

REGISTER YOUR BUSINESSE IN SHANGHAI

China market offers great business opportunities due to its large-scale and lower cost. Legally register your business is the first step, for which a cautious and comprehensive planning is a MUST.

Analyze your business to choose proper Business Vehicles

Be sure that your business is allowed by Shanghai Municipality Authority, that is, not in the restricted and prohibited list of "Catalogue for the Guidance of Foreign Investment Industries". Your business flow, invoicing request, operational budget are determinants of choosing the business vehicles listed below.

FORM Summary of China Business Vehicles

| | Office Requirement | Capital Requirement | Employment | Invoices/Fapiao |
|--|---------------------|---------------------|-------------|-----------------------------|
| -Representative Office | Grade A buildings | no requirement | FESCO | cannot issue Fapiao |
| -Foreign-Invested Commercial Enterprises | Office use building | >300,000 | FICE/FESCO | trade invoice, VAT |
| -Wholly Foreign Owned Enterprises | Office use building | >RMB 100,000 | WFOE/ FESCO | service invoice |
| -Hong Kong/offshore incorporations | Virtual office | no requirement | N/A | HK invoice only |
| -Joint Ventures (JV) | Office use building | >100,000 | JV or FESCO | Service, trade invoice, VAT |

Learn in depth the Key thread hold – Capital Requirement for setup FIEs in Shanghai

Under the new Chinese Company Law, the minimum capital requirement slashed to a unified level of RMB 30,000 (approx. USD 3,750). However the numbers might have no meaning during your incorporation process. SMCC need to verify whether the capital is adequate for the project. The Capital Requirement listed in Form 1. are the threshold in practice, from real case and experience.

Make a Pre-Entry Tax Planning for your future business.

FIEs as well as representative offices have heavy tax compliance requirements. A proper company structure can help you to save your turnover related taxes. FIEs with investment in both HK and mainland China can minimize tax burdens via proper arrangements for trading volume and transfer pricing; Rearrange the nature of foreign employees' income help to make full use of the exempted categories for IIT, etc. Optimization tax-effectiveness of your business is a pre-registration step.

A COMPLETE forecast for operational cost for your business is a MUST.

In order to have a complete forecast for operational cost, there are some points that you cannot afford to miss: Annual Co-operative Examination, SAIC annual license renewal, local employees' social security contributions, accounting & taxation outsourcing (if applicable). Examples in practice, quite a lot of FIEs, in their calculation of employee cost, miss the social security contribution, which accounts for approximately 60% of the basic salary. They will face a headache, if they have already offered a net salary to their employee, which means a 60% unexpected payroll cost.

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