# CHINA DIRECT INVESTMENT GUIDES

**REASONS FOR DIRECT INVESTMENT IN CHINA**

1. China consumer market among the biggest in the world, even family business attempt to share the strong demand of products and services in China
2. Overwhelming business opportunities are emerging by virtue of expansion of open door policy in China
3.Chinese workforces, flexible and fast learning
4.Reduction in product costs, rent and labor
5.Allow home companies to reduce their fixed overhead cost
6.Sourcing domestic goods from China market

**STEPS FOR SETTING UP COMPANY IN CHINA**

1. Set up your objectives
2. Perform feasibility study
3. Choose investment strategy: Start from scratch or business acquisition
4. Procure market entry requirements and competition
5. Decide right forms of establishment: wholly foreign owned enterprise, representative office, joint venture companies
6. Company formation - capital requirement depending on business scope and location
7. Tax planning - Value Added Tax, Business tax, Corporate Income Tax, Individual Income Tax, Custom duties and applicable tax
8. Apprehend foreign currency control, custom declaration, banking operation
9. Lay down procedures and timetable to follow through

**PROCEDURES FOR COMPANY INCORPORATION IN CHINA**

1. Approval of company name
2. Approval of foreign investment enterprises
3. Memorandum and Article of Association
4. Business registration
5. Capital verification
6. Enterprise code certificate
7. Foreign exchange registration
8. Setting up bank accounts
9. Custom registration
10. State tax and Local tax registration
11. Social insurance registration

12. Expatriate work permit and visa

**TAXATION IN CHINA**

1. Value Added Tax: VAT applies to all enterprises and individuals engaged in sales of goods, provision of processing, repairs and replacement services, and the importation of goods into China. General VAT rate is 17%, but necessities goods are taxed at 13%. VAT payable or refundable is based on output VAT (for Sales) minus input VAT (for Purchases). Generally, there is no VAT payable for export.
2. Business Tax: all enterprises and individuals engaged in transportation, construction, post and telecommunications, finance and insurance, as well as transfer of immovable properties and intangible assets shall be liable for business tax. Business tax is charged on gross revenue at a rate from 3% to 20%
3. Corporate Income Tax: An entity in China is subject to corporate income tax. The CIT rate is usually 25% charged on net profit. Depending the location or business of entities, the CIT rate may be reduced.
4. Individual Income Tax: Individuals are subject to PRC IIT on their salaries, allowances, rental income and other income at progressive tax rates ranging from 5 to 45% respective of 500 to 100,000 RMB per month.

**SOCIAL INSURANCES AND PENSION**

Social insurances and pension are mandatory, and are contributed by both employer and PRC staffs in China. There are minimum and maximum limits which are linked up with average salary levels in different locations.
Social insurance rates are :
(A) Welfare insurance (employer 10%, staff 8%)
(B) Medical insurance (employer 8%, staff 2%)
(C) Unemployment insurance (employer 0.4%, staff 0)
(D) Accident insurance (employer 0.5%, staff 0)
(E) Housing pension (employer 5%, staff 5%)
The above rates are applicable in Shenzhen, these rates may vary depending on location of entities. Expatriates working in China are not required to contribute PRC social insurance and pension.