



Comparison Chart for 4 businesses structures in China

Comparison of Business Operations in China: Shanghai, Beijing, Hangzhou, Shenzhen, Hong Kong

ITEMS	WFOE/ JOINT VENTURE	REPRESENTATIVE OFFICE	HONG KONG COMPANY	PARTNERSHIP ENTERPRISE
Minimum Capital	No. minimum registered capital is required (*1)	Not register capital	1 HKD	No minimum capital required
Business Scope	Specific Industry: Trading WFOE; Consulting WFOE; Manufacturing WFOE (*2) etc.	Liaison; Quality Control; Factory Visits, etc.	All business activities offshore; General Trading	Specific Industry according to Foreign Investment Industrial Guidance Catalogue
Office	In an office or commercial building which can be registered	Shanghai: Office building with certificate; Beijing: office building	Virtual address in HK	In an office building which can be registered
Working Visa	1 year multi-entry Visa (*3)	1 year multi-entry Visa; Maxium number of foreign employees in Rep. office is 4.	Couldn't have work visa in China	1 year multi-entry Visa (*3)
Recruiting Staff	Recruits staff directly	Through Local HR agency: FESCO, CIIC, etc.	Can't recruit staff in China	Recruits staff directly
Taxation	Turnover Tax; Income tax, Dividend tax, etc. (*4)	approx. 8-13% (*5) on expenses; Individual Income tax, etc.	Corporate income tax: 16.5%. No dividend tax	Turnover tax; Income tax, Dividend tax, etc. (*4)
Maintenance	Monthly; Quarterly; Annually	Monthly; Quarterly; Annually	Annual license renewal; Annual audit	Monthly; Quarterly; Annually
Bank Account	Access & receive money; pay bills; issue cheques; withdraw cash in China; RMB account and foreign currency account	Can only receive money from parent company; Can only pay for expenses; Can't pay for products	Online banking; withdraw cash in HK; withdraw cash with debit card in China if applicable	Access & receive money; pay bills; issue cheques; withdraw cash in China; RMB account
Invoicing	Official invoice in China	Can't issue invoice or receipt	Customized A4 size receipt	Official invoice in China
Receiving payments	World Wide	Not allowed to receive payments from clients	World Wide (*6)	World Wide
Liability of equity participants	Limited to amount of the capital	Parent Company must be established for over 2 years	Limited to amount of equity participation	Unlimited liability or limited liability in a limited partnership enterprise

(*1) [Since March 1, 2014] No. minimum registered capital is required for WFOEs with scope of business of consulting, Trading, Retailing, Information technology etc. in China. There is minimum registered capital still required for some industries for instance: Banking, Forwarding etc.

(*2) WFOE / Joint Venture can only conduct business within its approved business scope, which ultimately appears on the business license. Any amendments to the business scope require further application and approval. Please check point 5 at www.wfoe.org for more details.



(*3) Check the details of residence permits in China at Foreigner service

(*4) There are 2 major taxes for WFOEs and Joint Ventures in China: **Value Added Tax**: based on Value added part of the products, applies to Service or Trading or Manufacturing businesses; **Corporate Income Tax**: based on gross profit, it's 25% nation wide (since Jan. 1st, 2008) except High technology businesses with tax incentives in special economic zone, and encouraged industries in middle-western China (starts from Jan. 1st, 2009). Other taxes include **Dividend Tax**: it's 20%. As for public listed company, the Dividend Tax is: 10% since June 13th, 2005.

FIPE: No Corporate Income Tax required if partners are individuals. The individual partners shall pay their respective share of the partnership income. Corporate income tax applies if partners are companies.

(*5) Rep. office's tax used be based on 8 - 13% of the expenses according to new tax regulation since May.2016.

(*6) Some local Chinese companies do not have foreign currency account and cannot send money abroad (including to Hong Kong). Make sure your China clients can send money to Hong Kong.

