

# How to invest in China?

## Do biz in China from abroad

by Youly\*

Version: 2020/2/8



## 01 Commercial presence

According to Chinese law, if an overseas enterprise would like to do business in Mainland China, it shall set up a subsidiary. The subsidiary could be a WFOE (wholly foreign owned enterprise) or a JV (joint venture with Chinese partner).

In case there is no plan to directly perform operational activities in China, the overseas enterprise can alternatively set up a representative office, which shall only have liaison function.

## 02 Preparation from abroad

To establish a subsidiary or a representative office, the overseas investor shall prepare certain documents. The most important one is the certificate of incorporation or passport of the investor, which shall be notarized and legalized in the country where the investor resides.

If the investor has no plan to personally visit China, it shall have a professional consultant to help handle the incorporation issues in China. The local consultant could be a law firm or a consulting company like Youly. They will assist the investor in company naming, legal address searching and document preparing as well as formality handling.

## 03 Process & documents

The establishment of a WFOE usually involves the following procedures:

- ◆ On-line declaration, including name registration;
- ◆ On-site registration with AMR (Administration for Market Regulation);
- ◆ Investment information submission to CoC (Commission of Commerce);
- ◆ Company seal engraving.

To go through these procedures, the investor shall submit application documents such as:

- ◆ Certificate of incorporation of the investor (or passport in case of a natural person being the investor);
- ◆ Equity structure chart (between company to be set up & ultimate controller);
- ◆ Articles of Association of the new company;
- ◆ Appointment letters of legal representative, director(s), supervisor(s) and general manager of the new company.
- ◆ Lease agreement for new company's legal address.
- ◆ Standard application forms.

Usually, it takes 3 to 4 weeks for a new company to obtain the business license (issued by AMR), which is the precondition for the company to conduct operational activities.

To be noted is that the incorporation process and documents may need to be adjusted in specific cases, depending on the company's industry and business scope. For instance, an import & export company shall additionally carry out procedure at customs and submit relevant documents after the business license is issued.

In rare cases, before applying for the business license, certain industry license is to be acquired in advance. A typical example here is that the new company would engage in business involving hazardous chemical products.

## 04 Bank & tax issues

After the business license is issued, the new company is legally allowed to conduct business, provided that the business itself does not involve any other license. But from practical perspective, the company shall still have bank accounts opened and go through the tax registration.

The remarkable thing here is that the legal representative of the company (usually the managing director or general manager) shall appear personally when opening the bank account or doing the tax registration.

## 05 Regular maintenance

After a company is set up, it shall regularly perform three formalities, namely (1) tax declaration on monthly, quarterly and annual basis; (2) enterprise credit information publicity on annual basis; and (3) joint annual report on annual basis especially for foreign invested enterprises. Of course, if the company is operationally active, the regular bookkeeping is also a must.

## 06 Run company from abroad

(1) Is it possible to run the company from abroad?

YES! Some of our overseas clients contact their upstream & downstream business partners in China from abroad. Youly assists them to make payment, issue invoices, keep accounts and do the regular declaration or the information reporting.

(2) Do I have to recruit local employees?

NOT necessarily. If you can handle the business from abroad, you do not have to travel to China or hire someone for the Chinese company. Instead, you can just leave the assistant work and regular maintenance to Youly.

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