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China Corporate Red Tape [23 May. 2008 Issues 10]

China, with its huge market potential, has become very popular among investors worldwide. To be successful in China business, you need to understand the red tape for China Corporate and make sure you always meet their requirements.

Usually, foreign investors have three ways to setup business in China, setting up a WFOE (Wholly Foreign Owned Enterprise), a RO (Representative Office) or a JV (Joint Venture).

Government requirements on different types of business are different, but the common rule is that they want to make sure that foreign investment would do goodness to China's economic, social and security interest. Under this principle, the required information from any foreign investors shall basically include investors' identity information, investing competence, investing purpose, investment feasibility, investing method, investment capital, business site and the employment information.

To open any business in China, you will need written approvals from Chinese bureaus, therefore you will need to submit a pile of documents.

For a WFOE, the Approval would be issued by Bureau of Commerce (BOC) in the form of Approval Letter and Certificate of Approval; documents required by BOC usually include:

- 1.Undertaking Letter;
- 2.Application Letter;
- 3.Feasibility Study Report;
- 4.Copy of Certificate of Incorporation which needs to get the notarization of the HK lawyer for HK enterprises or the notarization of Chinese Embassy in the country for others;
- 5.A Bank Reference Letter issued by the bank where foreign investors settle their account, proving a good relationship/at least no bad records or an account balance covering the registered capital of the WFOE;
- 6.Copy of the working office's Lease Contract and its Certificate of Property Right;
- 7.Articles of Association of the WFOE;
- 8.List of Board of Directors/Managing Director;
- 9.Appointment Letter for Board of Directors/Managing Director;
- 10.Appointment Letter for the Supervisor;



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11. Other documents required if the WFOE needs pre-approvals from other government offices related;

For a RO, the approval is issued by Administration for Industry and Commerce (AIC) in the form of a Registration Certificate, whose duration is usually no longer than 3 years (6 years for financial institution). The registration procedure would be much more simple than that of WFOE, basically, what you need to submit would be Application Letter, a RO Establishment Application Form, Appointment Letter for the Chief Rep., Notarized Certification of Incorporate of the HQ, Bank Reference and qualified Lease Contract.

For a JV, the approval is issued by Development and Reform Commission (DRC). The process is much more complicated than that of a WFOE. You and your Chinese partner should prepare a detailed project study report on your cooperative company; the report should include not only the general information for the project, but also the main characters of the project and make detailed explanations on what benefits the project would make to the Chinese economy and social development etc.

Once you gain the main approvals, the following steps are registering your company with different bureaus and get the certificates you need. You will go through AIC for Business License (for WFOE and JV) or Registration Certificate (for RO), Public Security Bureau for backup registration and chops, Tax Bureaus for Tax Certificate, Statistic Bureau for Statistic Certificate, State Administration of Foreign Exchange for Foreign Exchange Recording Book and Bank Account Opening Permit, Bank Account opening, Financial Bureau for Financial Certificate, and Labor and Social Security Bureau for Social Welfare Certificate. If you need to import or export in your business, you will need to go to Customs to register your information.

The registration procedures with different bureaus are different, however, the required information will not surpass those required for establishment approval and the certificates you gain from the previous step. Usually, the bureau will ask you to fill a form for their reference, the form usually require general information of your company such as name, address, investor or legal representative's name, and registered capital etc. Usually, you can download those forms on the government offices' website and print and fill them out before you go there.

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