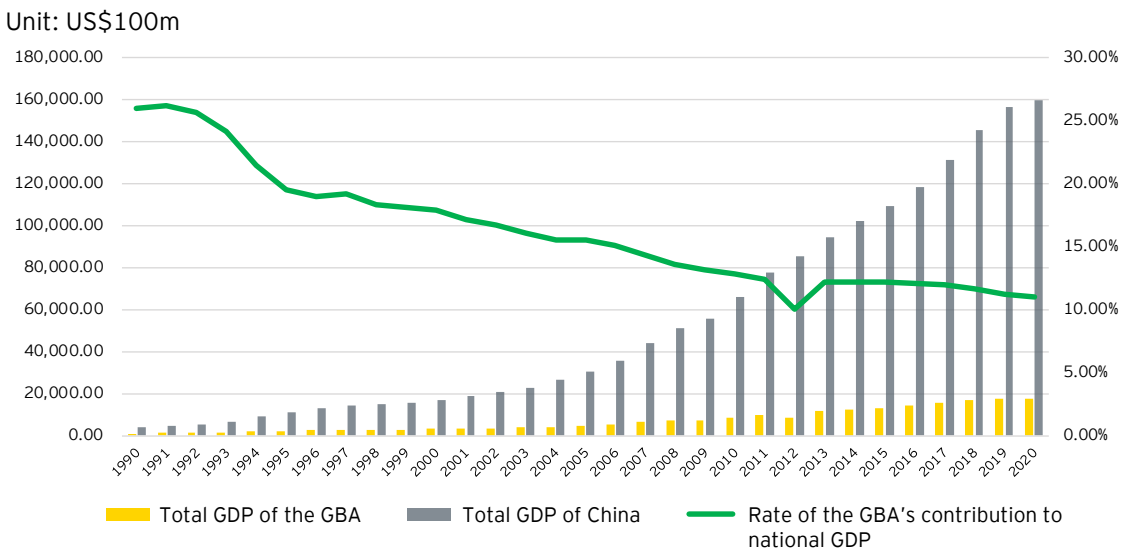
Economy of the GBA

As a key economic center of China, the cities in the GBA are major contributors to the national GDP. Data shows that the total GDP of the 11 cities rose from US\$95.99 billion in 1990 to US\$1.746033 trillion in 2020, and their total import and export value from US\$486.658 billion in 1999 to US\$2.050737 trillion in 2020.

China has seen staggering growth in its GDP over the past 20 years. In terms of economic cycles, the curve of the growth of pioneering economic regions hardly runs parallel to that of future emerging cities.

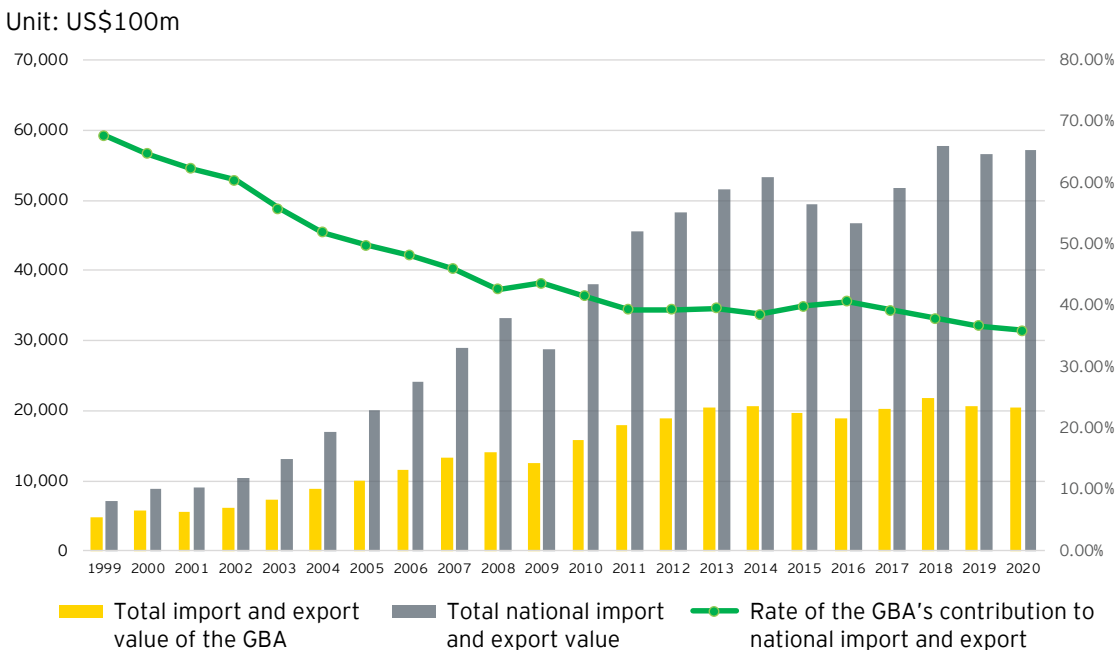
As those emerging regions in the country continue to thrive fast, it is reasonable to expect only natural that the GBA's GDP contribution in whole country-with a very high base-will drop. However, this does not mean that the momentum of the GBA's growth and its importance to the national economy have dropped; instead, it is a reflection of the rapid development of China in tandem with the GBA and signals the prosperous growth of the country as a whole. From a global perspective, the GBA is developing at a pace faster than some of the most mature economic regions in the world.

Figure 3 | The GDP of the GBA and China, and the rate of the GBA's contribution to the national GDP (1990-2020)



Source: Statistical yearbooks and officially released data for each region

Figure 4 | Total import and export value of the GBA and China, and the rate of the GBA's contribution to the national import and export value (1999-2020)



Source: Government of Macao Special Administrative Region, Statistics and Census Service National Bureau of Statistics

The GBA boasts a comprehensive development system that consolidates the key strengths and powerful synergy of industry clusters, with Hong Kong and Macau being mature hubs for the service industry and the nine Pearl River cities establishing industry models that are led by emerging strategic sectors and based on advanced manufacturing and modern services.

Figure 5 | The 2020 GDP of each city in the GBA, and the rate of their contribution to the national GDP (including Hong Kong and Macau)

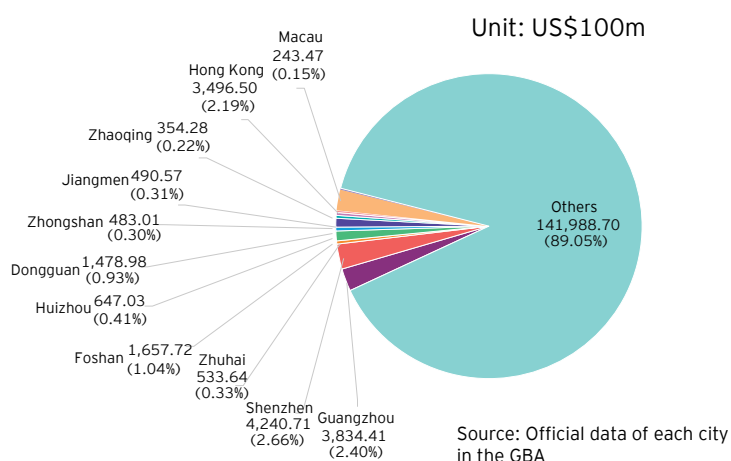


Figure 6 | Overview of pillar/traditional industries of each city in the GBA

Overview of pillar/traditional industries of each city in the GBA (examples)	
Hong Kong	Import & export trade, wholesaling and retailing, finance & insurance, public administration, social and personal services, property ownership, real estate, professional and business services
Macau	Tourism and gaming
Guangzhou	Vehicle, electronic product, petrochemical manufacturing
Shenzhen	High-tech, finance, modern logistics, cultural and creative industries
Zhuhai	Biomedical, home appliance, petrochemical, power and energy, digital information, precision machine manufacturing industries
Zhongshan	Electronic appliance, hardware and home appliance, lighting, equipment manufacturing, health care, textile and fashion
Jiangmen	Electromechanics, textile and fashion, digital information, paper and paper product manufacturing, food and beverage, building materials
Dongguan	Digital information manufacturing, electrical machinery and equipment manufacturing, textile and fashion, shoe and hat manufacturing, food and beverage processing and manufacturing, paper and paper product manufacturing
Huizhou	Digital information, petrochemical, vehicle and equipment manufacturing, clean energy
Foshan	Home appliances, furniture, ceramics, machinery and equipment, metal processing
Zhaoqing	New energy vehicles, manufacturing of advanced equipment, environmental protection

Source: Official data of each city in the GBA

Figure 7 | Industry structures of each city in the GBA (2020)

City	Primary industry (%)	Secondary industry (%)	Tertiary industry (%)
Hong Kong	0.1	6.5	93.4
Macau	0	4.3	95.7
Guangzhou	1.2	26.3	72.5
Shenzhen	0.1	37.8	62.1
Zhuhai	1.7	43.4	54.9
Jiangmen	8.6	41.6	49.8
Zhongshan	2.3	49.4	48.3
Dongguan	0.3	53.8	45.9
Dongguan	5.2	50.6	44.2
Foshan	1.5	56.4	42.1
Zhaoqing	18.9	39.0	42.1

Note: The data for Hong Kong and Macau are taken from 2019; the rest are from the official data of each city.

Note from author:

- ▶ The classification of the industries is based on the standards applied by the National Bureau of Statistics of China (likewise below)
- ▶ Primary industry: Agriculture, forestry, husbandry and fishery (not including professional and ancillary activities for agriculture, forestry, husbandry and fishery).
- ▶ Secondary industry: Mining (not including professional and ancillary activities for mining), manufacturing (not including the metal product, machinery and equipment repair sectors), the power, heat, gas and water production and supply sectors, and the construction sector
- ▶ Tertiary industry: Services, namely all sectors other than those in the primary and secondary industries

Competitiveness ranking of the GBA

In October 2020, the National Academy of Economic Strategy and the Economic Daily released China's Annual Report on Urban Competitiveness (No. 18) which covered 291 cities. The data from the report indicates that the cities with greater economic and sustainable competitiveness are concentrated in the Pearl River Delta, Yangtze Delta and Beijing-Tianjin-Hebei megalopolises etc. Out of the cities in the Pearl River Delta region, Hong Kong, Shenzhen and Guangzhou were ranked among the top ten for economic and sustainable competitiveness².

Figure 8 | Economic competitiveness ranking for cities in the GBA in 2020

City	Economic competitiveness ranking	Sustainable competitiveness ranking
Shenzhen	1	2
Hong Kong	2	1
Guangzhou	5	6
Foshan	14	16
Macau	15	19
Dongguan	19	15
Zhuhai	24	28
Zhongshan	36	23
Huizhou	51	52
Jiangmen	79	80
Zhaoqing	133	131

Source: China's Annual Report on Urban Competitiveness (No. 18)

Figure 9 | Economic competitiveness ranking of cities in 2020 (Top 20)

Ranking	City	Ranking	City
1	Shenzhen	11	Hangzhou
2	Hong Kong	12	Chengdu
3	Shanghai	13	Ningbo
4	Beijing	14	Foshan
5	Guangzhou	15	Macau
6	Suzhou	16	Changsha
7	Taipei	17	Qingdao
8	Nanjing	18	Changzhou
9	Wuhan	19	Dongguan
10	Wuxi	20	Zhengzhou

Source: China's Annual Report on Urban Competitiveness (No. 18)

Figure 10 | Sustainable competitiveness ranking of cities in 2020 (Top20)

Ranking	City	Ranking	City
1	Hong Kong	11	Wuxi
2	Shenzhen	12	Taichung
3	Taipei	13	Tianjin
4	Shanghai	14	Xiamen
5	Beijing	15	Dongguan
6	Guangzhou	16	Foshan
7	Suzhou	17	Hangzhou
8	Nanjing	18	Kaohsiung
9	Qingdao	19	Macau
10	Wuhan	20	Chengdu

Source: China's Annual Report on Urban Competitiveness (No. 18)

2. Chinese Social Sciences Net, sponsored by Chinese Academy of Social Sciences (CASS)

Besides economic and sustainable competitiveness, China's Annual Report on Urban Competitiveness (No. 18) also ranked the cities based on criteria such as local factors, living environment, physical business environment, soft business environment, and technological innovation. Among the top ten were cities from the GBA such as Hong Kong, Macau, Shenzhen, Guangzhou and Zhuhai. Specifically, Shenzhen held the top spot for local factors and economic vitality, while Hong Kong was rated as having the most resilient environment.

Figure 11 | Ranking of cities by competitiveness factors in 2020 (Top 10)

Ranking	Local factors	Living environment	Physical business environment	Soft business	Global connections	Economic vitality	Environmental resilience	Social tolerance	Tech innovation
1	Shenzhen	Taipei	Shanghai	Beijing	Shanghai	Shenzhen	Hong Kong	Taipei	Beijing
2	Shanghai	Hong Kong	Hong Kong	Hong Kong	Hong Kong	Beijing	Shenzhen	Tainan	Shanghai
3	Beijing	Tainan	Tianjin	Shanghai	Beijing	Guangzhou	Macau	Taichung	Hong Kong
4	Hong Kong	Kaohsiung	Shenzhen	Taipei	Guangzhou	Shanghai	Taipei	Xi'an	Taipei
5	Guangzhou	Taichung	Taipei	Hangzhou	Shenzhen	Zhuhai	Dongguan	Kaohsiung	Hangzhou
6	Taipei	Shanghai	Beijing	Nanjing	Hangzhou	Hong Kong	Zhongshan	Wuhan	Shenzhen
7	Chengdu	Guangzhou	Macau	Guangzhou	Tianjin	Nanjing	Hsinchu	Nanjing	Wuhan
8	Hangzhou	Hsinchu	Suzhou	Shenzhen	Qingdao	Hangzhou	Foshan	Hangzhou	Guangzhou
9	Nanjing	Macau	Wuxi	Wuhan	Xi'an	Suzhou	Xiamen	Dalian	Nanjing
10	Tianjin	Shenzhen	Guangzhou	Xi'an	Nanjing	Xiamen	Guangzhou	Suzhou	Xi'an

Source: China's Annual Report on Urban Competitiveness (No. 18)

■ City in the GBA

Based on the *Global Competitiveness Report 2019*³, the Chinese Mainland was ranked 28th among 141 economies in terms of overall score, and first for market size.

Figure 12 | Chinese Mainland's ranking for overall competitiveness and each of the twelve pillars

Performance overview		Score	Rank
Overall score		74	28
Enabling environment	Institutions	57	58
	Infrastructure	78	36
	ICT adoption	78	18
	Macro-economic stability	99	39
Human capital	Health	88	40
	Skills	64	64
Markets	Product market	58	54
	Labour market	59	72
	Financial system	75	29
	Market size	100	1
Innovation ecosystem	Business dynamism	66	36
	Innovation capacity	65	24

Source: *Global Competitiveness Report 2019* published by World Economic Forum

3. *The Global Competitiveness Report 2019*, World Economic Forum

In considering the impact of the pandemic, no competitiveness and pillar rankings were featured in the *Global Competitiveness Report Special Edition 2020*⁴. Nonetheless, the report finds that developed digital economies with effective social safety nets and health care systems are better positioned to manage the impact of the pandemic.

Figure 13 | Top 10 economies for ICT application, flexible work arrangements, digital skills and digital legal frameworks

Ranking	ICT application		Flexible work arrangements		Digital skills		Digital Legal framework	
1	Korea	93.7	Netherlands	82.7	Finland	84.3	USA	78
2	UAE	92.3	New Zealand	77.7	Sweden	79.5	Luxembourg	77.4
3	Hong Kong, China	90.2	Switzerland	75.8	Estonia	77.9	Singapore	76.5
4	Sweden	89.7	Estonia	75	Iceland	77.6	UAE	72.5
5	Japan	88.3	USA	74.2	Netherlands	77.3	Malaysia	70
6	Singapore	88.1	Luxembourg	73.6	Singapore	77.3	Estonia	69.3
7	Iceland	87.8	Mainland China	73.6	Israel	76.5	Sweden	67.9
8	Norway	84.7	Australia	72.9	Denmark	74.7	Finland	67.7
9	Qatar	83.9	Finland	72.5	Saudi Arabia	74.1	Germany	67.3
10	Lithuania	83.8	Denmark	72.4	Korea	73	Netherlands	65.5

Source: *Global Competitiveness Report Special Edition 2020* published by World Economic Forum

In general, the taxpayers, tax bases and rates for each tax category are as follows:

Figure 14 | Taxpayers, tax bases and rates for each tax category

Tax	Taxpayer	Tax base	Tax rate
VAT	Entities and individuals selling goods, providing processing and repair services, selling services, intangible assets, real estate, and importing goods in the territory of China	Sale, import of goods, providing processing and repair services, selling services, intangible assets and real estate	<ul style="list-style-type: none"> ▶ Tax rates: 13%, 9%, 6% ▶ Levy rates: 3%, 5%
Consumption tax	Entities and individuals manufacturing, contracting others to process and importing consumer goods specified under this provision in the territory of China, and other entities and individuals selling consumer goods specified by the State Council	Fifteen categories of consumer goods, including tobacco, alcohol, small vehicles and refined oil	Ad valorem, specific, or mixed tax
Vehicle purchase tax	Entities and individuals purchasing taxable vehicles in the territory of China	Purchase of vehicles, trams, trailers, and motorcycles with an engine displacement of more than 150cc	10%
Customs duty	Consignees of imported goods, consignors of exported goods, and owners of inbound items	Goods allowed to be imported into and items allowed to enter China	Ad valorem, specific, or mixed tax
Corporate income tax	Enterprises in the territory of China, including resident and non-resident enterprises	Taxable income derived by resident and non-resident enterprises	<ul style="list-style-type: none"> ▶ Resident enterprises: 25% ▶ Non-resident enterprises: 25% , 20% (reduced rate: 10%)

4. *The Global Competitiveness Report Special Edition 2020*, World Economic Forum

Tax	Taxpayer	Tax base	Tax rate
Individual Income tax	Tax resident: Individuals domiciled in China, or without a domicile but reside in China for 183 days or more in a tax year	Worldwide income	<ul style="list-style-type: none"> ▶ Consolidated income: progressive tax rates of 3%-45% ▶ Business income: progressive tax rates of 5%-35%
	Non-tax resident: Individuals without a domicile and not residing in China, or without a domicile and reside in China for less than a total of 183 days in a tax year	China-sourced income	Interest, dividends, bonuses, rentals, real property gains and incidental income: 20% proportional tax rate
Land appreciation tax	Entities and individuals obtaining income from transfers of usage rights for state-owned land, and buildings on ground and their attachments	Added value obtained from transfers of real property	Four tiers of progressive tax rates (30%, 40%, 50%, 60%)
Real estate tax	Owners of buildings in cities, counties, towns and mining zones in China	Buildings in cities, counties, towns and mining zones	<ul style="list-style-type: none"> ▶ 1.2% of the original value ▶ 12% of the rental income
Urban land use tax	Entities and individuals using land in cities, counties, towns and mining zones in China	Actual land area occupied by the taxpayer	<p>Annual tax rate per square meter:</p> <ul style="list-style-type: none"> ▶ Large cities: RMB1.5-30 (approx. US\$0.23- 4.6) ▶ Mid-sized cities: RMB1.2-24 (approx. US\$ 0.18- 3.68) ▶ Small cities: RMB0.9-18 (approx. US\$0.14- 2.76) ▶ Counties, towns and mining zones: RMB0.6-12 (approx. US\$0.09-1.84)
Farmland occupation tax	Entities and individuals occupying farmland to construct buildings or nonbuilding structures or engage in non-agricultural activities in China	Actual farmland area occupied by the taxpayer	Different tax rates based on region
Deed tax	Entities and individuals that are transferees of land-use right or ownership of real properties	Transaction price or price difference in the exchange	3%-5%

Tax	Taxpayer	Tax base	Tax rate
Resource tax	Entities and individuals mining taxable resources in the territory of China and other waters under Chinese sovereignty	Energy, metals, non-metal minerals, water and gases, and salt	Ad valorem or specific tax
Vehicle and vessel tax	Owners or managers of taxable vehicles or vessels in the territory of China	Taxable vehicles or vessels	Fixed tax rates for different ranges
Stamp duty	Entities and individuals executing and accepting taxable documents in the territory of China	Execution and acceptance of taxable documents	Proportional or fixed tax rates
City construction tax	Entities and individuals that pay VAT/CT within the territory of China	Amount of VAT and CT payable	Based on the taxpayer's location: <ul style="list-style-type: none"> ▶ Urban areas: 7% ▶ Counties and towns: 5% ▶ Others: 1%
Tobacco tax	Entities that purchase tobacco leaves within the territory of China	Purchasing value	20%
Tonnage tax	Persons in charge of the vessels entering into a port inside the territory of China from overseas	Taxable vessels	Fixed tax rates (including preferential tax rates and general tax rates)
Environmental protection tax	Enterprises, public institutions and other producers and business operators directly discharging taxable pollutants within the territory of China	Pollutants, water pollutants, solid waste and noise pollution	Fixed tax rates



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