



Creating a Chinese company

Before establishing a Chinese company in mainland China, ensure you fully understand the necessity of doing so.

Examples of why you might need a Chinese business:

- Production costs are cheaper in China
- Chinese government grants available
- Local Chinese investment available
- Local Chinese overseas branded services – e.g., coffee shop chain
- You wish to sell directly to businesses/consumers from within China
- Chinese government licensing is only available if you have a Chinese company, e.g., ICP certification

You do not need a Chinese business if you are selling into China from a company or e-commerce site located outside mainland China, such as Hong Kong, the USA, or the UK.

We recommend that you consider creating a Chinese business only after evaluating all other options—see Routes to the Chinese market.

The business rules and regulations in China are constantly changing, so you must always seek local legal advice. Access to China has set up several businesses in China. We outlined several key points from our expectations to facilitate the planning process for establishing a Chinese company.

- Find a local agent in your country who can advise and help set up your Chinese business or local trading organisation and who can advise your business on the right approach to trading in China.
- Be very clear about what trading rights you want in China. There are some restrictions on overseas business trading in China.
- In creating the company, you must declare what areas of business you are trading in. You must trade in China within your declared trading area or have it changed/updated as your Chinese business develops.
- Make sure that your brands can be registered in China. Your brand/trading name may already be registered to another company.

- Check the import requirements of any products you plan to sell in China. Test the import requirements by sending product samples to Chinese customers.
- Find and appoint a Chinese General Manager. The General Manager is legally responsible for the Chinese business, including all funds in China. The General Manager is legally accountable if the company breaks Chinese rules and regulations. It is not easy for a Chinese person, as many overseas trading methods must be adapted to the Chinese market.
- A Chinese business must be established with declared capital. You can create a Chinese company with one US dollar in capital.
- Capital can be paid into a company over five years.
- Businesses are mainly measured in China based on their registered capital and the number of staff employed.
- A local Chinese bank account will be required to deposit the money needed to run the business. This can be an international bank name, e.g., HSBC. All international banks operating in China will comply with Chinese banking rules and regulations, so a local HSBC is a regional Chinese bank for day-to-day trading in China. You cannot control your Chinese bank account from your local country bank branch.

Please note: Online Chinese banking can help manage overseas Chinese banks.

- Capital can be transferred into China in stage payments over two years. If the capital is not invested in the Chinese company according to the agreed payment schedule, which was filed with the Chinese bank at the outset, the Chinese authorities may close your Chinese company on the advice of the Chinese bank.
- Different tax rates apply to different types of business.
- If you are creating a factory in China, understand the local trading rules. Some factories are built solely for exporting. You cannot sell your goods in the Chinese market unless you first export them from China and then reimport them.
- Land is only leased 50 years for a business and 75 years for a private apartment or house. Chinese government companies own the land. When a Chinese government company moves from public ownership to private ownership, the 50 year lease rule applies.

The minimum annual running costs for a shell company in China are about \$3,000, including local monthly and yearly filing of papers and tax returns.