

LEHMANBROWN

雷博國際會計
International Accountants

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[The Latest Insight](#) | [Recent e-Newsletters](#) | [Upcoming LB Events](#) | [Services of LehmanBrown](#) | [Contact Us](#)

The Latest Insight

Statutory audit of financial statements of Foreign Invested Entities in China

[5 December, 2009 Issues 17]

According to the People's Republic of China (PRC) Company law and relevant legislations, all Foreign Invested Enterprises (FIEs) such as Wholly Foreign Owned Enterprises (WFOEs) and Joint Ventures (JVs) are required to prepare their annual financial statements, including balance sheets, income statements and cash flow statements for their annual PRC statutory audit. Representative Offices (ROs) are also subject to annual statutory audit. An annual statutory audit can only be performed by a firm of Certified Public Accountants (CPAs) registered in the People's Republic of China. FIEs can only distribute and repatriate their profits or dividends back to their home country after completion of their annual statutory audits and settlement of all relevant tax liabilities.

FIEs are governed by the Chinese Accounting Standards for Business Enterprises (ASBEs) and the Accounting Regulations for Business Enterprises (ARBEs), and there are no basic differences between standards for domestic and foreign enterprises. FIEs, including their legally responsible person, shall take full responsibility for the truthfulness, legitimacy and completeness of the financial statements.

When performing the statutory audit, the CPA shall observe the Chinese Independent Auditing Standards (CIAS) promulgated by the Chinese Institute of Certified Public Accountants (CICPA). The objective of a statutory audit is for the CPA to express an opinion on whether the financial statements fairly present, in all material respects, the company's financial position as at year-end, the results of its operations and its cash flows for the year, in accordance with the requirements of both ASBEs and ARBEs.

In China, the accounting year is the calendar year, i.e. 1st January to 31st December. After completing the annual statutory audit, the annual filing process, which is also termed as "Joint Annual Inspection" is required. This process involves the submission of a statutory audit report, including but not limited to, the audited financial statements, tax examination report and foreign exchange examination report, to the various government authorities, as required under Chinese legislation. The annual filing process is required for the purpose of renewing business licenses and relevant certificates.

The filing deadlines vary from April or May of the following year. For example, 2007 audit reports should be filed at the latest by April 2008 whilst 2008 audit reports should be filed at the latest by May 2009. The statutory filing deadline is indicated in an annual announcement

Upcoming LB Events

LehmanBrown's Senior Partner, Mr. Dickson Leung is invited to speak on 'Doing Business in China' at HKTDC World SME Expo
3th December 2009
HongKong

LehmanBrown sponsors British School of Beijing Christmas Fayre 2009!
5th December 2009
Beijing

LehmanBrown sponsors BritCham Beijing Christmas Party 2009!
10th December 2009
Beijing

HKCCC Annual Ball supported by LehmanBrown
12th December 2009
Beijing

LehmanBrown welcomes Eller College of Management
4th January 2010
Shanghai

LehmanBrown at the IPBA Conference
3rd May 2010
Singapore

issued by the relevant government authorities however, it is normally announced after the year-end. This means that performing the statutory audit is required before the statutory deadline.

Several government departments conduct Joint Annual Inspection, including the Administration for Industry and Commerce, Finance Bureau, Tax Bureaus, Administration for Foreign Exchange (SAFE) and Customs Bureau.

For further professional advice on preparing for and complying with 2009 statutory audit and yearend requirements, please contact LehmanBrown's Professional Services Department on 0086 (0)10 8532 1720 or beijing@lehmanbrown.com

Recent e-Newsletters

- One-year transitional period for the New Business Tax (BT) Regulation
- LehmanBrown International Accountants co-organises and sponsors: John Prescott: Off-the-Record
- China Internal Control Standard for Listed Companies: Effective 1st July 2009
- Liberalization of trade in services between Hong Kong and Mainland China under CEPA
- Criteria for foreign MNCs establishing Regional Headquarters in Shanghai
- Shanghai Incentives to attract Foreign Investments
- The State Administration of Taxation Releases New Circular to Strengthen Tax Collection and Administration
- HOW TO CALCULATE VAT REBATES
- China Increases the Export Value-Added Tax Refund Rates for Textile Products, Certain Electronic Products and Other Commodities
- Measures for Determining Value of Goods and Articles Contravening the PRC Customs Regulations
- The Objectives and Benefits of an Internal Audit
- New transfer pricing regulations and their impact on foreign businesses in China
- Business Tax - Enlargement of scope of charge
- Shanghai: New provision on the establishment of regional HQs by foreign MNCs

[Go to Top](#)

"Providing an alternative in China"

Insights is LehmanBrown's official client-focused e-newsletter. It offers updates on the latest business news, taxation and accounting regulations in the People's Republic of China. It is designed to provide you with interesting and informative information to assist in your dealings with China or any China-related issues that you may encounter.

Business-related enquiries can be emailed to beijing@lehmanbrown.com.