

## FAQ - Company Formation In CHINA

### Country - China

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### 1. Advantage of Business set up in China

- Well Planned economy and developed infrastructure
- Popular destination for business set up and investment
- Secured and safe business transaction & Investment Banking
- Major Multinational bank, Trading house & MNC have set up in China
- Well cultured and educated work force, Second Largest market in World
- Well connected with Asian, American, Europe, Far East and GCC Market
- Major hub for MNCs, FIIs and Investment banker
- Secured legal environments & Pro active Government Policy
- Liberal Immigration policies
- Safe and Stable government, clear FDI policy

### 2. Preferred Business Destination

As per the business study and Government data, major businesses in China are:

- Manufacturing hub – Steel, Automobile, Telecommunication, Space, Pharma, Textile, Electronic, solar, Electrical, Computer and accessories & FMCG products
- Investment banker, Assets Management Companies & Private Equity Funds
- Oil & Gas, Airlines, Shipper, logistic and Forwarding Agent
- Equipment and mega infra structures
- Turnkey project and infrastructure
- Gems and Jewelry, Diamond studded ornaments
- Travel & Tourism, Ticketing, Electronic Media, Satellites & Broadcasting

### 3. Type of Business entity

WFOE- Wholly Foreign Owned Enterprises Company - Private Limited Company

#### Different types of WFOE

- WFOE – Manufacturing
- WFOE – Consultancy and Sourcing, Service and Maintenance
- FICE - Foreign Invested Commercial Enterprise – Trading, Wholesale and retail

#### Limited Company

We generally recommend the Private limited Company considering the nature of business to set up in China. It is also commonly known as Private Limited Company and having separate legal entity.

Foreign companies & entrepreneurs that are keen on exploring the viability of doing business in China will be required to incorporate China company as legal entities. It is a Chinese limited liability company, wholly owned by one or foreign investors and established entirely with foreign capital.

No minimum registered capital is required for WFOEs with scope of business of consulting, Trading, retailing, information technology etc. in China. There are minimum registered capital still required for some industries for instance: Banking, Forwarding etc.

Since China still maintains foreign currency control policy, it's still advisable to choose registered capital within RMB 100,000 ~ RMB 500,000 as the minimum registered capital for Consulting WFOE, Service WFOE, Hi-Tech WFOE registration. (Investor could inject the above capital within 2-10 years).

WFOE can be formed in Shanghai, Beijing, Shenzhen, Guangzhou, Hangzhou, Ningbo, Suzhou, Chengdu, Chongqing, Wuhan and many cities of China.

Major benefits of Limited Company

- It has separate Legal entity in law
- Shareholders are not liable for company's debts beyond the own share capital

#### **4. Advantage of having WFOE - Limited Company in China**

- Independence and freedom to implement the worldwide strategies of its parent company without having to consider the involvement of the Chinese partner;
- Ability to formally carry out business rather than just function as a representative office and being able to issue invoices to customers in RMB and receive revenues in RMB;
- Capability of converting RMB profits to US dollars for remittance to its parent company outside of China;
- Protection of intellectual know-how and technology;
- Full control of human resources
- Greater efficiency in operations, management and future development.
- Investor's parent company does not have to be established for more than 2 years while for Representative Office, its parent company is required to have been established for more than 2 years.
- 100% ownership allowed in Limited Company by Foreigners.
- Any individual or business entity may incorporate China company.
- Easy to form and run the business without China Resident Visa.
- Business Visa \ Employment visa can be availed for owners and his family
- No restrictions on the type of business activities that a company can engage in.
- No special approvals are required by foreigner means they are at par with locals.
- No Restriction or obligation for local employment of work force.
- No Local Share holder \ Director \ Company Secretary necessary.

To Form the company in China, you need to appoint professional firm for assistance and complete the formalities of formation of company. We shall assist for the same.

## 5. Minimum requirements for registration of a China company

- **Shareholder either individuals \ Limited entity**
  - Minimum shareholder is one. Know-Your-Client - KYC Norms For individual: Copy of passport, overseas residential address proof, KYC information such as personal and business profile, etc.
  - If the shareholder is a corporate entity: Copy of registration documents such as Certificate of Incorporation and Memorandum & Articles of Association and Board Resolution.
- **Director either individual \ Limited entity**
  - The minimum number of directors is one, who may be a natural person or a body corporate.  
Directors may be of any nationality, and need not be resident in China.
  - Corporate directors are permitted.
- **Local Director \ shareholder \ Company Secretary – Not Compulsory**
  - China Company does not require to have local China resident director, shareholder and company secretary.
- **Registered office in China**  
Company need to have registered office in China. We shall provide the registered office address. Post Box No. is not allowed to utilize as registered office.
- **Qualified Company Secretary**  
Company need to appoint company secretary to keep and update the secretarial records and minutes of the meeting. It also requires to submit the necessary documents with Registrar of Companies on yearly basis. We shall provide the company secretary.

Upon receipt of the signed incorporation and supporting documents from you, we will proceed to incorporate the company.

## 6. Foreign Company Registration Options

Foreign company plans to have a presence in China, have the choice of setting up business unit as branch office, subsidiary or representative office in China.

- **Private Limited Company** - A separate company formed by shareholder and director of the company. It shall have independent identity in company law. Foreign company shall become shareholder and control it.

- **Subsidiary Company.** A subsidiary company is a private limited company incorporated in China with the parent company as its majority shareholder. For small to mid-size foreign businesses, a subsidiary company is the most preferred choice of registration in China.
- **Branch Office.** A branch office is registered in China as an extension of its parent company and not as a separately incorporated entity. The liabilities of a branch office extend to its parent company.
- **Representative Office.** A representative office is registered in China as a temporary arrangement for conducting marketing research activities. A representative office does not have any legal status and cannot be engaged in any profit yielding activities.

## 7. Business trade License & Banking

The nature of the actual business activity could be subject to control and regulation by other Government authorities.

Company need to obtain Tax Number and VAT registration before carry out business in China.

After formation, you shall apply and obtain

- Business License issued from State Administration of Industry and Commerce;
- Chops issued and made by Public Security Bureau;
- Organization Code License issued by Technical Supervision Bureau;
- Tax Certificate issued by Taxation Bureau;
- Financial Certificate License issued by State Administration of Foreign Exchange;
- Foreign currency and RMB bank account;
- Capital Verification report issued by Chinese auditor;
- Statistics license registration;
- Import/Export license;
- VAT license

Generally, it may take between 2 weeks to 2 months to get a license.

### Bank account opening

After successful registration of your China company, you can open a corporate bank account in any of the major banks in China such as Bank of China, HSBC, Standard Chartered, Citibank, OCBC Bank, China CITIC bank, etc. Many of the banks in China these days require physical presence of the company principals as part of the account opening procedure.

While visit to China, you have a wider choice of banks to choose from. In this case, you can explore the features and facilities provided by different banks and decide on the bank that best suits your needs.

While opening the bank account, clients should bring the following documents

- Original Passport & residence address proof of director & share holder
- Original China company formation documents
- Business profile of director & shareholder
- Proposed Business plan of the company
- Bank Reference letter \ statement from existing banker of director – optional

## **8. Income Tax, Dividend and other Benefits**

### **Income Tax**

China's new corporate tax rates range from 15% to 25%. (rate depends on the places where the company is registered and the industry that a company engaged). All enterprises are required to report to the Tax Administration Department monthly, quarterly and annually. We shall provide part time accounting services for our clients.

A WOFE is also required to submit yearly tax filings with annual audited financial statements to central tax authority. Because of this, we will help our clients to arrange local auditor and issue annual auditor report and financial statements and file to central tax authority.

***For More detail please visit website of Inland Revenue Authority of China.***

[www.chinatax.gov.cn](http://www.chinatax.gov.cn)

Other Information

### **Annual filing requirements for China companies**

- Any limited companies in China should submit annual audit report to the relevant authorities.
- Any company will be subject to a fine if the Annual Audit Report is not submitted in a timely manner.

## 9. Documents Required For Company Incorporation

Director and shareholder – When Individual

- Copy of passport; and
- Copy of residential address proof such as a recent utility bill, phone bill & Driving License

Director and shareholder – When Corporate Bodies & Nominee Director

- Copy of registration documents such as Certificate of Incorporation and Memorandum & Articles of Association of parent company and
- Board Resolution for investment with proposed business plan

*Please note the following:*

- All documents must be in English or officially translated in English;
- All copies of documents must be certified true copies by Chinese embassy or Chinese consulate overseas you must bring the originals to China office for sighting;
- You can email us the scanned copies of documents so we can proceed with preparing the necessary incorporation documents. However we must receive the certified true copies before we can incorporate the company.
- Bank Reference Letters from investor's bank (declare a good standing)
- Our compliance department may ask for additional information if necessary.
- Duly filled Company Formation Request Form

## 10. Company registration procedure and timeline

Company registration procedure in China is fully computerized. As a result, the incorporation process is quick and efficient. Under normal circumstance, the company can be incorporated in 30 working days.

There are three distinct steps involved in the China company setup procedure:

a) Company Name Approval and;

b) Company Registration. – submit MOA & AOA, shareholder & director list, Registered office address proof. All document duly signed by shareholders.

### Public information about company in China

Directors and shareholders information is public information in China. It's listed in the company's business profile extract available for purchase from Registrar of Companies.