

# A Comparative Study on Aircraft Leasing Policies Between Tianjin City and Shanghai City

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**Abstract:** This article conducts a systematic comparative study on the aircraft leasing policies in Tianjin and Shanghai. It deeply analyzes the characteristics, advantages, and disadvantages of the two policies from the perspectives of tax incentives, foreign exchange financing, and fiscal subsidies, as well as their impact on aircraft leasing businesses and leasing enterprises. Based on the comparative analysis results, policy recommendations are proposed to promote the development of the aircraft leasing industry in Tianjin and Shanghai, respectively. The research results of this article not only provide an in-depth analysis of the policy differences in the field of aircraft leasing among different cities but also offer valuable references for the industry and government to formulate more effective policies.

**Keywords:** Aircraft leasing; Policy; Comparative study

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## 1. Introduction

With the continuous development of globalization and increasing international exchanges, the air transportation industry has become an important link connecting the world. In this context, aircraft leasing, as a key component of the air transportation industry, plays an increasingly important role. As two important economic centers in China, Tianjin and Shanghai have a unique position and role in promoting the aviation industry and aircraft leasing market. The aircraft leasing policies of these two cities not only affect the development of the regional economy but also to some extent reflect China's strategic layout and competitive situation in the global aviation market.

Although both Tianjin and Shanghai are committed to developing aircraft leasing business, there are significant differences in policy formulation and implementation between the two cities. These differences stem from different economic environments, market demands, and government strategies. This article aims to analyze and compare the policies of Tianjin and Shanghai in the field of aircraft leasing in-depth, explore the economic logic and policy impact behind these policies, and their significance for each and the entire Chinese aviation industry. The research conclusion can not only better understand the strategies and development directions of China's two major economic centers in the field of aircraft leasing, but also provide valuable suggestions for

other participants in the aviation industry, especially for international aircraft leasing companies seeking to expand their business in the Chinese market. At the same time, it also provides a reference for policymakers to formulate and adjust relevant policies, to promote the healthy and sustainable development of the aviation industry.

## 2. Current status of aircraft leasing industry in Tianjin and Shanghai

The aircraft leasing industry in Tianjin and Shanghai has grown rapidly in the past few years. The rapid development of China’s civil aviation industry and the continuous expansion of the aviation market have led to a gradual increase in demand for aircraft leasing. The advantageous geographical location, convenient transportation, and developed economy of Tianjin and Shanghai have greatly promoted the development of this industry<sup>[1]</sup>. At present, the aircraft leasing industry in Tianjin and Shanghai has become an important component of China’s aircraft leasing market.

### 2.1. Overview of the development of aircraft rental industry in Tianjin

The Binhai New Area in Tianjin is one of the earliest free trade zones in China, and its vigorous development has also driven the rapid rise of the aircraft leasing industry. Bohai Leasing Co., Ltd. is a typical representative of it<sup>[2]</sup>. Bohai Leasing has leading leasing companies in domestic and foreign sub-industries such as Avolon, Seaco, and Tianjin Bohai Leasing. It is the third-largest aircraft leasing company and the second-largest container leasing company in the world. The company mainly engages in aviation leasing business, accounting for over 30% of the total. From 2020 to March 2023, despite the impact of the epidemic, the proportion of the company’s aviation leasing business continued to steadily increase, and the scale gradually expanded, indicating a broad prospect in this field.

**Table 1.** Distribution of leased assets industry in the company (mount unit: 100 million Chinese Yuan)

Project	2020		2021		2022		2023	
	Mount	%	Mount	%	Mount	%	Mount	%
Aviation leasing	458.59	30.74	534.31	33.76	585.96	37.05	549.75	35.35
Equipment rental	394.15	26.42	474.34	29.97	459.34	29.04	482.34	31.02
Public utilities	444.78	29.81	393.78	24.88	337.78	21.36	325.52	20.93
Ship leasing	194.50	13.04	180.11	11.38	198.55	12.55	197.51	12.70
Total	1,492.02	100	1,582.54	100	1,581.63	100	1,555.12	100

Data source: Bohai Leasing Corporation

### 2.2. Overview of the development of aircraft rental industry in Shanghai

Shanghai is one of the major financial centers in China and plays an important role in the international aviation industry. AVIC International Leasing Co., Ltd., located in Shanghai, is the largest financial leasing enterprise with an aviation industry background in China and the leader in the “Belt and Road” leasing industry. Its annual report can also represent the development status of the aircraft leasing industry in Shanghai to some extent. According to its annual report, it can be seen that the company’s aircraft business is constantly expanding, especially from 30% in 2018 to 66% in 2019, which is twice the proportion of the previous year. Although the company’s aircraft leasing revenue has decreased in the past three years of development, pre-pandemic data shows that its aircraft leasing industry still has a good development trend in the future.

**Table 2.** Distribution of domestic leased assets industry of the company (mount unit: 100 million Chinese Yuan)

Project	2020		2021		2022		2023	
	Mount	%	Mount	%	Mount	%	Mount	%
Aircraft	155.46	30.30	159.30	66.78	143.09	67.37	137.21	66.62
Infrastructure Road & bridge Rail transit	232.59	45.33	79.24	33.22	69.31	32.63	68.74	33.38
Other	126.09	24.37	-	-	-	-	-	-
Total	513.14	100	238.54	100	212.4	100	205.95	100

Data source: AVIC International Leasing Corporation

In summary, the aircraft leasing business in Shanghai and Tianjin has shown a stable growth trend in recent years. However, due to the large amount of capital flow and complex legal regulations involved in the aircraft leasing business, the business in this field is mainly concentrated in large airlines and financial institutions. For startups or individuals, entering this field may require more time and resource investment.

### 3. Comparative analysis of policies related to aircraft leasing in Tianjin city and Shanghai city

To promote the development of the aircraft leasing industry, both the Tianjin and Shanghai governments have formulated and implemented a series of preferential policies and provided various support to aircraft leasing companies by simplifying approval procedures and lowering market access barriers. This article compares and analyzes the relevant policies of Tianjin and Shanghai from three aspects: tax reduction, financial and foreign exchange controls, and government subsidies.

#### 3.1. Comparative analysis of tax policies for aircraft leasing

##### 3.1.1. Tax preferential policies in Tianjin

The development of aircraft leasing policies in Tianjin is thanks to the promotion of the Tianjin Dongjiang Comprehensive Bonded Zone. As the core area of international shipping and logistics in northern China, Tianjin Dongjiang Comprehensive Bonded Zone is the largest leasing industry cluster in China. To promote the further development of the aircraft leasing business, specific policies of Tianjin Bonded Port Area include:

- (1) Leasing companies registered in Tianjin Dongjiang Comprehensive Bonded Zone can enjoy tax incentives such as “three exemptions and two halvings.”
- (2) Aircraft leasing companies can enjoy tax preferential policies by providing corresponding proof documents to the tax department.

Approved by relevant departments, financing leasing enterprises are allowed to carry out factoring and forfeiting businesses related to their main business, and overseas financing for the leasing industry is encouraged <sup>[3]</sup>.

##### 3.1.2. Tax preferential policies in Shanghai

The Shanghai Free Trade Zone Management Committee has established a financing leasing industry development service center and issued relevant measures to promote the development of the financing leasing industry <sup>[4]</sup>, making it more convenient to lease large equipment such as aircraft and ships within the Shanghai

Free Trade Zone. Specific policies such as:

- (1) The value-added tax rate applicable to aircraft leasing is 13%.
- (2) In addition to requiring proof documents, the tax authorities in Shanghai also need to conduct stricter audits and approvals.

Leasing companies registered within the free trade zone or project subsidiaries established by leasing companies, with the approval of relevant national departments, may purchase aircraft with an unloaded weight of 25 tons or more from overseas and lease them to domestic airlines for use, enjoying relevant import value-added tax preferential policies.

### **3.1.3. Comparative analysis of tax policies**

It can be seen that there are certain differences in aircraft leasing tax policies between Tianjin and Shanghai, which have a significant impact on the development of aircraft leasing enterprises in the two regions, specifically reflected in the following three aspects:

- (1) Tax types: In Tianjin, the aircraft leasing business mainly involves value-added tax and corporate income tax, which are the two taxes that have the greatest impact on the financing leasing industry among all taxes. The aircraft leasing business in Shanghai involves a more diverse range of taxes, including not only value-added tax and corporate income tax but also various taxes and fees such as vehicle and vessel tax, urban maintenance and construction tax, education surcharge, and more <sup>[5]</sup>. Therefore, more factors need to be considered.
- (2) Tax rates: According to the actual situation of different enterprises, Tianjin provides varying degrees of tax rate preferential treatment to reduce the burden on enterprises <sup>[6]</sup>. For import financing leasing business in Shanghai, if the domestic lessee declares customs, the lessee can apply to the customs for installment payment of tariffs and import value-added tax. In addition, Shanghai also allows guarantees to be provided through a letter of guarantee to further support the development of aircraft leasing enterprises.
- (3) Execution level: To encourage and support overseas financing, Tianjin allows aircraft leasing enterprises to submit corresponding proof documents to the tax authorities, thereby enjoying corresponding tax preferential policies <sup>[7]</sup>. In the customs special supervision area of the pilot free trade zone, Tianjin establishes the China Tianjin Leasing Platform to promote pilot work such as leasing asset disclosure. In the Shanghai region, the tax department has implemented stricter review and approval processes based on requiring proof documents, increasing the restrictions and procedures for Shanghai aircraft leasing enterprises to enjoy preferential policies, making the entire process more complex.

## **3.2. Comparative analysis of foreign exchange policies for aircraft leasing**

### **3.2.1. Foreign exchange policies in Tianjin City**

Tianjin pays attention to the actual needs of enterprises in foreign exchange management, actively explores cross-border financing solutions, and provides more convenient measures for aircraft leasing companies. On the other hand, it aims to ensure national economic security and prevent financial risks, providing necessary guidance and norms for enterprises to operate in compliance. Specific policies include supporting the establishment of the Tianjin Leasing Platform in China and promoting pilot projects such as leasing asset disclosure within the customs special supervision area of the free trade pilot zone <sup>[8]</sup>. The pilot program to promote the development of the financing leasing industry in the Dongjiang Bonded Port Area implements a time-limited completion system. Tianjin's foreign exchange control policies have certain restrictions on cross-

border fund flows. While strengthening risk prevention and control of cross-border fund flows, enterprises are also required to comply with relevant regulations and audit standards when handling business.

### **3.2.2. Foreign exchange policies in Shanghai City**

The foreign exchange control policies for leasing companies in Shanghai are relatively loose. The Shanghai Pilot Free Trade Zone has launched a series of more open policies, which have made Shanghai highly competitive in the field of aircraft leasing and attracted more leasing companies to settle down. Specific policies include Shanghai relaxing cross-border fund pool management and simplifying cross-border loan approval. Financial leasing companies within the free trade zone can open cross-border Chinese Yuan (CNY) special accounts and borrow cross-border CNY loans from overseas. The amount of cross-border CNY loans is managed on a balanced basis. Financial leasing enterprises within the Shanghai Free Trade Zone can carry out full-flow leasing business <sup>[9]</sup>.

### **3.2.3. Comparative analysis of foreign exchange policies**

Overall, there are some differences in foreign exchange controls between Tianjin and Shanghai in the field of aircraft leasing, but Shanghai's policies have relative advantages, which are reflected in the following three aspects:

- (1) Foreign exchange control: As an international financial center, Shanghai has adopted more models of free trade pilot zones and free trade ports, attracting more foreign investment by introducing more open policies and convenient processes. In contrast, Tianjin's foreign exchange control policies are relatively conservative, with certain restrictions on cross-border capital flows, which to some extent limits its development in the aircraft leasing industry.
- (2) Target audience: Tianjin pays more attention to the actual needs of enterprises in foreign exchange management and provides more convenient measures for aircraft leasing companies. Shanghai, on the other hand, is more inclined to protect the stability of the financial market and exercise more cautious control over capital flows.
- (3) Financing plans: Tianjin actively explores cross-border financing solutions, such as establishing a cross-border financing service platform to provide one-stop services for aircraft leasing enterprises. Shanghai has adopted the model of free trade pilot zones and free trade ports in terms of opening up to the outside world, further relaxing policies, and simplifying processes, thereby attracting more foreign investment inflows.

## **3.3. Comparative analysis of financial subsidy policies for aircraft leasing in Tianjin and Shanghai**

### **3.3.1. Tianjin municipal financial subsidy policies**

The aircraft leasing industry is a capital-intensive industry that requires a large amount of capital investment. In Tianjin, the government has launched a series of financial subsidy policies for aviation leasing enterprises. Specific policies such as providing a subsidy of 20 million CNY for leasing companies with a registered capital exceeding 1 billion CNY. For newly built self-owned office facilities in the financial area of Tianjin, a one-time subsidy of 1,000 CNY per square meter is provided, and the maximum subsidy amount does not exceed 10 million CNY. Starting from the year of opening, subsidies are provided based on 100% of the business tax paid in the first two years, and subsidies are provided based on 50% of the business tax paid in the following three years <sup>[9]</sup>.

### 3.3.2. Shanghai municipal financial subsidy policies

To promote the development and growth of the aviation leasing industry, the Shanghai Municipal Government has introduced a series of financial subsidy policies aimed at reducing the costs of aircraft leasing companies and incentivizing more capital to invest in the industry. The specific policies mainly include a subsidy of 1 million CNY for registered capital ranging from 100 million CNY (inclusive) to 500 million CNY. A one-time subsidy of 5 million CNY is provided for registered capital of 500 million CNY (inclusive) to 1 billion CNY. For registered capital of 1 billion CNY or more, a one-time subsidy of 15 million CNY is provided. For senior executives of newly introduced financing leasing enterprises with a registered capital of 1 billion CNY or a capital increase scale of 1 billion CNY or more, a one-time housing (rental) subsidy of 200,000 CNY per person shall be provided <sup>[5]</sup>. For financing leasing enterprises that provide financing services to new area enterprises, a subsidy of 0.5% of the total financing amount provided to new area enterprises in the current year is given.

### 3.3.3. Comparative analysis of fiscal subsidy policies

Overall, the subsidy policies for aircraft leasing in Tianjin and Shanghai each have their own advantages, and the specific differences can be summarized in four aspects:

- (1) Subsidy policies for registered capital: The Tianjin Free Trade Zone provides higher subsidy standards for different levels of registered capital, but the subsidies in the Shanghai Free Trade Zone are issued in a lump sum, while in Tianjin they are issued in batches. For aircraft leasing companies, due to the large amount of funds required to purchase and acquire aircraft ownership, the higher the subsidy, the relatively less operational pressure the company faces. But for leasing companies in urgent need of funds, the one-off subsidy in the Shanghai Free Trade Zone is more conducive to the short-term capital arrangement of the company.
- (2) Subsidy policies for employees: Shanghai provides high-level executives of newly introduced financial leasing companies with high housing subsidies to attract and retain talent. Tianjin offers generous subsidy policies to senior executives of financial leasing companies from other provinces to stabilize and motivate talents. At the same time, the financial subsidy policies of Tianjin Free Trade Zone also need to focus on the subsidies for senior executives of financial leasing companies from other provinces, stimulate the enthusiasm and creativity of employees, and promote the sustainable development of the company.
- (3) Financial subsidies for purchasing office space: This is a supplement to the policy of Tianjin compared to Shanghai. According to Tianjin's plan, newly purchased self-use office buildings in the financial district receive higher subsidies, effectively reducing the infrastructure burden of companies. In addition, to support the development of the financial leasing industry, Tianjin provides certain subsidies to financial leasing companies in terms of business tax, enterprise income tax, and deed tax, reducing their financial pressure.
- (4) Financial subsidies for financing: To promote the development of the leasing business, the Shanghai government provides certain subsidies to enterprises that provide financing for leasing companies. This policy measure can benefit the lessee and indirectly enjoy the benefits of government subsidies. Tianjin can learn from this policy measure in Shanghai to promote the development of the leasing business.

## 3.4. Summary for comparative analysis

Overall, Tianjin's policies focus more on tax incentives and direct support from local governments, while Shanghai emphasizes market openness and internationalization. This reflects the different development

strategies of the two cities: Tianjin focuses on internal development and cost control, while Shanghai focuses on creating an international aviation financial environment. Tianjin's policies effectively reduce the operating costs of aircraft leasing companies, making the region more attractive to domestic leasing companies. Shanghai's strategy successfully attracts the entry of multiple international leasing companies, promoting the internationalization of local aviation financial services.

The aircraft leasing policies in Tianjin and Shanghai have their own characteristics, reflecting the different orientations of the two cities in economic development strategies. Tianjin's policy helps promote local economic development and enhance the competitiveness of domestic companies, while Shanghai's policy helps enhance the city's international status and attract foreign investment. In the future, the policies of the two cities may need to be further adjusted to adapt to changes in domestic and foreign markets.

## **4. Countermeasures and suggestions**

Through comparative analysis of aircraft leasing policies in Tianjin and Shanghai, it can be seen that the policies of the two cities have similarities and differences, each with its own advantages and achievements. Therefore, this article believes that the two cities should learn from each other, further adjust various policies, optimize the policy environment for aircraft leasing, and promote the healthy and rapid development of the aviation leasing industry.

### **4.1. Policy suggestions for promoting the development of the aircraft leasing industry in Tianjin**

- (1) Extend the time limit of tax preferential policies. Most aircraft leasing companies in Tianjin are registered in the bonded area and can enjoy various tax preferential policies in the bonded area. However, some policies have time limits, such as the "three exemptions and two reductions in half" policy. For early registered leasing companies, the five-year tax preferential period has already expired, and this preferential policy has become invalid. It is recommended to extend the time limit of tax preferential policies for leasing companies and provide continuous preferential treatment.
- (2) Increase government funding support, especially for leasing businesses targeting China's COMAC C919 aircraft, increase government subsidies and policy incentives, improve the financing convenience of leasing companies, and reduce costs. At the same time, learn from the model of the Shanghai Pilot Free Trade Zone and Free Trade Port, and introduce more open policies and convenient procedures to reduce the difficulty of foreign investment entry, and attract foreign capital to promote competition.
- (3) Improve the internationalization of legal and financial services. Tianjin should learn from Shanghai's opening-up strategy, improve the legal environment, and provide clearer and more friendly business legal frameworks for domestic and foreign investors. Develop professional aircraft leasing financing services, such as aircraft financial leasing, to increase the depth and breadth of the financial market.
- (4) Strengthen market diversification. Encourage aircraft leasing companies in Tianjin to expand their business scope beyond traditional commercial aircraft leasing to include diversified aviation equipment leasing such as private aircraft and helicopters. Strengthen international cooperation: Tianjin can introduce more international resources and advanced experience through cooperation with international aircraft manufacturers and leasing companies, enhancing the international competitiveness of the local industry.

## 4.2. Suggestions for promoting the development of the aircraft leasing industry in Shanghai

- (1) Further enhance and optimize tax policies. Shanghai can consider providing more attractive tax incentives to compete with other international aviation financial centers and attract more international leasing companies to set up their Asia-Pacific headquarters.
- (2) Strengthen industry supervision and risk management. While maintaining market openness, enhance industry supervision to ensure the healthy and orderly development of the market. Introduce more advanced risk management tools and frameworks to cope with possible fluctuations and uncertainties in the international market.
- (3) Improve the competitiveness of local leasing companies. Support technological innovation and service upgrades of local airlines and leasing companies, and enhance their competitiveness in the international market.

## 4.3. Common suggestions for the development of leasing enterprises in both cities

- (1) Promote regional cooperation between Tianjin and Shanghai. Tianjin and Shanghai can complement each other in policy, and promote cooperation and resource sharing among aircraft leasing companies in the region through a common policy framework and market access standards.
- (2) Increase investment in and application of new technologies. Encourage the adoption of new technologies, such as big data and artificial intelligence, to optimize the management and operation of the leasing business and improve industry efficiency.
- (3) Continuously monitor market dynamics and policy effects. Regularly assess the implementation effect of policies, and adjust policies according to the actual situation of market and industry development.

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