

More than 60% of the district's taxes come from 50 large buildings



Modern-day skyscrapers attract professionals and contribute substantially to Futian district revenues.

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Local govt incentives stimulate economy

By SHI XIAOLA

The Futian district of Shenzhen, where the city government is located, will focus on its economic structure and modern service industry over the next five years, with special attention given to commercial building development.

The district government spent 350 million yuan (\$54.15 million) last year on its service economy. The figure is expected to rise up to 600 million yuan, by 2015, the end of the 12th Five-Year Plan.

And it has a number of projects to work toward that goal, which include a business complex to provide support for the district's concrete jungle, where most of the commercial buildings are located.

**600**  
million yuan

in government aid is expected to support the local service economy by 2015

**2.2**  
million yuan

in subsidies to help companies with initial public offerings on the stock exchanges at home and abroad

# High-rises help pay Futian's bills

By CHEN HONG

The office buildings rising up high above the Futian district of the southern border city of Shenzhen are more than just a bit of decoration to improve the city's skyline; they are also helping improve the service economy a lot.

And they are doing that by contributing a large chunk of the city's taxes.

One standout is the China Merchants Bank Tower, home of China's sixth largest lender. That single office building took the district prize in tax payments last year, with nearly 6.5 billion yuan.

Compared to 2008, 16 more business buildings joined the rank of big building taxpayers — each paid more than 100 million yuan (\$15.45 million) in taxes to the central and local governments — enabling the total number of the buildings to reach 50 in the area in 2010, according to district government figures.

Seven out of the buildings paid at least 1 billion yuan in taxes each. Those 50 buildings accounted for 60.5 percent of total taxes collected from the district, an increase of 58.2 percent from 2008.

There were also 33 buildings that passed the 100-million-yuan mark in both 2009 and 2010, with 2009 showing a 23.3-percent rise from 2008.

With the development of new skyscrapers in the coming years, the government of Futian district said they can comfortably forecast that tax contribution from the office buildings would keep growing and the number of the top contributors would rise from 50 to 60 by the end of this year.

According to analysts, this new way of figuring tax payments, per individual office building may more realistically reflect the situation in a district that is dedicated to corporate headquarters and modern services.

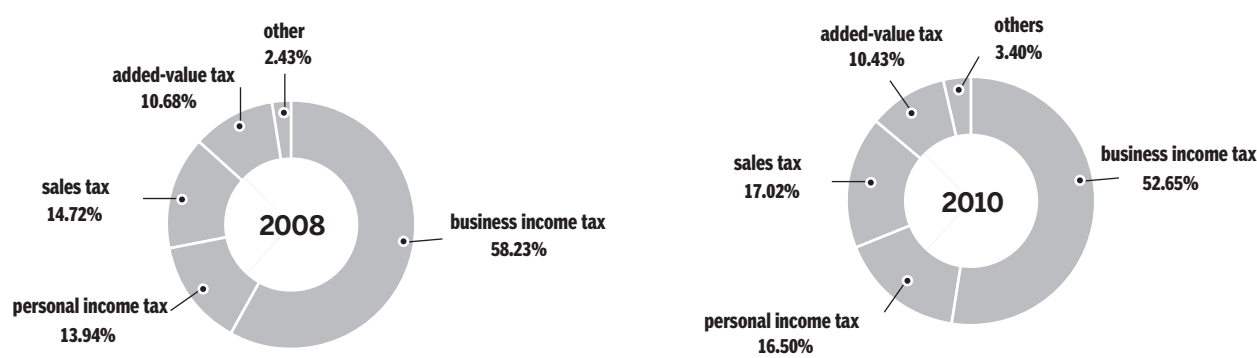
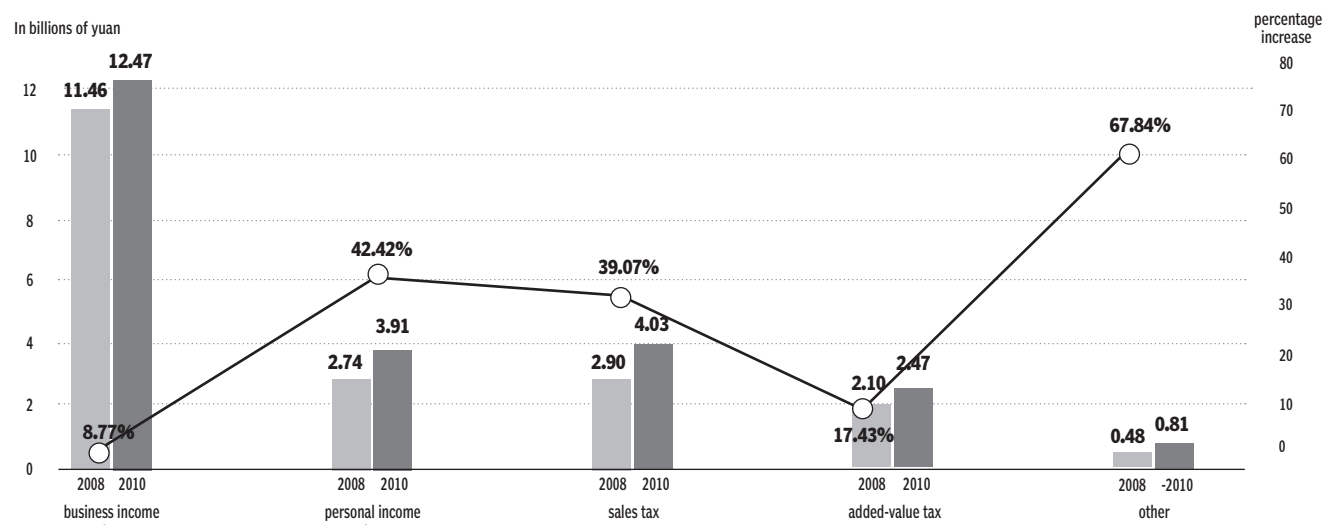
It indicates that more than half of the taxes paid by its top 50 office buildings — 17.1 billion yuan — come from business income tax, followed by sales tax, which stood at nearly 5 billion yuan.

Personal income tax came in third at roughly 4.9 billion yuan, or 15.72 percent. That was higher than value-added taxes, which amounted to around 3.1 billion yuan.

These figures obviously reflect strong performance of these corporate headquarters in general and modern service in particular, where the business is spreading outward, the analysts said.

In fact, a majority of the companies in these buildings are in the service industry — finance, retail and wholesale, information, computer

## TAXES PAID BY 34 MAJOR BUILDINGS IN THE DISTRICT



Source: Futian district government

services and software, real estate, and leasing, with finance play a leading role.

According to the district government, the top three taxpayers are the China Merchants Bank, CITIC Securities, and Ping'an Life Insurance, all in finance.

Finance, information services, computer services, and software, it appears, can be paying a bigger amount of tax with fewer companies.

In comparison, the leasing and commercial services paid the fifth largest amount of taxes, but also accounted for the largest number of companies by category.

Companies in this area are small to medium-size and have room to grow, the local government has explained.

These high-rises are also a gathering place for professionals and talented people; one example of that being the China Merchants Bank Tower.

About 56 percent of its people have a university education, and 27.5 percent have a master's degree. Their average income last year was 173,100 yuan.

### Commonalities

The analysts have found that the top 50 office buildings have at least four things in common:

First, high yields of taxes per

square meters, high rents, and low resource use.

- they cover an area of about 500,000 sq m, which means 63,100 yuan in taxes per sq m, last year, and 95.4 times the district average; the China Merchants Bank Tower paid about 630,000 yuan per sq m in taxes, or 957 times the district average.

- 35 of the top 50 are above 99 percent occupancy year round, with monthly rents running at 150 yuan per sq m on average.

- they contribute to the thriving of the surrounding area and stimulate the commerce and consumer spending there.

- they used 469 million kilowatt-hours of electricity last year, or just 7.5 percent of the district's total; water use stood at less than 9 million tons, or a mere 2.9 percent of the district's total.

Second, the modern service industry plays a significant role.

Of the 1,394 major tax payers in the top 50 office buildings, 840, or 60 percent, are in modern services, and paid 24.6 billion yuan in taxes, or 80 percent of all taxes paid by the buildings' occupants.

About 72 percent of the modern service industry taxes came from finance, but the number of financial companies accounted for just 23.3 percent of the total corporate taxpayers. Analysts have also found

that securities businesses accounted for 40 percent of the finance business' taxes.

Third, the corporate headquarters showed strong performance.

About 62 percent of the taxes from the top 50 office buildings last year came from 105 corporate headquarters, amounting to around 19.4 billion yuan.

The China Merchants Bank paid 4.1 billion yuan in taxes, accounting for 63 percent of the tower's total taxes. The Galaxy Development Center, another member of the top 50, which is occupied entirely by the Ping'an Group, a leading financier, taxes amounted to more than 1 billion yuan.

Fourth, all industries in the same office building develop, no matter what their size.

Funds, technology, information, knowledge, and talent in one particular industry are attracted by major companies.

The China Merchants Bank Tower, for example, has an assortment of financiers in the securities business and insurance companies who have come to take advantage of the convenient services of the building's main resident, the China Merchants Bank.

Meanwhile, at the Jiangsu Tower, which has two leading securities companies — China Merchants and Zhongshan — there is a group of

venture capital companies, investment companies, accounting firms, and law firms. The building's taxes went over 1 billion yuan last year, up 70 percent from 2008.

### Increased efforts

The Futian district government has said it will do its best to promote an "office building economy" under the 12th Five-year Plan (2011-2015), for a more robust, efficient economy.

To better help modern services and corporate headquarters, its plans call for an additional 5 million sq m of commercial space in the 2010-to-2015 period, which would bring the total to 270 million sq m.

Companies in business buildings are expected to contribute 80 percent of the district's tax revenue in five years, a considerable increase over the current 60.5 percent

Projected added-value figures for modern industry in the district are an annual rate of 10.39 percent, to 193 billion yuan, by 2015, accounting for at least 70 percent of the district's GDP. That would be up from 64.25 percent in 2010.

The district government is also looking for four to five new investment projects, annually, from the world top 500 companies. It expects the number of corporate headquarters in the district to increase by 30, year-on-year from the 238 of 2010.

The companies the district is looking for are in the finance business, modern logistics, service outsourcing, exhibitions, and creativity. They are being encouraged to set up headquarters in the district, and this comes with a set of incentives to stimulate interest.

The district government has as much as 2 million yuan in subsidies for anyone who introduces major modern services projects. Anyone key firm setting up corporate HQ in the district qualifies for the same incentive.

Any company recognized by the government who sets up HQ here, along with major logistics and technology-service companies will be given a subsidy of as much as 1 million yuan.

Those who contribute a considerable amount of taxes also qualify for a subsidy of as much as 3 million yuan.

Individual business owners who contribute a large amount to taxes can get a subsidy of up to 1.5 million yuan. Property management companies also qualify for a subsidy of up to 1 million yuan.

But modern service industry and corporate HQ are not the only ones getting local government support, it also goes to companies that get listed or make technological improvements or expand.

Companies with an IPO on the domestic or foreign stock exchanges can get up to 2.2 million yuan in subsidies. Financial institutions that provide innovative services for companies in the Futian district will qualify for a 1-million-yuan award.

Companies in modern services or whose corporate HQ are making a technological or information-oriented upgrade, there is a maximum of 1 million yuan available. And those investing overseas will qualify for awards as well.

Finally, corporate HQ and modern service companies involved in major domestic and international trade events organized by the Futian district will have their exhibition setup costs, as well as promotional and staff costs, covered by the government.

There are ancillary subsidies as well. For example, there is as much as 3 million yuan available for property owner who rent out an office building instead of selling it outright.

Anyone who uses more than 60 percent of a new commercial office building that he or she has built, can qualify for a 1-million-yuan award.

Any agency that has contributed by introducing modern service companies, will qualify for up to 600,000 yuan in subsidies.

To top it all off, there will be 900 apartments available for companies in the modern service industry or for corporate HQ, every year. Other related support facilities such as health care and education are expected to follow.