

## WFOE IN SHENZHEN

### INTRODUCTION

WFOE is an abbreviation for the Wholly Foreign Owned Enterprise. A Trading WFOE shall have the rights to wholesale, import and export goods and provide related services in China.

Some scope of business, such as food and beverage, medicine, medical equipment, etc. needs special approvals and permits in China while there are business restrictive or forbidden to be running by foreign invested company, such as the fields of rice and cotton trading, book publishing etc.

### COMPANY INFORMATION

#### Requirements for Company Name

- In China, there are restrictions imposed on the company name.
- In the same industry, neither company name nor trade name shall be repeated. Each name is valid only after being verified and reserved by industrial and commercial administrative department.
- The language of company name is in Chinese simplified. If an English name is required, it can be documented in the Memorandum & Articles of Association.

Name factors shall be considered when naming a company:

The name usually starts with “location”, followed by “merchant” name, followed by “activities” name and the “nature” of entity.

- With the wording of “municipality”, the approval of municipal department is a must.
- With the wording of “province”, the approval of provincial department is needed.
- With the wording of “China”, the approval of China's Ministry of Commerce is required.

If the company name involves China, province, etc., name approval will consume the company registration processing time.

#### Registered Capital

For trading and wholesaling, RMB500,000 or above. The capital has to be subscribed in lump sum as contemplated in the Articles of Association. It could be paid up within 30 years from the date of issuance of Business License.

#### Language of Legislation and Corporate documents

Chinese (simplified).

#### The Shareholder, Director, Supervisor, and Legal Representative

1. Shareholder: shall be a company, or a natural person. Preferrably natural person.
2. Supervisor: If there is only one shareholder, an extra supervisor should be provided. If there are two or more shareholders, one of them can be as the supervisor.
3. Legal representative: shall be a shareholder, a director, or neither.

*Whilst every effort has been made to ensure that the details contained herein are correct and up-to-date, it does not constitute legal or other professional advice. We do not accept any responsibility, legal or otherwise, for any error omission.*

### Business Scope

The business scope refers to the specific business that the shareholders expect to do locally. It cannot be few business activities together. The details of business scope has to be submitted at the incorporation stage.

### Ongoing requirement

1. Bookkeeping and tax: To file the tax return with the state and local tax authority monthly when the tax registration certificate is issued.
2. Employee's social security (if any).
3. Submission of annual report every year.

### TAXATION

The taxation system of China has gone through several major reforms during the 40 years of Reform and Opening up. For a WOFE, taxes shall be paid as follows in general:

Type	Rate (in %)	Description	Timeframe
Value Added Tax (VAT)	3-13	On turnover. - Small scale tax payers 3%, ->Min monthly tax threshold RMB100,000, no VAT ->Turnover at RMB300,000/quarter, no VAT - General tax payers 13%	Quarterly
Corporation Income Tax	15	Profit 15%	Quarterly/Monthly

### FEES

Scope of Service	Amount
Registration Only	US\$5000 registration (consulting/service co) (once off) US\$6500 registration (For trading, Import & Export license has to separately apply after registration) (once off) US\$2000 virtual office (annual) US\$5000 bank account opening (once-off)
All in for the first year*	US\$8000* (consulting/service co) or US\$9500* (Trading Company) (trading, Import & Export license has to separately apply after registration) US\$2000 virtual office (annual) US\$5000 bank account opening (once-off)

1. \*The fee includes first year service of :

- Monthly bookkeeping as required by tax authorities (part time).
- Monthly or quarterly tax return filing with tax authorities as required (part time).
- CPA annual audit reports for first year's accounting books and tax payment.
- First year's annual reports for government authorities.

2. The above fee doesn't include official invoice for tax purpose. If this service is needed, it will be quoted separately.

3. All documents submission must be in Chinese. The above fee doesn't include any translation service as official translation agent with its stamp is needed.

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## DOCUMENTS REQUIRED

The following documents are required for application submission:

1. The proposed name of the WFOE. Five (5) Chinese name and one (1) English company (the company name must be in Chinese simplified, the English name cannot be registered but only appear on Memorandum & Articles of Association if you want).
2. Organization Chart.
3. Investor's identification documents:
  - For individual investor: passport copy (with both photo and holder's signature) authenticated by local authority and Chinese embassy or consulate. Two (2) originals. When the individual is in China at the time of application, such documents may not be necessary.
  - For the investor is a foreign company: copy of Certificate of Incorporation, or equivalent document, authenticated by local authority and Chinese embassy or consulate. Two (2) originals (Remarks: if the investor is a company, the person's name who signs application documents for and on behalf of the company shall be either listed on the Certificate of Incorporation or equivalent document or in a separated Power of Attorney of appointment of such a person. This Power of Attorney shall be authenticated accordingly. Two (2) originals needed. Foreign individual investor is preferable than a body corporate).
4. The Address and/or place of registration, telephone and fax number of the investor.
5. Passport copy (with photo and signature) of (i) WFOE's Legal Representative and (ii) WFOE's supervisor (iii)WFOE's general manager (iv) WFOE's directors.<sup>1</sup> Two (2) copies for each person. The resident address, email address and phone no. of the proposed legal representative.
6. A detail summary of the proposed scope of business and scale of business (in Chinese).
7. The total amount of investment in the WFOE, including:
  - The amount of the registered capital; and
  - The method and time limit of capital contribution.
8. Office address of WFOE: Leasing contract (2 originals); a lease registration certificate from housing management department (1 original).

Remarks: Please be noted that the original passport / ID Card and/or mainland travel permit of the legal representative of the WFOE shall be presented to the bank for verification purpose.

## ESTIMATED TIME FRAME

Step	Description	Working Days
1	Name availability search, confirmation and registration	3
2	Business license application	10-20
3	Apply for and production of official company stamp	2-4
4	Bank account opening (original passport of the legal representative is needed, physical presence is preferable).	15-20
5	Apply for the import/export license (registration for foreign trade operator, certificate of customs application, E-port IC card, foreign currency registration, quality inspection and quarantine registration	15-20 (only for trading company)
		2-3 months (for trading company) At COVID, it may require additional time to register the company and open bank account

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