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Three Ministries Jointly Issued Interim Measures on Management of Kindergarten Fees

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In order to regulate the management of kindergarten fees and safeguard the legitimate rights of the children and kindergartens, the National Development and Reform Commission (“**NDRC**”), the Ministry of Education and the Ministry of Finance jointly issued the *Interim Measures on Management of Kindergarten Fees* (Fa Gai Jia Ge [2011] No. 3207, the “**Interim Measures**”) on December 31, 2011, which shall take effect as of January 30, 2012.

Set forth below are highlights of the Interim Measures.

Scope of Chargeable Kindergarten Fees

According to the Interim Measures, kindergartens may charge childcare and tuition fees (“**Tuition**”), services fees and third party fees upon approval by provincial governments, lodging fees in case of boarded children. Apart from these fees, no other fees shall be charged. The Interim Measures set forth detailed provisions on pricing of these chargeable fees.

1. Tuition and Lodging Fees

The Interim Measures differentiate the administration of tuition and lodging fees between public kindergartens and private kindergartens. The tuition and lodging fees collected by public kindergartens shall be classified as administrative charges, while those collected by private kindergartens shall be classified as paid-services charges.

1) **Examination and Management of Tuition and Lodging fees collected by Public Kindergartens**

If a public kindergarten intends to formulate or change the standard of Tuition, the competent provincial education authority shall put forward a proposal taking into consideration of the local economic conditions in both urban and rural areas, the operational cost of the

kindergarten and affordability of local residents; the proposal shall subsequently be examined by the competent provincial pricing administration authority and finance authority, which shall jointly submit the proposal to the provincial government for final approval. If a public kindergarten intends to formulate or change the standard of lodging fees, the local education authority shall put forward a proposal and file such proposal with the local pricing administration authority and finance authority for examination. Furthermore, the standard of the lodging fees charged by public kindergartens shall be determined at actual cost and for non-profitable purposes.

2) Record Filing Administration of Private Kindergartens

The Interim Measures states that the standard of the Tuition Fees and lodging fees collected by private kindergartens shall be determined by those kindergartens on a reasonable-cost basis in accordance with the *Laws of the People's Republic of China on the Promotion of Private Schools* and its *Implementing Regulations*. The measure further requires that such standard shall not be put into implementation before filed with the local competent pricing administration authority and education authority for record.

The Interim Measures further provide that, the competent authority of local governments may impose, by means of contracts, a cap on fees collected by private kindergartens that receive subsidies from local governments. These subsidies include governmental purchase of services, deduction of rental or taxes, award for subsidy, assignment of public school teachers, arrangement for special award subsidy, preferential allocation of land etc.. These subsidized private kindergartens may establish detailed charge arrangement within the cap and file the same with the local pricing, education and finance authorities for record prior to implementation.

2. Services Fees and Third Party Fees

In accordance with the Interim Measures, kindergartens may charge services fees and third party fees upon approval by provincial governments besides the Tuition and lodging fees. However, the collection of the above fees shall follow the principles of voluntary payment, actual charge, timely settlement and periodical publication. Furthermore, those services fees and third party fees shall not be collected simultaneously with the Tuition fees.

The scope of services fees and third party fees collected by kindergartens shall be proposed by provincial education authority, subsequently examined by the competent provincial pricing administration authority and finance authority, and reported to the provincial government for final approval prior to implementation.

3. Prohibitive Provisions

According to the Interim Measures, kindergartens are prohibited from collecting additional

fees by and in the name of organizing experimental class, special class, interest class, extracurricular training class and parents-children class etc.. Kindergartens are also prohibited from collecting sponsorship fees, contribution fees, school building fees, and compensation fees for educational costs or other fees from parents as a precondition to enrollment. The Interim Measures explicitly provide for that kindergartens are not allowed to collect book fees from students.

Fees Collection Approach and Publication Requirement

1. Fees Collection Approach

Prior to collecting tuition and lodging fees, public kindergartens shall obtain a Fees Collection Permit, subject to annual inspection, from competent pricing authority and shall use the financial receipt printed or supervised by competent finance authority. Private kindergartens shall use the tax invoices printed by tax authorities while collecting tuition and lodging fees. The Interim Measures also requires that kindergartens shall produce account books, financial reports, accounts as required by the competent authorities in the course of pricing supervision.

2. Publication Requirement

Kindergartens are required to publish the items for fees collection, charging standard etc. through various publicities. It is also required that kindergartens shall set forth clearly the school nature, the condition of the school, the charging items and charging standards etc. in the general regulation of enrollment.

Implementation Regulations

To ensure the enforceability of the management of kindergarten fees, the Interim Measures provide that:

- a) all provincial pricing, education and finance administration authorities shall enact relevant implementation regulations to specify the relevant policies;
- b) pricing, education and finance administration authorities at all levels shall strengthen the administration and supervision on kindergarten charging practice and urge kindergartens to establish and improve their charging management system; and
- c) social supervision on, investigation of and punishment on irregularities shall be strengthened.

It is expected that local authorities may promulgate local regulations to ensure the enforcement of the Interim Measures. We will keep a close eye on the latest development in this regard and keep you posted of the same.

Important Announcement

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