HAINAN FREE TRADE PORT

Annual Business Report 2025

The Closure Year: Opening a Free Trade Port to the World

Understanding the policy, tax and compliance shifts reshaping entity management, accounting, HR and fund structuring for investors entering Hainan.

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Corporate Secretarial · Accounting & Tax · HR & Payroll · Trust & SPV Management

Contents

Foreword

2025 was the year Hainan stopped talking about becoming a free trade port and started operating as one.

On 18 December 2025, China brought the whole island under "closure" — island-wide independent customs operations built on a simple principle: open front line, controlled second line, free movement within the island. Zero-tariff coverage of imported goods jumped from roughly a fifth to around three-quarters of all categories overnight. For the investors, fund managers, family offices and operating companies we work with, this was not a policy announcement to file away. It was a change to how business actually gets done — how an entity is registered, how its books are kept, how its people are paid, and how its capital moves in and out.

This report is our attempt to make sense of that shift. We built hainaninc.com to do for Hainan what a small number of specialist firms already do for the world's other complex jurisdictions: translate the fine print of company law, tax policy and employment regulation into something a finance director or general counsel can act on. This first annual report sets out what changed in 2025, what it means across the four areas of business administration we handle every day, and what we expect 2026 to bring.

We hope it is useful, and we would welcome the chance to discuss what any of this means for your business specifically.

— The hainaninc.com team

Introduction

About this report

Hainan Free Trade Port (Hainan FTP) is China’s most ambitious open-economy project since the Shenzhen Special Economic Zone of the 1980s. Since the Overall Plan was published in June 2020, the province has been building toward one defining milestone: island-wide independent customs operations, commonly referred to as "closure" (封关运作). That milestone arrived on 18 December 2025.

This report looks at what the 2025 closure means in practice for companies setting up, running and financing operations in Hainan, organised around the four service lines that make up hainaninc.com’s business: corporate secretarial and entity management; accounting and tax compliance; HR, payroll and employer-of-record services; and trust, fund and SPV structuring. It draws on published policy from Hainan provincial authorities, the General Administration of Customs, and the State Council Information Office, supplemented by our own advisory experience on the ground.

About Hainan Free Trade Port

Hainan is an island province off China’s southern coast, positioned by Beijing as a global free trade hub by 2035. Its policy framework rests on six pillars: trade liberalisation, investment liberalisation, free and convenient cross-border capital flow, transport connectivity, freedom of movement for people, and secure and orderly flow of data. The industrial base it is built around — tourism, modern services, high-technology industry and tropical agriculture — sits behind the tax and customs incentives described throughout this report.

About hainaninc.com

hainaninc.com provides corporate secretarial and entity management, accounting and tax compliance, HR/payroll and employer-of-record, and trust and SPV administration services to companies, fund managers and family offices entering the Hainan Free Trade Port. As the island moves from incentive design to daily execution, our role is to keep clients compliant and eligible for the benefits they came for, while we handle the paperwork.

Hainan Free Trade Port — 2025 at a glance

The table below summarises the headline figures behind 2025 — the policy milestones, trade metrics and investment data that frame the rest of this report.

Milestone	
Island-wide independent customs operations ("closure") launched	18 December 2025
Zero-tariff coverage of imported goods (by category)	~74%, up from ~21%
Zero-tariff tariff lines covered	~6,600, up from ~1,900
First-tier ("front line") ports	8
Second-tier (mainland-facing) ports	10
Actual foreign capital utilised, 2025	RMB 25.1bn (~US$3.61bn), +19.9% y/y
Outbound investment growth, 2025	+20.7% y/y ($3.62bn)
Average annual FDI growth, 2021–2025 (14th Five-Year Plan)	+16.7% per year
Source countries/regions for inbound investment	180
New market entities registered, 2025	290,400 (incl. 170,200 new enterprises)
New foreign-funded enterprises registered, 2025	2,507, +20.99% y/y
Offshore duty-free sales, 2024	RMB 30.94bn, -29.3% y/y
Corporate income tax, encouraged industries	15% (vs. 25% standard national rate), through 31 Dec 2027
Individual income tax cap, eligible talent	15%, through 31 Dec 2027

Figures on foreign and outbound investment are Hainan provincial totals for the 2025 calendar year; the average annual FDI growth figure covers the 2021–2025 planning period. Zero-tariff coverage and port figures describe the customs regime introduced with the 18 December 2025 closure. Tax rates reflect the incentive policies in force as of this report and currently scheduled to run through 31 December 2027.

Reading the 2025 numbers

Investment: two consecutive years of acceleration

Hainan's headline investment figures for 2025 were not an isolated spike. Inbound FDI grew 19.9% year on year and outbound investment grew 20.7% — both comfortably ahead of the 16.7% average annual growth rate Hainan posted across the whole 2021–2025 planning period. In other words, 2025 accelerated an already-fast five-year trend rather than reversing or merely matching it.

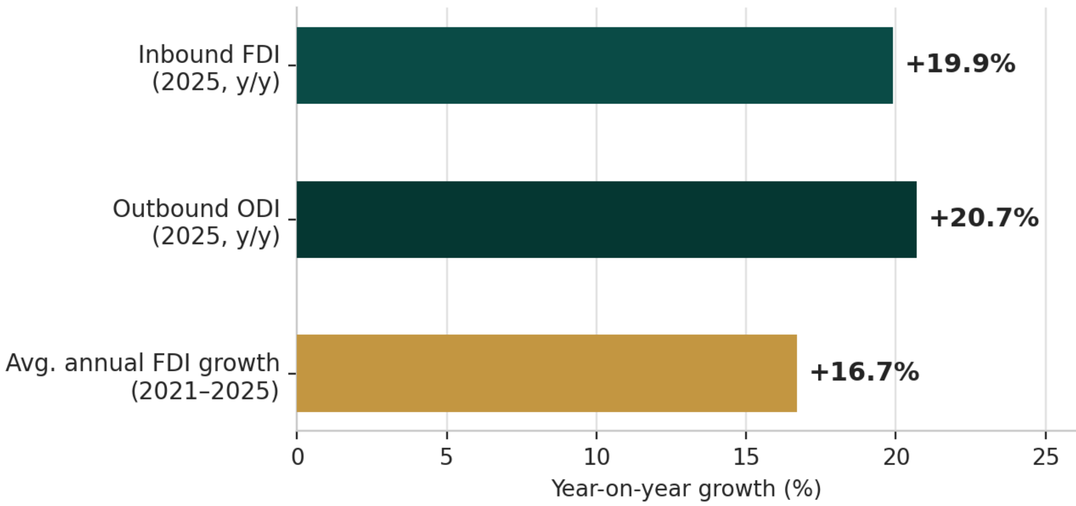

Figure 1: Hainan investment growth, 2025 vs. the 2021–2025 average. Source: Hainan Provincial Department of Commerce, via Global Times, Jan 2026.

Flagship arrivals gave the percentages a face in 2025: Siemens Energy and Swire Coca-Cola both landed projects in Hainan during the year, and the province welcomed its first wholly foreign-owned hospital. Provincial officials describe 2025 as a year of "quantity and quality" gains in two-way investment — the growth was not confined to any single sector.

Offshore duty-free retail: a five-year stress test

Hainan's duty-free retail sector is the clearest available proxy for consumer-facing business conditions on the island, and its five-year track record is a useful reminder that "opening up" does not move in a straight line. Sales surged 103% in 2020 and a further 83% in 2021 as domestic shoppers, unable to travel abroad, redirected luxury spending to Hainan. A strict COVID lockdown in Sanya interrupted that growth in 2022. Sales rebounded 25.4% in 2023, then fell 29.3% in 2024 to RMB 30.94 billion, as outbound Chinese travel resumed (up 67.8% year on year, per the China Tourism Academy) and stricter enforcement curbed bulk "daigou" resale purchasing.

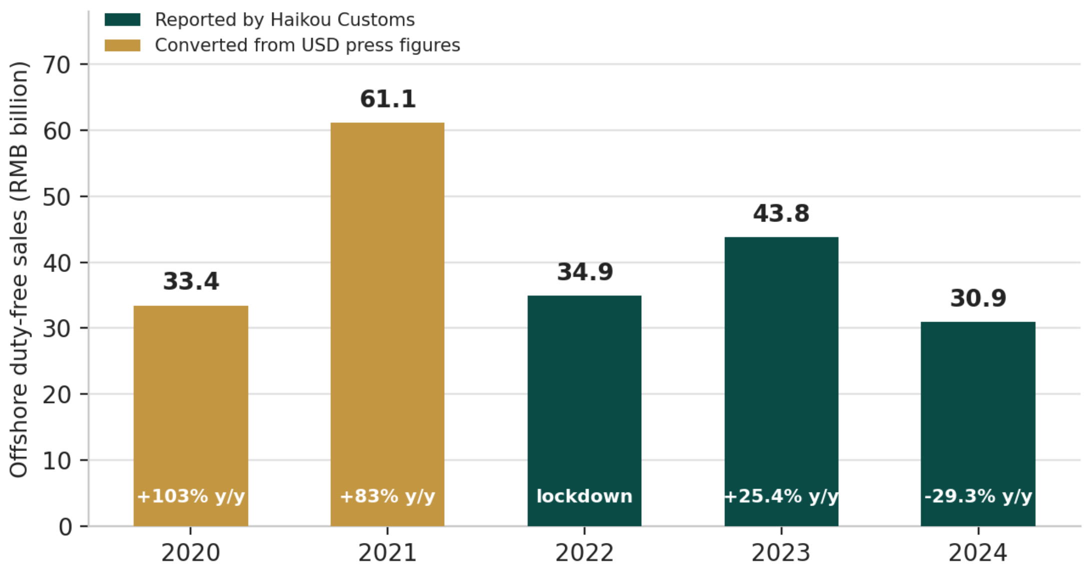

Figure 2: Hainan offshore duty-free sales, RMB billion, 2020–2024. Sources: WWD (2020–21, converted from USD); Haikou Customs via dfnionline and Vino Joy News (2022–24).

The first data under the new island-wide regime suggests a possible turning point: from November 2025 to April 2026, under a revised policy that widened duty-free categories from 45 to 47 and extended tax refunds to selected domestic goods, Haikou Customs recorded RMB 22.22 billion in sales over six months, with passenger trips up 22.6% and items sold up 9.4% year on year. Total value for the period runs below the 2023 peak, but the volume metrics — trips and items — are both growing again after two straight years of decline, consistent with the customs authority's expectation that the island-wide bonded zone model will eventually extend duty-free-equivalent treatment well beyond the traditional offshore shops.

Registration: a wall of paper hitting the counter

The clearest signature of closure is what it did to new company formation. The table below separates the full 2025 calendar year from the narrower, more dramatic window immediately after the 18 December launch, since the two are measuring different things: overall momentum across the year, versus the immediate shock of the new regime. A single hotline at the government service centre was fielding more than 100 consultation calls a day in the weeks after closure, according to customs officials — a proxy for demand that the registration statistics alone do not capture.

Metric	Period	Figure
New market entities registered	Full year 2025	290,400 (incl. 170,200 new enterprises)
New foreign-funded enterprises registered	Full year 2025	2,507, +20.99% y/y
New foreign-funded enterprise growth	First month post-closure	+13% y/y (preliminary)
New foreign trade entities registered	Closure launch–10 Jan 2026 (~24 days)	4,709
Cumulative registered foreign trade entities	As of mid-Jan 2026	Surpassed 100,000

The defining moment: island-wide customs closure

For most of its history as a free trade port, Hainan operated a patchwork of zero-tariff lists, bonded zones and pilot policies layered on top of China’s normal customs border. On 18 December 2025 that patchwork was replaced with a single, island-wide customs boundary governed by one rule: goods, capital and people move freely within Hainan; movement across the "second line" into the rest of mainland China remains controlled and subject to duty.

In practical terms, eight first-tier ("front line") ports now handle qualified imports arriving from overseas, while ten second-tier ports manage goods subsequently moving from Hainan into the mainland. Zero-tariff coverage of imported goods jumped from around 21% of categories to roughly 74%, spanning approximately 6,600 tariff lines, up from about 1,900 previously.

> *“The barrier to registering a company in Hainan has almost disappeared. The real work now is proving, quarter after quarter, that the business still qualifies for the incentives it registered for.”*

— hainaninc.com corporate services team

The effect has been immediate and measurable. Hainan’s actual use of foreign capital reached RMB 25.1 billion (approximately US$3.61 billion) in 2025, up 19.9% year on year, while outbound investment from the province grew 20.7%. New market entity registrations accelerated sharply in the months following the closure, and foreign-funded enterprise formation followed the same trajectory. For a jurisdiction that spent five years building policy infrastructure, 2025 was the year that infrastructure went live.

Four pillars of doing business in Hainan

Closure changes something in each of the four areas of business administration that a company operating in Hainan has to manage. The rest of this report walks through each in turn: what changed in 2025, what it means operationally, and what we expect going into 2026.

Pillar	What it covers
01 Corporate Secretarial & Entity Management	Company/branch registration, licensing, registered address and agent services, ongoing statutory filings, encouraged-industry qualification tracking
02 Accounting & Tax Compliance	Bookkeeping, monthly/annual tax filings, CIT incentive qualification, VAT and customs-linked accounting, audit coordination
03 HR, Payroll & Employer of Record	Payroll processing, social insurance administration, work permits, individual income tax filings and talent-incentive applications
04 Trust, Fund & SPV Structuring	QFLP/QDLP fund and SPV formation, family office and trust structuring support, cross-border capital flow administration

01 Corporate secretarial & entity management

Registration volumes tell their own story. Hainan added 290,400 new market entities in 2025 as a whole, including 170,200 new enterprises, and full-year new foreign-funded enterprise registrations reached 2,507, up 20.99% year on year — before the 18 December closure even took effect. In the roughly three weeks immediately after closure, a further 4,709 new foreign trade entities were registered and cumulative registered foreign trade entities in the FTP passed 100,000 (see "Reading the 2025 numbers" for the full breakdown). Setting up a company in Hainan has rarely been faster.

The trade-off is that speed at registration has shifted the compliance burden downstream. Qualifying for the 15% preferential corporate income tax rate requires a business to be registered and substantively operating in Hainan, drawn from the province’s encouraged industries catalogue, and to derive at least 60% of its main business income from those encouraged activities. That is not a one-time test at incorporation — it is an ongoing evidentiary burden that has to be tracked, documented and defended year after year.

For groups running multiple Hainan entities alongside mainland or overseas affiliates, this also raises questions of corporate structure: which entity holds which licence, how intercompany arrangements are documented, and how registered agents and statutory filings are kept current as the encouraged-industries catalogue itself continues to evolve.

> *“Registering the company is the easy part now. The entities that get into trouble are the ones that treat their incentive qualification as a box ticked at day one, instead of a status that has to be actively maintained.”*

— hainaninc.com corporate services team

02 Accounting & tax compliance

Hainan's tax offer is often marketed as a "dual 15%": a 15% corporate income tax rate for qualifying encouraged-industry enterprises, against a 25% standard national rate, paired with a 15% cap on individual income tax for eligible talent. Both incentives are currently legislated to run through 31 December 2027.

Closure adds a customs dimension on top of the tax dimension. Zero-tariff treatment applies to goods that stay within the island's "front line" — the moment goods cross the controlled second line into the mainland, ordinary duties and import VAT can apply. For any business importing goods, components or equipment into Hainan, that means bookkeeping now has to cleanly separate goods and income streams that qualify for zero-tariff and 15% CIT treatment from those that do not, with records that will support both a tax audit and a customs declaration.

In practice this raises the bar on management accounts, not just statutory ones: finance teams need monthly visibility into the income-mix test behind their CIT rate, and into which inventory has crossed which line, well before the annual filing season makes it unavoidable.

How Hainan's CIT rate compares

Hainan is not the only Chinese zone offering a 15% corporate income tax rate for qualifying enterprises — Qianhai, Hengqin and Shanghai's Lingang New Area all offer comparable headline rates. What differentiates Hainan is the combination: the 15% CIT sits alongside the 15% individual income tax cap and, since December 2025, an island-wide zero-tariff customs regime that none of the mainland zones below can match.

Zone	Preferential CIT rate	Incentive window
Hainan Free Trade Port	15%	1 Jan 2020 – 31 Dec 2027
Qianhai (Shenzhen)	15%	1 Jan 2014 – 31 Dec 2027
Hengqin (Guangdong–Macao)	15%	No stated expiration for qualifying enterprises
Shanghai Lingang New Area	15% (key industries only)	Ongoing, industry-scoped

> *"The 15% rate is real, but it is not automatic. We spend more time helping clients build the evidence trail for their 60% income test than we do on the tax return itself."*

— hainaninc.com accounting & tax team

03 HR, payroll & employer of record

The 15% individual income tax cap is one of the most attractive talent incentives in mainland China, but it comes with real qualification hurdles: an individual must either be formally recognised as talent by Hainan's talent authorities, or earn at least RMB 300,000 in FTP-sourced income during the tax year, and generally must have spent an aggregate of 183 days in Hainan within that year. Applications require supporting documentation and sign-off from the provincial human resources and social security department — this is an HR administration process, not just a payroll setting.

Social insurance obligations apply uniformly across Hainan; being inside the free trade port does not reduce an employer's standard pension, medical, unemployment, work-injury and maternity insurance contributions. Employers of staff from the eleven countries with bilateral social security exemption agreements can apply for partial relief from pension and unemployment contributions, provided the employee holds a valid Certificate of Coverage from their home country.

Two further shifts are worth tracking into 2026. First, foreign employees are moving away from physical work permits toward an electronic social insurance card accessed via mobile app, which will change how HR teams verify and manage foreign staff status. Second, regulators have tightened scrutiny of employer-of-record and "outsourced accounting" style arrangements: an EOR structure now needs to be genuinely employer-led — real HR management, not a payroll pass-through — to withstand review.

> *"Clients often come to us assuming an EOR arrangement is just a payroll wrapper. Under current scrutiny, it has to look and function like real employment — that is the difference between a structure that holds up and one that does not."*

— hainaninc.com HR & payroll team

04 Trust, fund & SPV structuring

Hainan's Qualified Foreign Limited Partner (QFLP) and Qualified Domestic Limited Partner (QDLP) programmes remain the province's main conduits for cross-border fund capital. QFLP allows foreign investors to participate in domestically focused equity and venture funds; several well-known private equity and venture managers, including Sequoia Capital, ZhenFund and BOCOM International, have established QFLP vehicles on the island. QDLP runs the other direction, allowing approved foreign asset managers — among the first cohort were KKR, IDG Capital, Primavera Capital, Everbright and Ping An Trust — to raise onshore capital for offshore investment strategies, within a quota that has been expanded over successive rounds.

The structuring economics are attractive relative to other Chinese jurisdictions: a QDLP special-purpose vehicle can be capitalised with as little as RMB 2 million in registered capital and, in many cases, share staff and a registered address with its parent manager. That lowers the cost of standing up a compliant structure, but it also means the substance behind that structure — governance, decision-making, and genuine local presence — is exactly what regulators will look at first if the arrangement is ever challenged.

For family offices and private wealth structures more broadly, Hainan's direction of travel — freer cross-border capital flow, a maturing fund ecosystem, and a tax regime built for high-end talent — makes it an increasingly credible base, though the trust and family-office regulatory framework here is still younger and less tested than in established centres such as Hong Kong or Singapore.

> *"A light-touch SPV is not the same as a substance-free one. The clients who get the most out of QFLP and QDLP are the ones who treat Hainan as a genuine operating base for the fund, not just a registration address."*

— hainaninc.com trust & fund structuring team

Summary and 2026 outlook

2025 was Hainan's closure year: the year the free trade port stopped being a set of incentives on paper and became a single, operating customs and investment regime. Registration volumes, foreign capital inflows and outbound investment all accelerated sharply once the 18 December closure took effect, and the zero-tariff and preferential tax framework behind it is now legislated through the end of 2027.

Across all four pillars, the same pattern recurs: the barrier to entry has fallen, and the burden of proof has risen. Entities are easier to register but harder to keep qualified; the CIT rate is generous but conditional on an income-mix test; the IIT cap is real but administratively gated; QFLP and QDLP structures are cheap to stand up but expected to show genuine substance. Businesses that treat 2025's incentives as a one-time qualification event, rather than an ongoing compliance programme, are the ones most likely to lose them.

Going into 2026, we expect three things: continued normalisation of the post-closure surge in registrations as the initial wave of entrants settles in; closer scrutiny of encouraged-industry and substantial-operation claims as tax authorities catch up with 2025's registration boom; and further incremental expansion of QFLP/QDLP quotas as Hainan competes for fund capital against Qianhai, Hengqin and Hong Kong. Our recommendation to any business already in Hainan, or weighing entry, is the same: audit the evidence behind whatever incentive you are relying on now, before an authority asks you to produce it.

Methodology

This report was compiled by the hainaninc.com advisory team from publicly available sources, including the Hainan Provincial People's Government (en.hainan.gov.cn) and its Provincial Market Supervision Administration, the General Administration of Customs of the People's Republic of China and Haikou Customs, the Hainan Provincial Department of Commerce, and reporting from CGTN, Global Times, China Briefing, Asia Times, Vino Joy News, ECNS (China News Service) and other industry publications, alongside our own advisory experience with clients operating in Hainan. Investment, tax and registration figures reflect the 2025 calendar year unless otherwise labelled; duty-free retail figures for 2020–2024 are as reported by Haikou Customs, with 2020–2021 converted from originally reported US dollar figures; post-closure figures cover the period from 18 December 2025 through the most recent data available at the time of writing (May–June 2026). Where a figure is estimated or converted rather than directly reported, this report labels it as such.

This report is provided for general informational purposes only and does not constitute tax, legal, accounting or investment advice. Policies referenced here, including tax incentives and quotas, are subject to change by Hainan and national authorities. Readers should seek independent professional advice, including from hainaninc.com, before acting on any matter discussed in this report.

About hainaninc.com

We make Hainan simple.

hainaninc.com provides corporate secretarial and entity management, accounting and tax compliance, HR/payroll and employer-of-record, and trust, fund and SPV administration services for companies, fund managers and family offices entering the Hainan Free Trade Port.

As Hainan moves from incentive design to daily execution, we help clients turn the free trade port’s tax and trade advantages into operating reality — registering entities, keeping books, running payroll and structuring vehicles — so our clients can focus on their business, not the paperwork.

To discuss what this report means for your business, get in touch at hainaninc.com.