

The Establishment of Accounting Firms with Foreign Investment

According to the Interim Provisions on the Administration of Chinese-Foreign Contractual Accounting Firms, it is allowed to establish Sino-foreign contractual accounting firms in China, but the establishment of equity joint venture or wholly foreign owned accounting firms are not allowed in China. The business scope of Chinese-foreign contractual accounting firm covers: audit for domestic and oversea customers, capital verification, tax advisory, foreign investment consultation, assets evaluation (only after getting the qualification in assets evaluation issued by authorized governmental department), and other services according to the requirements of the clients.

The foreign cooperator of the accounting firm to be established should have advanced technology, good credibility, more than \$20 million income and no less than 200 professional auditors. The Chinese cooperator should have high level technology in the same line in China and good credibility, independence from the original parent unit in terms of function, employee and finance, related qualification in security, no less than 10 million RMB registered capital, and no less than 100 professional auditors.

The procedures for setup of Chinese-foreign contractual accounting firms are as follows:

Firstly, the Chinese cooperator should apply to industrial and commercial administrations for the registration of pre-approval of enterprise name and get the pre-approval notification. Then the Chinese cooperator should submit the required documents for the establishment of foreign-invested accounting firms to Shanghai Bureau of Finance. After pre-approval, Shanghai Bureau of Finance should submit the documents to China Association of CPA which shall conduct the approval and then submit the approved documents to the Ministry of Finance.

Upon receiving the approval issued by the Ministry of Finance, the applier should submit the contract, articles of association and the following documents to Shanghai Foreign Investment Commission for approval:

1. The application form for the establishment of foreign-invested accounting firm
2. The feasibility study report and the approval issued by the Ministry of Finance
3. The contract and articles of association signed by the cooperators
4. The list of the chairman of the board, the deputy chairman of the board and the board members as well as their letters of appointment
5. The leasing contract or certification of usage of the operation place.
6. The practicing certification of legal establishment of the Chinese and Foreign cooperators
7. The certification of the payment of investment by the foreign and Chinese cooperators
8. Other documents required by the approval department

After pre-approval, Shanghai Foreign Investment Commission should submit the aforementioned documents to the Ministry of Commerce. Upon approval, the Ministry of Commerce should issue the Certificate of Approval for the Establishment of Enterprise with Foreign Investment.

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The applier should go the formalities of industrial and commercial registration and get the business license within 30 days after the issuance of the certificate.

The procedures for the application for the establishment of branches of foreign invested accounting firms.

If a Sino-foreign cooperative accounting firm has been operated regularly in the recent three years with legal business, normally-operated board, no record of violence against related laws and regulations, and more 50% Chinese professional staff, the branch of the accounting firm is allowed to be established.

The procedures for application and approval of the branch is the same as that of the parent firm.

Firstly, the parent firm should submit the application documents to Shanghai Bureau of Finance:

1. Application form
2. The written explanation that the parent firm and the branch to be established comply with the aforementioned conditions
3. The appointment letter of the major executives issued by the board
4. The list of the Chinese CPA and the list of the foreign and Chinese managers as well as their resumes and related certifications
5. The certification of the ownership of the business place or the certification of the usage of the place

After pre-approval, Shanghai Bureau of Finance should submit the documents to China Association of CPA which shall conduct the approval and then submit the approved documents to the Ministry of Finance. The Ministry of Finance will give the reply. Upon receiving the approval by the Ministry of Finance, the applier should submit the following documents to Shanghai Foreign Investment Commission:

1. The application form for the establishment of China-foreign contractual accounting firms
2. The feasibility study report and the approval issued by the Ministry of Finance
3. The contract and articles of association signed by the cooperators
4. The list of the chairman of the board, the deputy chairman of the board and the board members as well as their letters of appointment
5. The leasing contract or certification of usage of the operation place.
6. The certification of legal establishment of the Chinese and Foreign cooperators
7. The certification of the payment of investment by the foreign and Chinese cooperators
8. Other documents required by the approval department

After pre-approval, Shanghai Foreign Investment Commission should submit the aforementioned documents to the Ministry of Commerce. Upon approval, the Ministry of Commerce should issue the Certificate of Approval for the Establishment of Enterprise with Foreign Investment.

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