State Council Issues Guideline to Boost China's Sports Industry

On October 20, 2014, the State Council announced a guideline to boost China’s sports industry, named Opinions on Accelerating the Development of Sports Industry and Promoting Sports Consumption, Guofa [2014] No. 46 (“Guideline”). The Guideline marks the first time the Chinese government has tapped into the economic value of the sports industry. With the issuance of the Guideline, the market expects China to be the biggest fitness market in the world within the next twenty years. In particular, foreign investors can see great opportunities as the Guideline encourages foreign investors to invest in sports industry in China.

The Guideline has four sections, General Requirements, Primary Missions, Policies and Measures and Organization and Enforcement. Below is an introduction to the highlights of each section.

General Requirements

- The government will step back from over-regulation of the sports market and limit its role to ensuring a fair and competitive market environment;
- The government will introduce more private capital to sports industry in addition to its own financial support;
- The government will support sports industry as a green and “sunrise” industry with more preferential treatments.

As a national strategy to promote the fitness of all the people, the Guideline aims to achieve ambitious goals including:

- RMB5 trillion overall scale of the sports industry by 2025;
- 500 million people who regularly participate in sports activities by 2025;
- 100% coverage of new neighborhoods with sports facilities.

Primary Missions

- The government will eliminate pre-approvals for holding commercial and mass sports events;
- The government will change the current operation mechanism of sports industry in China, for example, it encourages professionalizing sports events including setting up professional sports leagues, improving corporate governance structure of sports clubs, as well as establishing modern enterprise system in this sector;
- The government will strive to expand the sports service industry, such as developing fitness clubs, stadium service, competitive sports shows and training agencies;
• The government will accelerate the popularization of mass sports such as soccer, basketball and volleyball, in particular, the Guideline calls for a long-term development plan for soccer and an introduction of private capital to the construction of ice and snow sport sites;

• The government will support the growth of athletic rehabilitation business, for example, establishing more athletic rehabilitation centers, fitness testing centers, as well as fitness counseling and nursing centers;

• The government requires governmental agencies, enterprises and public institutions, social organizations and schools to offer their employees and students one hour of exercise every day.

Policies and Measures

• The Guideline encourages sports companies to introduce private capital via listing on stock exchange or issuing various bonds;

• The Guideline requires local governments to incorporate public expenditure on sports into their fiscal budgetary outlays;

• The government will offer preferential tax treatment to certain sports companies, for example, the corporate income tax for high-tech sports companies will be reduced from 25% to 15%;

• The government will include land demands by sports facilities within urban and rural land use planning and the Guideline requires that newly established residential areas must have fitness facilities and old residential areas without fitness facilities must be renovated;

• The Guideline requires competent universities to train students majoring in sports operation and management, sports creative design and sports scientific research and the government will offer financial support to sports start-ups engaged in such areas;

• The government will take steps to develop and protect intellectual properties, such as names and signals of sports organizations, stadiums, games and events, through branding, cooperation, sponsorship, advertisement, franchising etc.;

• The government will relax the rebroadcast rights of sports games and events, and each TV station is allowed to directly purchase or resell their broadcast rights to sports games and events from home and abroad except Olympic Games, Asian Games and FIFA World Cup.

Organization and Enforcement

• The Guideline requires local governmental agencies such as local National Development and Reform Commission and Sports Bureau to work together and share successful experience;

• The Guideline promotes the amendment of the PRC Sports Law, effective on October 1, 1995 and the improvement of the credibility and discipline of athletes and other professionals;

• The government will soon produce detailed and feasible enforcement measures of the Guideline and the National Development and Reform Committee and the General Administration of Sports are responsible to supervise the enforcement of the Guideline.

Currently, lawmakers in the central and local governments are studying the Guideline and producing corresponding policies. We will keep a close eye on their further activities. However, foreign investors must follow the restrictions in the 2011 Foreign Investment Catalogue[1], for example, Chinese government prevents direct foreign investment engaging in the construction of golf course.

[1] On November 4, 2014, the National Development and Reform Commission released the Revised Draft of the 2011 Foreign Investment Catalogue (Ã’Á½Á½Á½Á½Á½2011ÁÁÁÁÁÁ) and is soliciting public comments to the revised draft through December 3, 2014. The revised draft reduces the number of sectors in which foreign investment is limited from 79 to 35. However, none of them is related to the construction of golf course. We will continue monitoring the final draft of the Foreign Investment Catalogue for any revisions related to the construction of golf course.

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