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China Legal Affairs

Activities Allowed for Representative Office of Foreign (Region) Enterprise in China

According to Article 2 of the PRC Regulations on Administration of Registration of Representative Office of Foreign Enterprise, representative offices of foreign enterprise (hereinafter referred to as “representative office / RO” refers to the offices established by foreign (region) enterprises in accordance with the Regulations within China engaging in non-profit activities that are related to their business. A representative office / RO is not a separate legal entity. It can only engage in non-profit activities within the scope of business specified in its registration certificate.

1. Activities Prohibited

Article 13 of Regulations on Administration of Registration of Representative Office of Foreign Enterprise clearly stipulates that a representative office / RO cannot engage in profit-making activities. That means a representative office / RO is not allowed to enter into any contract or agreement that may generate revenue in its own name. It cannot place order to suppliers, receive and deliver goods, issue invoice to clients, collect payment for goods or services and etc. However, in case international treaties and agreements signed or joined by China have clearly stipulated that representative office of foreign enterprise can engage in business activities in China, then such provisions shall prevail.

In case a representative office / RO engages in profit-making activities, the registration authority will confiscate illegal income and tools, equipment, raw materials and commodities specially for profit-making activities and impose a penalty of RMB50,00 to RMB500,000. In serious circumstances, the registration certificate of the representative office will be revoked in accordance with Article 35 of Regulations on Administration of Registration of Representative Office of Foreign Enterprise.

2. Activities Allowed

According to Article 14 of Regulations on Administration of Registration of Representative Office of Foreign Enterprise, a representative office / RO may engage in the activities related to the business of foreign enterprise as follows:

- (1) Market surveys, displays and campaigns related to the products or services of foreign enterprise; and
- (2) Liaison activities connected with sales of product of foreign enterprise, service providing, domestic procurement and investment.

2. Activities Allowed—*Cont'd*

In case laws, administrative regulations or the State Council provides that a representative office shall be approved while engaging in the business activities as prescribed above, it shall apply for approval accordingly.

That means a representative office / RO may engage in market survey activities such as market information collection, market analysis, market demand survey, competitor survey and etc. for its head office, attend exhibition to display and introduce the products and services of its head office, set up product and service showroom for its head office, advertise products and services of its head office through various media and engage in liaison and negotiation activities for its head office to carry out business activities and domestic investment.

Besides the activities specified in Article 14 of Regulations on Administration of Registration of Representative Office of Foreign Enterprise, a representative office / RO may also enter into necessary contracts or agreements to maintain its operation, for example, to sign office lease contract, office equipment purchase contract and etc.

In case a representative office / RO engages in other activities that are not specified in Article 14 of Regulations on Administration of Registration of Representative Office of Foreign Enterprise, a penalty of RMB10,000 to RMB100,000 will be imposed on by the registration authority if it fail to make corrections within the prescribed period. In serious circumstances, the registration certificate of the representative office will be revoked in accordance with Article 37 of Regulations on Administration of Registration of Representative Office of Foreign Enterprise.

3. Special Situations

Although a representative office / RO is not allowed to engage in profit-making activities in accordance with the Regulations on Administration of Registration of Representative Office of Foreign Enterprise, some special types of representative office, such as representative office of foreign law firm, representative office of foreign accounting firm and representative office of foreign Air Transport Enterprise, may provide legal consultancy services, accounting, tax consultancy services and ticket services respectively, issue invoice to clients and collect service fees in accordance with Article 15 of Regulations on Administration of Representative Offices of Foreign Law Firms in China, Article 5 of Temporary Measures for Administration of Representative Office of Overseas Accounting Firms and Article 3 of Administration Measures for Approval of Representative Office of Foreign Air Transport Enterprises.

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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