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China Company Registration Package #FICE102 - Shanghai Trading Company Registration and Bank Account Opening

When a foreign investor (both corporation and individual) intend to carry out trading business in Shanghai, China, including wholesale/distribution and importing and exporting, he needs to set up a trading company, in the form of limited liability company (or company limited by shares where a minimum of two shareholders is required) with the scope of business stated in the Business Licence.

This package covers all basic registration procedures required to bring in such a company into legal existence and where the shareholder/investor is a Hong Kong incorporated company.

This package includes name reservation, business license application and opening bank account. Kaizen could also help to apply for the import and export license and VAT general taxpayer upon your instructions.

In addition, the package stated below is for company with a scope of business including only wholesale/distribution and importing and exporting of general commodities. Trading of certain products may require extra licence and therefore extra fees could be expected.

The terminology "Foreign Invested Commercial Enterprise" or "FICE" quoted anywhere in this article and in this website refer to a trading or retailing business (in the form of a limited company) invested and set up by a foreign individual or corporation.

1. Features of Foreign Invested Commercial Enterprises

- (1) Type of company commonly used by foreign investors
A Foreign Invested Commercial Enterprise (FICE) is a limited liability company engaged in the business of retailing/wholesaling, import and export of certain kind of commodities in China.
- (2) Restrictions on Trading
A FICE could only engage in those business activities (Scope of Business) stated in the Articles of Association and Business License.
- (3) Name approval required
Pre-approval is required for use of a name. It is possible to reserve a name of a proposed FICE for as long as six months.
- (4) Registered capital
In the case of a trading company in Shanghai, the minimum registered capital required is RMB500,000.
- (5) Shareholders/Members
A minimum of one shareholder/member is required whose details are filed on the local Administration for Industry and Commerce. Corporate shareholders are permitted. The shareholders can be of any nationality except Chinese.
- (6) Director/Board of Directors
A FICE is required to appoint a minimum of one Director and full details of these directors must be filed with the Administration for Industry and Commerce. The sole director is the executive director or managing director. The director can be of any nationality and be resident anywhere. Corporate director is not allowed.
- (7) Legal Representative
A FICE is required to appoint a Legal Representative and full details of that person must be filed with the local Administration for Industry and Commerce. The Legal Representative could be of any nationality and does not have to be a resident in China.
- (8) Supervisor/Board of Supervisors
A FICE is required to appoint at least one Supervisor and full details of that person must be filed with the Administration for Industry and Commerce. The supervisor can be of any nationality and be resident anywhere.
- (9) Financial Controller
A FICE is required to appoint one Financial Controller and full details of that person must be filed with the Administration for Industry and Commerce. The financial controller can be of any nationality and be resident anywhere.
- (10) Registered office/Business address

A company must maintain a business address in China. In accordance with relevant regulations, the office of the FICE must be located in a commercial building and that the lease term of the office must be at least for a term of 12 months.

(11) Tax filings

A FICE is required to update its books on a regular basis, file Value Added Tax Return on a monthly basis, file individual income tax return for its employees on a monthly basis, file Corporate Income Tax Return on a quarterly basis and file annual corporate income tax return after the fiscal year end.

(12) Annual reporting

A FICE is required to prepare audited accounts under the company laws. Also, a copy of the audited financial statements is to be furnished with tax authority for tax report purpose. The audited financial statements are not available to the public or to the foreign authorities except those of a listed company. We can provide complete supporting services after incorporation, such as book-keeping, auditing and tax filings for both the FICE and its employees.

2. Procedures for Establishing a FICE in Shanghai, China

The whole process for the registration of a company in Shanghai, China could be divided into three stages, namely preliminary, registration and post-registration stage. Each of the stages is described below.

(1) Preliminary Stage

(a) Lease of Office Space

Firstly, the investor will have to enter into a tenancy agreement in relation to the office space to be used by the FICE for a term of not less than 12 months. The office must be located in a commercial building.

(b) Legalisation of Identity Documents of the Shareholder/Member

The investor is also required to arrange to have the identity documents of the shareholder legalised by the Chinese Embassy in the country where the shareholder/member is registered/resided.

(c) Other Documentation

The investor at the same time needs to prepare other documents, such as photocopy of passports/Hong Kong Identity card/Home Returning Card of the directors, supervisor, legal Representative and Financial Controller.

(2) Application for Registration of the FICE

(a) Name Search and Reservation

The registration process of a FICE starts with name availability search. We suggest that you create 3 to 4 names (in Chinese) in case that the preferred one is gone. We will then perform a name availability search with the local industry and commerce administration bureau and confirm with you their availability. The reservation is valid for a term of 6 months and further reservation is possible.

(b) Registration for Business License

Upon receipt of the approval for reservation of the preferred name of the FICE, Kaizen will then apply for Business Licence for the FICE from the AIC. The AIC will usually issue the Business Licence within 10 days after receiving all the required documentation. Once the business license is issued, the FICE is deemed to be a legal person duly organised and existing under PRC law and will have full operational rights to operate its business in China within the scope of its Business Licence.

(c) Record-filing

Upon receipt of business license, Kaizen will then arrange the registration record filing with Information Reports System.

(3) Post Registration Stage

Once after the FICE is officially registered, it also needs to apply for various certificates from or apply for registration with the following government departments:

(a) Carving of Company Seal and Chops

Application for Approval for making of Office Stamp (Office Seal) from the Public Security Bureau and arrange the carving the company seal and chops;

(b) Foreign Exchange Registration

Application for registration with the Administration Bureau for Foreign Exchange.

(c) Opening of bank accounts

Opening of one capital account, one RMB basic account and/or tax paying account with a bank of your choice in Shanghai, China.

(4) Extra Procedures for FICE

(a) Import and Export Qualification

The FICE are required to complete Foreign Trade Operator Registration procedures before it can start its import and export business.

(b) VAT General Taxpayer Qualification

A FICE is considered as a VAT small scale taxpayer when it is incorporated. If you want to be treated as a general taxpayer, then you shall apply for VAT general taxpayer qualification accordingly.

3. Estimated Time Frame for Establishing a FICE in Shanghai, China

The whole registration process would take around 6 - 7 weeks. The table below shows the estimated time frame for each of the steps for the registration process.

Step	Description	Who is Responsible	Working Days
Preliminary Stage			

1	Legalisation of a HK company	Investor/Kaizen	Investor's schedule
2	Tenancy agreement (for the office to be used by the FICE)	Investor	Investor's schedule
3	Other documents	Investor	Investor's schedule
Application for Registration			
4	Name availability search	Kaizen	1
5	Application for approval and reservation of the proposed company name	Kaizen	3-5
6	Application for business license	Kaizen	10
7	Record-filing	Kaizen	5
Post Registration Stage			
8	Application for approval and carving of company seals	Kaizen	3
9	Opening of RMB basic account	Kaizen	5
10	Perform foreign exchange registration	Kaizen	5
11	Opening of capital account	Kaizen	10
Around 6 - 7 weeks			

4. Required Documents and Materials for Establishing a FICE

The following documents and materials needed to be prepared by the application before submitting an application for registration:

- (1) Name of the company to be registered
The name of company to be registered in Shanghai must follow the format “Business Name + (Shanghai) + Principal Business Activity + Limited” or “Business Name + Principal Business Activity + (Shanghai) + Limited” For example, “Kaizen (Shanghai) Trading Limited” or Shanghai Kaizen Trading Limited.
- (2) Particulars of the Shareholder
If the shareholder of the Shanghai FICE is another company, please provide the particulars of that company, including the principal business activities, business address, contact numbers and name and nationality of its managing director.
- (3) Legalised identification documents of the shareholder
One set of legalised identity documents of the foreign shareholder/members of the proposed FICE. If the shareholder is a HK company, the identity documents required to be legalised are its certificate of incorporation, business registration and annual return etc. The incorporation document of a HK company shall be legalised by the China government authorized lawyer.
- (4) Organisational Chart and Beneficiary Owner
An organisation chart and particulars of the ultimate beneficiary owner of the Shanghai FICE.

(5) Legal Representative

A photocopy of the identification document (i.e. passport for foreigner or identity card for Chinese national) and full residential address of the legal representative.

(6) Supervisor and Financial Controller

A photocopy of the identification document (i.e. passport for foreigner or national identity card for Chinese national) and a full residential address of the supervisor and the financial controller.

(7) Director(s)

A photocopy of the identification document (i.e. passport for foreigner or identity card for Chinese national) and full residential address in respect of each director.

(8) Amount of Investment/Registered Capital of the Shanghai Company

The total amount of investment of the FICE, including:

- (a) the amount of registered capital
- (b) method and time limit of contribution of capital

(9) Tenancy agreement

A tenancy/lease agreement of the office premise to be used by the proposed FICE. Please note the agreement shall clearly indicate the premise is for office use only and the lease term shall not be less than 12 months.

(10) Scope of Business

A summary of the scope of business and the scale of business of the proposed FICE, including its business model, locations of suppliers and customers, products to be imported, exported or distributed.

(11) Particulars of Preferred Bank

Please provide the name of preferred bank and the designated branch at which the bank accounts of the Shanghai FICE to be established.

5. Summary of Registration Costs

Item	Description	Amount RMB
1	Service fees for FICE registration	16,000
2	Official filing/registration fees for FICE registration	1,500
3	Disbursements	500
4	Service fee for internet banking facility application	1,000
5	Legalization Fees	7,000
Total		26,000

6. Payment Terms

Upon receipt of your order, we will issue an invoice to you for your settlement. We require full payment in advance.

If China official tax invoice is required, Value-Added Tax with 7.5% will be charged.

7. Certificates and Materials obtained after Registration

After the FICE is officially registered, it will obtain the following certificates and documents to prove its legal existence and to carry out its daily operation.

- (1) Business Licence (Original, Duplicate)
- (2) Record-filing voucher
- (3) Articles of Association
- (4) Company Seal, Financial Seal, Legal Representative Seal
- (5) Bank Account Opening Permit and Other Bank Stuffs
- (6) Foreign exchange registration certificate

8. Compliance Requirements of a FICE in Shanghai

After a FICE is officially registered in Shanghai, it is required to comply with various monthly, quarterly and annually filing and reporting requirements. These filing requirements include monthly tax filing, filing of annual audit report, which has to be issued and signed off by a local CPA firm, filing of annual tax reporting to the State Administration of Tax Bureau and filing of annual report to the business licensing bureau etc. In any case if any of these annual compliances are not handled in a timely manner, the FICE may subject to penalties or at the risk of getting their license suspended or cancelled by the AIC.

Kaizen is well equipped with experienced personnel and capable of providing all the services that your Shanghai FICE may need, including but not limited to monthly book-keeping, preparation of tax computation and filing of various tax returns and also performing annual tax clearance and etc. please contact one of our professional accountants for details.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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