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China Representative Office Registration and Maintenance Guide (1) - Overview

1. Nature of Representative Office in China

Representative Office (RO), also known as Permanent Representative Office or Resident Representative Office, is an office of a foreign enterprise that is set up in China to liaise with Chinese businesses and customers on behalf of the foreign enterprise (or head office). Establishment of an RO is subject to approval by the relevant authorities under Chinese law.

Although ROs are not allowed to directly conduct business, there are still certain benefits that foreign enterprises can gain from setting up and legally registering a Representative Office. Perhaps the most important reason is that RO can help its head office to generate income from sources inside China. Other possible benefits of setting up RO include: RO can function as a liaison between its head office and related industries in China; RO can conduct market research and do preparatory work for its head office to possibly directly enter into the Chinese market. Other benefits include ease of obtaining Chinese visas for employees, easier direct communications, etc.

Since China first started allowing the establishment of trading WFOEs, some foreign enterprises, especially those that conduct trade with China, have elected to set up a trading WFOE instead of an RO. From a total business operations standpoint, setting up a WFOE to directly conduct business in China is much more efficient than merely having an RO acting as a middleman in China. We can discuss the options with you to determine which type of business registration makes the most sense for your specific situation.

2. Key Points of Registering a Representative Office in China

(1) Requirements for foreign enterprises

- (a) Foreign enterprises that want to set up a Representative Office in China must be an officially registered business in its home country or region. A copy of the official Registration Certificate issued by the foreign enterprise's home country is required in order to prove that it is properly registered in its home country. The registration documents of the foreign enterprise should be legalised by the Chinese Embassy in the country where that foreign company is registered.

- (b) A banker's reference letter is required from the country or region where the foreign enterprise is based. The banker's reference letter should state the name of the foreign enterprise, that the foreign enterprise has maintained bank accounts with this particular bank, and that the foreign enterprise is in good standing with the bank (e.g. no large outstanding debts, etc.). The banker's reference letter should be legalised by the Chinese Embassy alongside with the registration documents.
- (c) The Chinese government also requires that the foreign enterprise which applies to set up the representative office must have been in existence for no less than two years.

(2) Requirements for the Representative Office

- (a) A Chief Representative must be designated for the RO. An appointment letter that specifically designates someone as the RO's chief representative will be required. The chief representative can be an expatriate or Chinese national.
- (b) An office site in China is required for the RO. A lease agreement and the landlord's official documents will be required. The lease term must be for no less than one year.

(3) Representatives of the Representative Office

- (a) There must be one Chief Representative appointed for an RO.
- (b) All other foreign employees of the RO can be designated as "representatives". A formal appointment for each representative will be required. Expatriates can only serve as representatives; Chinese nationals can either be designated as representatives or as local employees. A total of up to four representatives is allowed.
- (c) All expatriate representatives are required to apply for Working Cards and Work Permits from the relevant authorities.
- (d) New representatives can be added after the initial RO registration has been completed.

(4) Life Span of a Representative Office

The life span of an RO cannot exceed that of its head office.

(5) Representative Office's Bank Accounts

An RO may open a foreign currency account and an RMB account. The foreign currency account is used for receiving funds from its head office. The RMB account is used for expenses in China. While, in practice, most ROs just maintain one RMB account, which can be used for receiving funds from its head office and paying daily operation costs. The account(s) of an RO cannot receive any funds from any other sources.

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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