



**CHINA • ISRAEL**  
CHANGZHOU INNOVATION PARK



## CHINA-ISRAEL CHANGZHOU INNOVATION PARK (CIP) INITIATIVE: SUPPORT PACKAGE FOR ISRAELI COMPANIES

*OVERVIEW OF INCENTIVES & GUIDELINES FOR ISRAELI COMPANIES  
PARTICIPATING IN THE CHINA ISRAEL CHANGZHOU INNOVATION  
PARK OF CHINA*

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In case of contradiction or inconsistency between the English and the Hebrew versions of these guidelines, the English version shall prevail. In case of contradiction or inconsistency between any version of these guidelines and the Procedures of the Israel Innovation Authority for implementation of the CIP Initiative, the Procedures of the Israel Innovation Authority will prevail.

# Glossary of Terms

Term	Definition
Changzhou West Taihu Lake Science and Technology Industrial Park	A national industrial park in Changzhou City, PRC, which receives the support of the Ministry of Science and Technology and the government of the Jiangsu Province.
Israel Innovation Authority	<p>The Leading agency for promoting economic prosperity through technological innovation in Israel. The Israel Innovation Authority was formally established on January 2016.</p> <p>The Israel Innovation Authority replaces both the Office of the Chief Scientist (OCS) of the Ministry of Economy &amp; Industry, as well as MATIMOP – The Israeli Industry Center for R&amp;D.</p>
OCS	The Office of the Chief Scientist in the Ministry of Economy and Industry in Israel, which is in charge of the execution of government policy for support of industrial R&D. The Office of the Chief Scientist has been replaced by Israeli Innovation Authority since January 2016.
MATIMOP	<p>MATIMOP is the executive agency of the Office of the Chief Scientist (OCS) of the Israeli Ministry of Economy, responsible for promoting industrial R&amp;D cooperation between Israeli and foreign companies through partner-matching and access to funding.</p> <p>MATIMOP has been replaced by Israeli Innovation Authority since January 2016.</p>
CIP/Park	China Israel Changzhou Innovation Park.
CIP initiative	The China-Israel Changzhou Innovation Park initiative. It is a bi-national governmental initiative that provides a unique platform for Israeli industrial companies seeking to enter the Chinese market.
CIP Admin Office	The Administrative Office of CIP which is responsible for providing all-around assistance and professional services to Israeli Companies

	and their WFOEs. This office will work in coordination with the Israel Innovation Authority.
WFOE	Wholly Owned Foreign Enterprise under the laws of PRC.
Israeli Company	A corporation that is incorporated in the State of Israel, acting by the laws of the state of Israel, which is engaged in research and development for the creation of products, which the center of its business and scientific-technological activities is in Israel, and which have filed an application to participate in the CIP Initiative.
Israeli WFOE	The WFOE that will be established by the Israeli Company in the Park.
Participation Agreement	A definitive agreement to be signed by the Israeli Company and the Administrative Office of China Israel Changzhou Innovation Park with respect to all the incentives that the Israeli WFOE can enjoy. After an Israeli WFOE is established, the Israeli WFOE will sign a joinder to the Participation Agreement to join Park.
PRC	The People's Republic of China
SIPO Jiangsu	Intellectual Property Bureau of Jiangsu Province.
SIPO CIP	The Intellectual Property Office of CIP.
NMPA	National Medical Products Administration.
VAT	Value-added Tax.
CIT	Corporate Income Tax.
IIT	Individual Income Tax.
IP	Intellectual property.

# Joining CIP: An Invitation to Israeli Companies

In seeking to promote long-term business partnerships between Israeli and Chinese companies and create support mechanisms for Israeli Companies seeking to successfully penetrate the Chinese market, the Israeli Ministry of Economy (MOE), the Ministry of Science and Technology of the People’s Republic of China (MOST), and the People’s Government of the Jiangsu Province signed an agreement in May 2014 aimed at promoting the activities of Israeli Companies in national innovation parks throughout China.

To compliment this initiative and to serve as a pilot for the campaign, an MOU was signed between the Changzhou Municipal Government, the Changzhou West Taihu Lake Science and Technology Industrial Park (formerly "Changzhou International Innovation Park") and MATIMOP-The Israel Industry Center for R&D in May 2014, agreeing to encourage Israeli entities to participate in the China Israel Changzhou Innovation Park through a number of unique incentives and benefits available especially to Israeli Companies. Since 2019, the administration level of the park is upgraded and will report directly to Changzhou Municipal Government.

The China-Israel Changzhou Innovation Park initiative is a bi-national governmental initiative that provides a unique platform for Israeli industrial companies seeking to enter the Chinese market. CIP provides Israeli Companies the opportunity to establish headquarters in the China Israel Changzhou Innovation Park and receive a unique



incentive package and professional services to help them overcome barriers and succeed in China with the support of the Park’s facilities and its dedicated staff. Israeli WFOEs that join CIP will receive access to unique grants and financial incentives, discounted office space and facilities (manufacturing space, laboratories, workshops), assistance in protecting intellectual property, support in hiring high-quality local labor, subsidies for equipment, attractive loans, assistance with permits and licenses, logistic management and other services intended to reduce the time and investment needed to penetrate the Chinese market.

Israeli Companies can apply for this initiative by reading the guidelines and submitting a request to the Israel Innovation Authority (The new Authority replaces both OCS and MATIMOP). Requests will be approved based on a professional assessment, and subject to the terms and conditions detailed hereunder and under the Procedures of the Israel

Innovation Authority for implementation of the CIP Initiative. Following approval, the Israeli Company will be able to negotiate with park management in the framework of pre-agreed conditions.

# About the China Israel Changzhou Innovation Park

## *Your Gateway to China*

The Park is located in the city of Changzhou in the main industrial hub of the Jiangsu province, bordering the provincial capital of Nanjing to the west, Wuxi to the east, and the Zhejiang province to the south. With a specific focus on China-Israel cooperation, the Park provides government guidance and support, decreasing the barriers and risks for Israeli Companies seeking to enter the Chinese market. With abundant resources and excellent services, the Park offers Israeli Companies a soft landing in China.

## *About the Jiangsu Province*

Jiangsu is a province of the People's Republic of China, a 102,600 sq. km area located along the east coast of the country. With a population of 80 million, Jiangsu is a hot-spot for economic development and is one of China's most prosperous provinces with a GDP of \$1.405 trillion (2019). Jiangsu Province is a pioneer in terms of cooperation between Israel and China, having been the first province to sign a bilateral R&D cooperation agreement with Israel in 2008.

## *About Changzhou City*

Changzhou, nicknamed the Dragon City, is situated in the prosperous Yangtze River Delta, about 1 hour away from Shanghai and from Jiangsu's capital city of Nanjing. The city is divided into one administrative, county-level city – Liyang and 5 districts – Wujin, Xinbei, Tianning, Zhonglou, and Jintan. The entire city covers 4,385 sq. km and has a population of 4.6 million. The city boasts economic and cultural prosperity, with a GDP of \$104.5 billion in 2019. Over 70,000 industrial enterprises call the city home, of which over 8,000 are foreign-invested.

## *About China Israel Changzhou Innovation Park*

China Israel Changzhou Innovation Park is located in Changzhou Science and Education Town. The 1st phase occupies 22 hectares, and 2nd phase will be enlarged to 5.22 square kilometer. CICP is the first cooperation park by government of China and Israel. We have introduced 90 Israeli to enter Chinese market and helped 24 Israeli companies to cooperating with Chinese partners and investors.

## Incentives for Israeli WFOEs

Israeli WFOEs that join the Park are eligible to receive a number of unique benefits and incentives, detailed in the pages that follow. Please note that these incentives are available only to Israeli Companies that:

- (1) Meet the eligibility requirements;
- (2) Complete and submit an application form to the Israel Innovation Authority;
- (3) Sign a disclaimer and commitment letter;
- (4) Successfully pass a professional screening and evaluation process by the Israel Innovation Authority;
- (5) Receive approval by the Israel Innovation Authority & Park;
- (6) Sign a Participation Agreement with the Admin Office of CIP in mutually acceptable form.
- (7) Register a WFOE in the Park and obtain a business license of the WFOE.

Subject to the aforesaid, the Israeli WFOE shall have access to the below listed incentives, including:

- Financial support
- Facilities and equipment
- Tax incentives
- Human resources
- Consulting and support services
- Access to the Israeli Center

Each Israeli Company will be offered a tailored and unique incentive package based on its needs and following negotiations with the Park.

### ***Please note:***

**! The Israeli WFOE shall not be required to remain in the Park for any specific period of time. The total amount of Financial Support (excluding loans) and Human Resource incentives that each Israeli WFOE will be granted from The Park shall not exceed RMB 1,600,000 (1.6 Million RMB).**

**! All incentives and benefits to be granted by the CIP as set forth herein shall be granted by the Park. The incentives with respect to the sections of Facilities and Equipment, Tax Incentives and Consulting and Support Services (as defined below) are not included in the said amount of RMB 1,600,000 (1.6 Million RMB).**



## Financial Support

The financial support available includes the following:

- **Grants:** Each eligible Israeli WFOE will receive a one-time general grant of 300,000 RMB
- **Awards:** Israeli WFOEs that meet the below criteria will receive the following awards:
  - Israeli WFOEs will be entitled to apply for additional award of 300,000RMB to the most from Changzhou Science and Technology Bureau.
  - Israeli WFOEs that demonstrate a shift from R&D and sales-oriented activities to - manufacturing activities may be eligible for a one-time 300,000 RMB award from Park.
  - Israeli WFOEs, if authorized as a “High-Tech Enterprise” according to the rules and regulations of the People's Republic of China (**PRC**), may be eligible for a one-time 100,000 RMB award from Park.
  - Israeli WFOEs with authorized domestic or foreign patents registered following their entry to the Park may be eligible for a one-time 20,000 RMB award from Park for each patent.
- **General Loan:** An Israeli WFOE commencing manufacturing activities is eligible to receive a one-time loan from the Park and/or its affiliates or other financial institutions at the market interest rate according to conditions stipulated by Park and its affiliates. The total amount of such loans shall not exceed fifty percent (50%) of the Israeli WFOE's registered capital and is limited to a maximum total amount of USD 1,000,000 (One Million U.S Dollars). The detailed terms and conditions of the Loan shall be according to the relevant Loan agreement between the Israeli WFOE and relevant lenders.

## Human Resources

**Talent Subsidy for Israeli Employees:** Each Israeli employee working for the Israeli WFOE for more than six months on a yearly basis and receiving Foreign Expert Certificate, will receive a subsidy of 50,000 RMB annually.

**Talent Subsidy for Chinese Employees:** Each of the full-time Chinese employees of the Israeli WFOE will receive the following benefits:

- Each Chinese employee with a PHD degree employed by the Israeli WFOE will receive a one-time subsidy of RMB 80,000 within five years (RMB 16,000 per year).
- Each Chinese employee with a Master's degree employed in the R&D or the technology innovation department of the Israeli WFOE will receive a one-time subsidy of RMB 60,000 within five years (RMB 12,000 per year).

**Talent Subsidy Fund:** Park will further provide a 100,000 RMB general subsidy to the Israeli WFOEs for their daily operation and provides 50,000 RMB to the Israeli WFOE as accommodation subsidies for its employees. Both subsidies will be on a one-time basis.

## Facilities and Equipment

- **Office Space and Production Facilities:** Based on the needs of the Israeli WFOE, Park will provide the Israeli WFOES free office space and production facility space for the first two years after entering the Park and will also provide a discount of 50% on the monthly rent for the following three years. Office space will include basic equipment and facilities (such as but not limited to electricity, telephone interface, internet interface, lights and air-conditioning). Cost of utilities (such as water and electricity) and management fees will be paid by the Israeli WFOE. Office space can be shared or be separated based on the needs of the Israeli WFOE and each office space is a minimum size of 50 sq. meters. The rent of the office space provided by Park will not be higher than the market price which will be updated in accordance with the prevailing market rates by Park annually.

Facility	Rental (RMB/sqm/month)	Management Fee (RMB/sqm/month)
Office - (Israel Center)	30	3
Workshop	20	3

*\*Detailed information as for additional charges such as elevator and electricity transformer charge will be listed in the Participation Agreement between the Israeli Company and the Admin Office of CIP.*

*\* Please note the terms and conditions of renting office spaces and production facilities shall be determined by detailed lease agreements between the Israeli WFOEs and Park/affiliates of Park.*

- **Accommodations for Employees:** Based on the needs of the employees of the Israeli WFOE, Park will provide accommodations based in the dormitory area within the Park at preferential rates. The accommodations include (1) a one-room apartment with an independent washroom and (2) a two-room apartment with an independent washroom. (Rent is around USD100-300 per month per apartment according to the size and format). The tenants can choose to share an apartment with others or live by themselves.
- **Equipment subsidy:** Israeli WFOE that will invest in production lines will receive a one-time subsidy from Park by way of reimbursement to the Israeli WFOE of an amount calculated as a fixed percentage of the purchase price of the applicable production equipment. Such subsidy is applicable for equipment that is purchased by the Israeli WFOE within a period of twelve (12) calendar months from the date that the Israeli WFOE purchases its first manufacturing equipment. Subsidy is at the rates set forth below, subject to (1) such equipment has been actually installed within the Park (2) all invoices related to such equipment have been submitted to Park within 30 (thirty) business days following the end of the aforementioned 12 calendar months.
- The aggregate reimbursement is limited to RMB 5 million subject to the following rates:

- Reimbursement rate of 2% if the purchase price of the equipment is greater than 1 million RMB and less than or equal to 2 million RMB
- Reimbursement rate of 3% if the purchase price of the equipment is greater than 2 million RMB and less than or equal to 4 million RMB
- Reimbursement rate of 4% if the purchase price of the equipment is greater than 4 million RMB and less than or equal to 6 million RMB
- Reimbursement rate of 5% if the purchase price of the equipment is greater than 6 million RMB

***Please note:***

**! If the Israeli WFOE ceases all its operations within CIP prior to the expiration of 5 years from the date of receipt of its business license, then the Israeli WFOE shall repay the Park the amount of the said subsidy it actually received prior to ceasing its operations, as aforesaid.**

## Tax Incentives

- **Corporate Income Tax:** Park will reimburse the Israeli WFOE 100% of the local Corporate Income Tax (“CIT”) for the first two years from the first year that the Israeli WFOE generates profits, and 50% of the tax from the third year to the fifth year thereafter. Such reimbursement shall be effected only when Park receives such reimbursement from the local taxation bureau.
- **Individual Income Tax:** Park will provide a 100% rebate of the local Individual Income Taxes (IIT) for the first three years, for all Israeli and Chinese employees (including part time employees) of the Israeli WFOE.

### *Please note:*

1. All the tax exemptions and reductions are from the local portion of the tax, which will be kept in the Park.
2. Tax rate will be adjusted according to the change of national policy.
3. The main tax in China is CIT, VAT and IIT.  
For VAT (Value-add Tax), the tax rate is from 6%-17%, which depends on the Israeli WFOE’s main business. Most of the VAT will go the central government, so there are no local incentives to VAT tax rate.

## Consulting & Support Services

### The Administrative Office of the China-Israel Changzhou Innovation Park:

The development of the CIP initiative has been highlighted as a top priority by the Ministry of Economy and Industry of Israel, The Ministry of Science and Technology (MOST) of the Government of the People's Republic of China, the Jiangsu Province and Changzhou city.

In order to promote the cooperation and development of the Park and set it up as the PRC's leading international innovation park, the Administrative Office of CIP ("**CIP Admin Office**") was officially set up on December 28, 2015. Since 2019, the administration level of the park is upgraded and will report directly to Changzhou Municipal Government.

The CIP Admin Office is responsible for providing all-around assistance and unique professional services to Israeli WFOEs. CIP Admin Office will work in coordination with the Israel Innovation Authority. The CIP Admin office is the administrator of the Israel Center in the Park and will provide Israeli WFOEs with professional one-stop shop services, as fully detailed below. CIP Admin Office will also provide advice and assist Israeli Companies and their WFOEs in dealings with various governmental authorities during their daily operations at the Park.

The service department that has been set up in the CIP Admin office is responsible for receiving and handling all service requirements of the Israeli Companies and their WFOEs, whereas such requirements are within the scope as listed on the Professional Service List below.

CIP Admin Office will be dedicated to providing comprehensive administrative services to the Israeli WFOEs. These services include but are not limited to intellectual property services conducted by senior officers from governmental intellectual property department, as well as services of the National Medical Products Administration ("**NMPA**") conducted by senior officers from NMPA Jiangsu Province.

***The Office Hours of the CIP Admin Office are as following:***

**Visiting hours:**

9:00 to 17:00 Monday to Friday (excluding public holidays in PRC)

**Telephone:** 86-519-86361673

9:00-17:00, Monday to Friday (excluding public holidays in PRC)

**Contact People:**

**Mr. Wang Yang (Lawrence) – Deputy Chief (presiding) of Innovation Industrial Development Division**

China-Israel Changzhou Innovation Park

E-mail: [lawrencewang@cipcz.com](mailto:lawrencewang@cipcz.com)

**Mr. Wang Xiang (Terry) – Deputy Chief of Innovation Industrial Development Division**

China-Israel Changzhou Innovation Park

E-mail: [terrywang@cipcz.com](mailto:terrywang@cipcz.com)

**Ms. Chen Lijin (Lise) – Senior Manager of Innovation Industrial Development Division**

China-Israel Changzhou Innovation Park

E-mail: [lise.chen@cipcz.com](mailto:lise.chen@cipcz.com)

**Mr. Kevin Jing (Kevin) –Senior Manager of Innovation Industrial Development Division**

China-Israel Changzhou Innovation Park

E-mail: [jingsh@cipcz.com](mailto:jingsh@cipcz.com)

**Ms. Ruby Lu (Ruby) –Senior Manager of Innovation Industrial Development Division**

China-Israel Changzhou Innovation Park

E-mail: [lub@cipcz.com](mailto:lub@cipcz.com)

***Emails will be replied to from Monday to Friday excluding during public holidays in PRC***

### Professional Service List:

- **Support for Company Registration:** With the support of the Industry and Commerce Bureau and Environment Protection Bureau in Wujin District and in Changzhou city, CIP Admin Office can provide Israeli WFOEs with a one-stop shop and free-of-charge services for company registration. Professional staff will be assigned to assist with the establishment of the Israeli WFOEs (including but not limited to providing assistance in preparing documentation, filing applications, and submitting and obtaining the business license). Follow-up support services, such as opening bank accounts, will also be provided by CIP Admin Office upon the request of the Israeli Companies.
- **Intellectual Property ("IP") Consulting and Service:** Israeli WFOEs will receive free consulting services from governmental institutions with respect to IP issues. Israeli WFOEs also can get access to resources available to address IP issues from a dedicated IP agency for Israeli hi-tech projects based in the Park, including the following:
  1. Duly authorized support by the Intellectual Property Bureau of Jiangsu Province ("**SIPO Jiangsu**")
  2. CIP has made the Park the pilot area of IP protection and cooperation between PRC and Israel. Being managed by a professional agency, the Intellectual Property Office of CIP ("**SIPO CIP**") will offer comprehensive PRC IP related consultation services in all aspects including but not limited to IP creation, utilization, IP transfer management and protection, etc.
  3. SIPO CIP will provide guidance to Israeli WFOEs regarding IP protection in the PRC. SIPO CIP will also cooperate with third party professional service providers in offering comprehensive IP professional services, such as IP related legal services.
  4. SIPO CIP will regularly organize free lectures and events on Chinese IP utilizations and protections.
  5. SIPO CIP has maintained a works closely with Changzhou Intermediate Court and Wujin District Court. The IP Circuit Court of Changzhou Intermediate Court and the IP Circuit Court of Wujin District Court were established in the Park in order to assist in legal enforcement issues and to improve the effectiveness of local courts.



6. Any duly authorized and valid patent registered in PRC will be protected by SIPO CIP and SIPO Jiangsu in accordance with the laws and regulations of the PRC.
  7. SIPO CIP will make the best efforts in assisting Israeli WFOEs in any IP disputes within Jiangsu Province. Meanwhile, for cross provincial IP disputes encountered by Israeli WFOEs, SIP CIP will look at its connections and network to assist Israeli WFOEs within SIPO CIP's abilities.
- **Partner Matching Services:** CIP initiative provides services for Israeli innovative companies seeking to penetrate the Chinese market also by providing partner matching services. The Park will use its vast networks in order to assist in presenting the Israeli companies to relevant Chinese companies and investments entities.
  - **Marketing Services:** Israeli WFOEs can receive free-of-charge marketing management and general marketing consulting, as well as other services provided by governmental institutions, such as but not limited to services provided by various industry associations and chambers of commerce, in order to help Israeli WFOEs successfully enter the PRC market. Other marketing services such as advertising exhibitions, online marketing, telephone marketing and e-commerce platforms, will be provided by professional third-party service providers that are partners of CIP.
  - **Support for NMPA Approval Process:**  
Biotech and medical device Israeli WFOEs can get general assistance and guidance in preparing the approval process under the National Medical Products Administration (“NMPA”) through the NMPA branch in Changzhou. Jiangsu MPA founded an audited Administrative Office in CIP (“**NMPA Administration Office**”). With the help of CIP staff and with the officers from the NMPA Administration Office, the application time and costs for Israeli WFOEs can be reduced. It is worth noticing Class I and Class II medical device certifications can be approved at the provincial level of the Jiangsu Province. However, most Class III medical device certifications can only be approved at the national level according to the relevant laws in PRC. If Israeli WFOEs need outsourcing services in NMPA certificates application, CIP is willing to recommend professional service providers to the Israeli WFOEs.

For any other Israeli WFOE that may need to have NMPA certifications other than the aforementioned medical device certifications, general consultation and guidance will also be available from the CIP Admin Office.

- **Support for Work Visas:** Israeli employees of the Israeli WFOEs can receive assistance from the CIP Admin Office in the application process for work visas. With the support of the Human Resource and Social Security Bureau of Jiangsu Province and Changzhou city, CIP Admin Office can provide complete services to Israeli WFOEs to apply for work visas for their employees.

*\*\*The Chinese government will not charge for working visas.*

- **Recruiting Services:** Israeli WFOEs can receive assistance from the CIP Admin Office in recruitment of Chinese professional and general staff. For Israeli WFOEs, publishing recruitment information in the major recruitment websites in Changzhou City is free of charge. According to the Israeli WFOEs' recruitment needs, the CIP Admin Office will liaise and cooperate with local universities to organize relevant campus recruitment events.

In additional to the aforementioned services, the CIP Admin Office will also make its best efforts to assist Israeli WFOEs in equipment procurement, accommodation arrangement and other matters upon the request of the Israeli WFOEs.

For all the services as mentioned above, relevant governmental charges and taxes should be undertaken by the Israeli WFOEs.

All the aforementioned consulting services that are to be provided by the CIP Admin Office, SIPO Jiangsu, SIPO CIP and the other governmental institutions set forth above shall be provided free of charge. All the aforementioned services to be provided by professional firms and agencies shall be subject to the payment of service charges, the detailed of which will be provided by the applicable service provider to the Israeli WFOEs.

## Expert Team

### 1. Investment



**Mr. Zhang Jiang Managing Director**

**PingAn Venture**

**GUOXIAOYU672@pingan.com.cn**

### 2. Law and IP



**Mr. Fu Chong**

**Managing Director**

**Jiangsu Paiting Law Firm**

**fuchong@paitinglaw.com**

### 3. CFDA Application



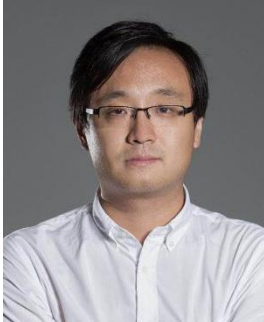
**Mr. Zhang Huiliang**

**Director**

**CFDA bureau of Wujin District, Changzhou City**

**jiangyt@jswez.com**

#### 4. Human Resource



**Mr. Ray Wang**  
**General Manager**  
**Changzhou Industrial Incubator**  
**ray.wang@ci3incubator.com**

#### 5. Industrial Manufacturing



**Mr. Ilan Maimon**  
**Founder and Managing Director**  
**Changzhou Industrial Incubator and HeyCafe Ltd**  
**ilan@heycafe.cn**

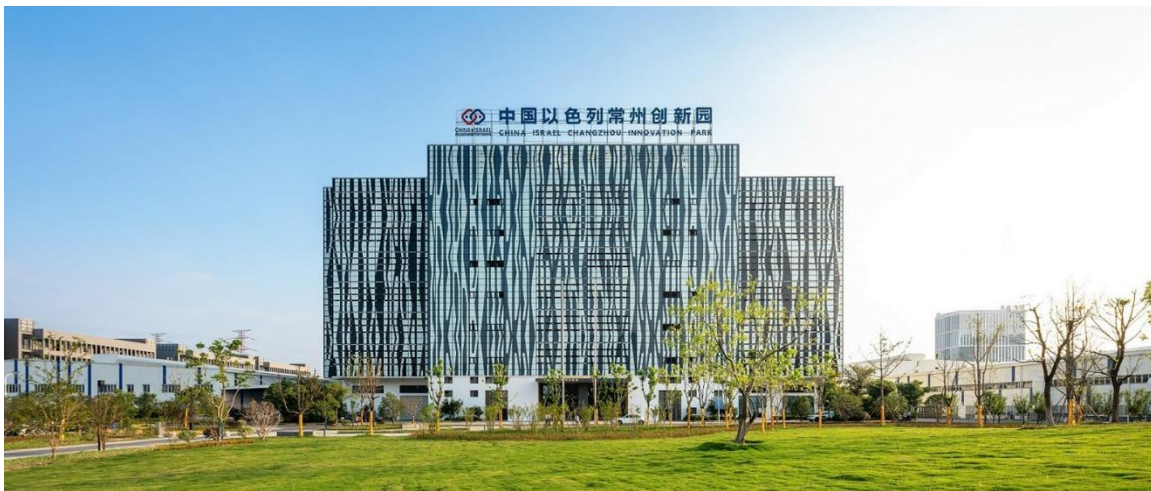
#### 6. Accounting

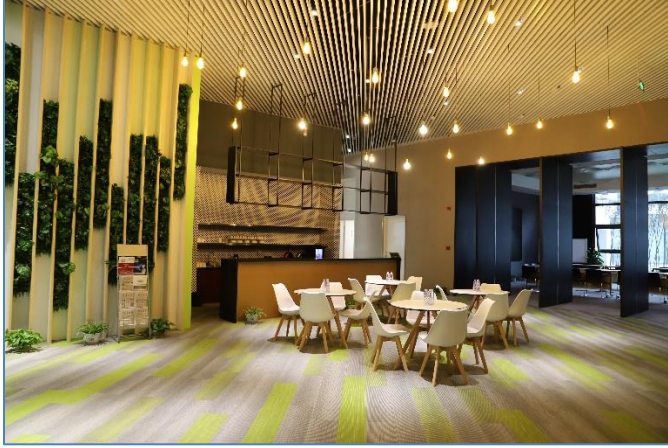


**Ms. Xu Wengao**  
**Managing Director**  
**Yigao Accounting Ltd**  
**421751839@qq.com**

## Israeli Center

Israeli employees of the Israeli WFOEs and their families will have access to a center devoted exclusively to the Israeli community, which provides cultural activities and support services through the CIP Admin Office located at the Israeli Center. The Israeli Center is located in the Changzhou Science&Education Town and takes up an area of 2200m<sup>2</sup>. The Israeli Center includes a High-Tech exhibition area, Israel culture and tourism showrooms, conference rooms, coffee bar, business center, and Israel-imported food shop.





# Requirements and Obligations

## **Basic Criteria:**

**Israeli Companies applying for the China-Israel Changzhou Innovation Park initiative should meet all the criteria listed below:**

1. Israeli registered company operating in Israel for at least 18 (eighteen) months.
2. The applicant complies with the requirements of the Encouragement of Industrial Research and Development (Conditioning of Approvals - Minimum Salary) Regulations, 2011.
3. The Israeli Company does not have a restricted bank account, nor is in the process of bankruptcy, reorganization etc. and does not have unpaid debts to the Ministry of Economy and Industry, the Israel Innovation Authority or the Israeli tax authorities
4. The Israeli Company has at least one product/service/technology/industrial process, existing or in its final development stages (the “**Applicant’s Activity**”), that is well defined under its application, and which the Israeli Company wishes to insert the Chinese or global market by participating in the CIP Initiative.
5. Israeli Companies from all technology fields are eligible to apply, except for those listed as "restricted" or "prohibited" in the "Catalogue for the Guidance of Foreign Investment Industries" under Chinese regulations (see below)
6. The Israeli Company demonstrates sufficient financial stability that allows it to conduct the Applicant’s Activity.
7. The Israeli Company has proven business and marketing abilities that evidence his ability to perform the Applicant’s Activity.
8. The Applicant’s Activity has economic potential in the Chinese and/or in the global markets.
9. The Israeli Company's participation in this initiative and the establishment of a WFOE by it is expected to demonstrate an economic yield both to Israel (beyond the economic yield only to the Israeli Company) and China.
10. The Israeli Company's participation in this initiative is expected to demonstrate an economic yield to the Israeli Company.

## **Eligible Industry Sectors**

According to the Catalogue for the Guidance of Foreign Investment Industries (Amended in 2018), as long as the business scope of Israeli Companies is not in the prohibited list as more fully described below, in principle, all Israeli industrial research and development oriented enterprises, R&D service-oriented and manufacturing enterprises, can apply for this incentive program.

As the Park is located in the Tai Lake Basin, it implements strict environmental protection policies. Thus the Park will no longer introduce any new project in chemical Industry or other manufacturing enterprises which will produce polluting materials including but not limited to sewage, waste and noise emissions in the production process. Thus enterprises engaging in aforementioned business activities shall consult with the Israel Innovation Authority prior to their applications for their eligibility to enter the Park.

The Catalogue for the Guidance of Foreign Investment Industries can be amended from time to time by the National Development and Reform Commission (NDRC) in China, so applicants should check the most updated version of the Catalogue [online](#) as reference.



# How to Apply? The Process in Israel

Israeli Companies interested in joining CIP and receiving the outlined benefits should first apply through Israel Innovation Authority. Please follow the instructions below in order to apply. Application forms are available online, on the Israel Innovation Authority's website at: [Click Here](#)

For questions, please contact:

Israel-China Collaboration Manager

Asia-Pacific Department

International Collaboration Division

Email: [APAC@innovationisrael.org.il](mailto:APAC@innovationisrael.org.il)

## *Steps in the Application Process*

### 1. Application Submission & Disclaimer Signing

- The Israeli Company should fill out and submit the following:
  - Application Form (which includes the incentive package checklist).
  - Disclaimer.
  - Authorized Signature Declaration.
  - Declaration and Request Concerning Regulations for the Encouragement of Industrial Research and Development (Conditioning of Approvals - Minimum Salary), 2011.
  - Commitment Letter.
- Provide a list of required financial documents for the financial stability evaluation.
- All forms available online at: [Click Here](#)
- The Israeli Company should submit the application via email to [APAC@innovationisrael.org.il](mailto:APAC@innovationisrael.org.il)

**! Please note - A full application must contain all these documents**

### 2. Application Documents' Approval & Park Approval

- The Israel Innovation Authority will have an initial screening to verify the application meets the basic required criteria and is complete.

- In case of any problems, the Israel Innovation Authority will contact the Israeli Company and request for complementary material according to the instructions.
- The Israel Innovation Authority will advise with the CIP Admin team to make sure that applicants' technology fields do not contradict Chinese law as for prohibited activities.

### 3. Evaluation & Decision

- The application will be evaluated by the Israel Innovation Authority's professional evaluators, who will make a recommendation for each application. If complementary material is needed, the evaluators are entitled to contact the Israeli Company to ask for additional information.
- The evaluation conducted by professional evaluators from the Israel Innovation Authority may include a visit and an interview at the Israeli Company's offices/facilities.

**The screening will include a financial stability evaluation. Therefore, applying Israeli Companies will have to provide the following documents as an integral part of their application:**

- a. Audited financial statements for the two years prior the application to CIP initiative; if the previous year audited financial statements have not yet been prepared, please send the up-to-date trial balance for previous year.
- b. Current year trial balance and details of bank balances as of today.
- c. Details of share capital, by class (authorized, issued and paid-in), and of shareholders (name, class, percentage of holding).
- d. An up-to-date statement from The Registrar of Companies.
- e. A listing of key personnel, including education, background and proven business capability.
- f. Details of related companies (subsidiaries, sister companies, the parent company).

- g. Details of the company's business, including the field of activities and the services and/or goods it is expected to supply.
  - h. Details of potential customers on the Chinese market and of demand for the company's products on that market.
  - i. Details of volume of investment and raising of capital so far, in Israel and elsewhere.
  - j. Projected cash flows for the current year and the one to follow, including the volume of investment and raising of capital.
  - k. Full details of the proposed project/activity and the volume of resources to be allotted to the project, including the separation of the project from the other activities of the company.
  - l. Up-to-date cards of account (including opening balances) of the shareholders' equity of the company and the related companies.
  - m. Lawyers letter regarding legal claims, including details thereof.
  - n. Investment agreements and/or documents pertaining to investments anticipated during the R&D period.
  - o. Undertaking of foreign shareholders to conform to the provisions of the Encouragement of Research, Development and Technological Innovation in Industry Law, 5744-1984.
  - p. Details of any prior assistance received from the OCS or the Israel Innovation Authority.
  - q. A Lawyers confirmation of signatory rights in the company.
- The financial stability evaluation will be conducted in parallel to the evaluation by the Israel Innovation Authority's professional evaluator.

- The application, including the evaluators recommendations, will be reviewed by a research committee of the Israel Innovation Authority who will make a final decision regarding the acceptance or rejection of the application.

#### **4. Notification to Approved Applicants & Introduction to the Park**

- After approving the application, Israel Innovation Authority will notify the Park team regarding the approval and ask for approval letter.
- After receiving Park approval, the Israel Innovation Authority will send the Israeli Company a signed notification by email informing the Israeli Company of the acceptance into CIP and introducing the Israeli Company to the contact person/team of Park.
- The Park team will then begin negotiating with the applicant regarding its incentive package and Participation Agreement.
- As long as it operates within the framework of the Park, an approved applicant shall submit to Israel Innovation Authority every six months from the signing date of the Participation Agreement, reports, in a format published by the Israel Innovation Authority from time to time, in connection with, inter alia, the incentive package of the approved applicant and his activity in the Park.
- In addition, an approved applicant shall deliver to the Innovation Authority any information as requested by the Israel Innovation Authority resulting from its participation in the CIP Initiative within 14 days of such request by the Israel Innovation Authority.

#### **5. Negotiations between Park and Applicant on Final Incentive Package**

- Upon receiving a positive reply to join CIP Initiative, the Israeli Company and Park can negotiate on any terms or conditions for the Israeli Company to join the Park. Such terms and conditions are included in the following documents:
  1. A Participation Agreement
  2. The incentives package (to be included in the appendix of the Participation Agreement)
- The Israeli Company should carefully review the Participation Agreement and the proposed incentives package and then inform Park if there is any outstanding issue or any additional request.

#### **6. Signing the Participation Agreement**

- Once there is mutual consent on the incentive package and the terms, the Israeli Company should sign a written Participation Agreement with the Admin Office of CIP Park. This Agreement will detail the specific benefits, the timeline and the payment terms to be received by the Israeli WFOE. The Participation Agreement

should be signed prior to the Israeli Companies' activity in the Park and should be signed within three months from the day that the Israeli Company receives a signed notification from the Israel Innovation Authority confirming its eligibility of joining CIP. The Israeli Company, with the support of the CIP Admin Office, should begin its preparation to join the Park.

- An approved applicant shall send to Israel Innovation Authority a copy of the Participation Agreement within 14 days from his signature.
- It is hereby clarified that the Park will send the Innovation Authority, from time to time, information as requested by the Israel Innovation Authority, regarding, inter alia, the package of incentives of the Israeli Company and its activity in the Park.
- It is hereby clarified that the Israel Innovation Authority is not a party to the negotiations between the Israeli Company and the Park or to any agreement, if any, between the Israeli Company and the Park or any other entity.
- The Israel Innovation Authority shall not have any responsibility on the establishment of WFOE by an applicant, the package of incentives agreed upon by an approved applicant and the Park or any other entity, the negotiations between the approved applicant and the Park or any other entity including the failure of such negotiations, the Participation Agreement or any other aspect of the relationship and activity between the approved applicant and the Park or any other entity.

## **7. Rejection Notification**

Israeli Companies not recommended to join CIP will receive an email notice from the Israel Innovation Authority regarding the rejection, including a brief explanation for the negative decision.

## Registration a WFOE

### What is a WFOE?

A wholly foreign-owned enterprise (WFOE) is a company established in mainland China according to PRC laws and wholly owned by one or more foreign individuals or companies. A WFOE is a limited liability company, meaning that the liability of its shareholders is limited to the assets they brought to the business. Unlike the simpler representative office setup which is subject to a number of limitations, a WFOE can make profits, issue tax invoices in RMB to its customers, which is crucial since invoices are the basis for obtaining tax deductions in mainland China. A WFOE can also convert RMB profits to foreign currency for remittance outside of mainland China. Compared to a joint venture, a WFOE provides the foreign investor the sole control of its operations in mainland China without the need to deal with a domestic partner, thus allows for greater freedom and independence, and provides better protection of intellectual property. A WFOE can also hire local and foreign staff directly, without having an obligation to use services from employment agencies.

### What are the different types of WFOEs?

A WFOE can operate manufacturing operations (**Manufacturing WFOE**), retailing, wholesaling, trading and franchising operations (**Trading WFOE or Foreign-invested Commercial Enterprises (FICE)**) and consulting services (**Consulting WFOE**). While all three share the same legal structure, they differ significantly in terms of setup procedures, costs and the range of commercial activities in which they are allowed to engage. Trading WFOEs and Manufacturing WFOEs must derive the majority of their revenue from their main business (trading, product sales and related service), but can also provide associated services. Meanwhile, some Service WFOEs can also deal with trading activities related to their services (e.g. Training companies also can sell related training books). When applying to set up a WFOE, the WFOE's business scope must be specified in the application itself. The business scope is a short description of the business activities in which the WFOE will engage, and will appear on the WFOE's business license. Note that the WFOE can only conduct business activities within its business scope and any amendment to the business scope require further application and approval. The CIP Admin Office can advise which type of WFOE setup is the most suitable for Israeli Companies.

## What rights and obligations does a WFOE have in PRC?

1. The rights enjoyed by a WFOE are mainly in the following aspects:
  - 1.1. Right to operate and make production and operating plan independently. A WFOE has rights to independently formulate its own production and operating plan and to execute such plans within the its approved business scope;
  - 1.2. Right of financing. A WFOE can obtain loans from financial organizations within mainland China, as well as from overseas (including from the WFOE's overseas parent company), and to use such funds at its disposal subject to certain legal limitations of laws and regulations in PRC.
  - 1.3. Right of procurement. A WFOE enjoys the right to purchase required machinery equipment, raw material, fuel, parts and components, means of transport, etc independently in PRC or from overseas;
  - 1.4. Right of products selling. A WFOE can independently sell its products ;
  - 1.5. Right of utilizing foreign currencies. A WFOE enjoys the right to utilize foreign currencies according to the applicable laws and regulations. The profits, dividends, royalties and assets following liquidation of the WFOE can be repatriated out of mainland China according to the relevant PRC laws and regulations. The salary and other income of foreign staffs can also be repatriated out of mainland China following the payment of individual income tax and in according the relevant Chinese laws and regulations.
  - 1.6. Right of employment. A WFOE enjoys the right to directly employ their employees and to determine the employment terms and conditions in accordance with the local and national laws and administrative regulations in PRC.



2. The obligations of WFOEs are mainly in the following aspects:

WFOEs must undertake the following obligations in order to enjoy their rights:

- 2.1. To comply with laws and administrative regulations in PRC and not to harm the social public interest of China;
- 2.2. To abide by their signed agreements in accordance with laws and regulations;
- 2.3. To abide by the Chinese taxation laws and regulations and to pay the applicable taxes;
- 2.4. To accept the management and supervision of relevant government authorities in PRC.
- 2.5. To undertake any other applicable obligations set out in the Chinese law and administrative regulations.

### ***Facilities Allocation***

Park will allocate the appropriate plant/office to Israeli Companies according to their detailed requirements. A lease agreement will be signed between the Israeli WFOE and the plant/office provider, which will include the detailed leasing terms of the plant/office.

### ***Company Operation***

The Israeli WFOE shall start operation after the registration. The Israeli WFOE shall operate in accordance with laws and regulations in PRC and pay relevant taxes. The Israeli WFOE must meet the requirement of fire prevention, environmental protection and safety production during its operation. The Israeli WFOE shall pay its water, electricity and other utility fees directly to the relevant utility companies.

Looking forward to receiving your application

CIP Team - China-Israel Changzhou Innovation Park initiative



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