

Shanghai: New provision on the establishment of regional HQs by foreign MNCs
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The Shanghai Municipal Government recently issued the new provision, 'Shanghai Municipality, Establishment of regional headquarters by Foreign Multinational Corporations' to encourage multinational companies to set up their regional headquarters in Shanghai.

There are four key amendments to the current regulations:

1.The new provision specifies the amount of subsidy granted by the government. Newly established regional headquarters of foreign MNCs, which take the form of an investment company, can enjoy a subsidy of RMB 5 million and will be paid over a period of three years in installments of 40%, 30%, and 30%. In addition, newly established regional headquarters of MNCs can also be compensated for their office leasing or construction costs at the rate of RMB 8/day per square meter, for up to 1000 square meters for three years.

2.It also states in the provision that regional headquarters of MNCs with good performance are entitled to a one-off reward from the government. The state-level Ministry of Commerce recognized that regional headquarter of an MNC which take the form of an investment company, and which have an annual turnover exceeding RMB 1 billion, can enjoy a reward of RMB 10 million.

The state-level Ministry of Commerce recognized regional headquarter of an MNC which take the form of a management company, and which have an annual turnover exceeding RMB 0.5 billion can enjoy a reward of RMB 5 million.

Likewise, the reward would be paid over a period of three years in installments of 40%, 30%, and 30%.

3.There is also a significant improvement in visa, work and residence permit procedures for expatriate employees of the regional headquarters, in terms of documents required, time of completion and validity period. For example, expatriates who work in the regional headquarters of an MNC as a legal representative, general manager, vice general manager or CFO are entitled to a 5 year residence permit in Shanghai; department managers are entitled to a 4 year residence permit, and ordinary expatriates are entitled to a 3 year residence permit. Additionally, expatriates who work in the subsidiary of the regional headquarters of an MNC with a registered capital exceeding US\$ 30 million can follow the same preferential practice.

4.Chinese employees who are from other provinces of China and work in the regional headquarters or the subsidiary R&D center of an MNC in Shanghai, can be given priority for permanent residence permits in Shanghai.

Please find below, the website for the aforementioned provision (Chinese version only):

<http://www.shanghai.gov.cn/shanghai/...>