China announces new measures to boost service outsourcing

BEIJING, Feb. 2 (Xinhua) -- The Chinese government announced on Monday it will give tax breaks and subsidies to encourage the growth of service outsourcing nationwide.

The details to boost the development of service outsourcing were outlined in a document drafted by the Ministry of Commerce (MOC) and approved by the State Council, China's Cabinet.

Service outsourcing allows companies to transfer service operations to professional providers so that they can focus on their core business. A service outsourcing company helps its clients manage business operations, such as information technology, training, logistics and advertising.

The document said that 20 cities, including Beijing, Shanghai, Xi'an, Suzhou and Hangzhou, have been designated for pilot service outsourcing programs. Beginning Jan. 1, these companies are eligible for tax breaks, financial support, subsidies and intellectual property rights protection.

Technology-advanced service outsourcing companies are allowed to adopt flexible working hours for workers if they get approval from local human resources departments, said the document.

Technology development companies on the national level that are based in central and western China are expected to enjoy favorable tax policies when they apply for loans to launch service outsourcing projects.

The government also encourages telecom providers to help pave the way for enterprises to take the advantage of the outsourcing pilot to more easily communicate with the outsourcing service provider.

China also plans to establish and improve an outsourcing supervision mechanism, introduce new insurance products and establish a network of trained outsourcing personnel.

The government will offer service outsourcing companies a subsidy of up to 4,500 yuan (662 U.S. dollars) a year for every college graduate employed on a contract of at least one year.

The document cited Suzhou Industrial Park as an example, saying service companies there would enjoy an enterprise income tax rate of 15 percent, compared with 25 percent elsewhere in the country, until 2013.

Chinese Vice Premier Wang Qishan hosted a meeting in Nanjing, capital of Jiangsu Province, to discuss experiment of service outsourcing.

At the meeting, MOC Vice Minister Ma Xiuhong estimated that international service outsourcing volume would top 600 billion U.S. dollars by 2010.

"More foreign companies outsource parts of their business to overseas companies to reduce operation costs, which provide Chinese enterprises with lots of opportunities," Ma said.

According to the MOC, the country hopes to train 1.2 million service outsourcing professionals by 2013. During the same period, 1 million college graduates are expected to find new jobs in this sector.

However, world consultant firm Mckinsey & Comapany said in a report that China's outsourcing business growth still lags behind its neighbor, India.

Its statistics show India's service outsourcing volume was 42.2billion U.S. dollars in 2008, nine times China's. More than 2 million Indian people worked in the outsourcing sector, four times more than China's figures.

The McKinsey & Comapany report also forecasted that despite various difficulties, China still has great potential to develop outsourcing businesses. The country is expected to become the most important service outsourcing destination worldwide in the future.

Up to 2008, 3,300 Chinese companies provided service outsourcing business to overseas companies, with a contract volume of 4.69 billion U.S. dollars, official statistics show.