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Registration of a Shenzhen Representative Office - Procedures and Fees

Summary

This quotation applies to situations where a foreign investor intends to set up a representative office (RO) in Shenzhen, China to carry out market surveys, products displays and marketing activities related to the products and business of the foreign enterprise (the investor) and liaison activities in relation to product sales, service providing, domestic procurement and investment and that no special licence or permit is required.

Our fees for handling the formation and registration of a representative office in Shenzhen, China are **USD1,900** and our fees cover the services listed in Section 1(1) of this quotation. Our service fees, however, do not include the payment of official registration charges, setting up internet banking facility, legalisation of incorporation documents of the foreign enterprise (the head office) of the representative office.

The materials required include legalised incorporation documents of the foreign enterprise, a lease agreement of the office space to be used by the representative office and others. A list of the materials is detailed in Section 4 of the quotation.

The whole process for the registration of a representative office in Shenzhen, China takes 5 to 7 weeks. It should however be noted that most of the procedures are subject to approval granted by the government departments and therefore some of the procedures may take longer than expected.

If, due to the limitation of foreign investor company's principal business activities, the registration of representative office requires special licence or permit, we may need to adjust our fees and the time required may need to be extended accordingly.

1. Registration Cost

(1) Our Service Fees

Our fees for handling the registration of a representative office in Shenzhen, China are **USD1,900**. In particular, our fees cover the following services:

- (1) Preparation of registration application documents;
- (2) Application for registration certificate;
- (3) Carving chops and personal chop of the chief representative;
- (4) Setting up a RMB basic bank account.

If, due to the limitation of foreign investor company's principal business activities, the registration of representative office requires special licence or permit, we may need to adjust our fees accordingly.

(2) Official Filing Fees

Our service fees stated in Section 1 (1) do not cover any official filing fees. The estimated official filing fees shall be around USD400. The official filing fees will be billed with supporting official receipts.

(3) Internet Banking Facility

Our service fees stated in Section 1 (1) cover the setting up of a bank account for the new representative office, however, it does not cover the application of internet banking facility. Should you decide to engage us for the above service, we will charge a fee of USD300.

(4) Legalisation Fees

Our fees stated above also do not cover the legalization of the incorporation documents of the foreign enterprise. Kaizen is able to arrange the legalisation of incorporation documents for foreign enterprises registered in Hong Kong, Singapore, Taiwan, British Virgin Islands, Cayman Islands and Bermuda and a few other countries. Fees for legalisation will be quoted upon request.

(5) Translation Costs

Our service fees stated in Section 1 (1) do not cover translation costs for translating the documents prepared by you from English to Chinese or translation of registration documents from Chinese to English. If so required, we will charge an extra amount of USD55 per page of A4 size paper for the translation services.

All the fees quoted above do not include the Value Added Tax and Surcharges of 7.5% if Chinese tax invoice (Fapiao) is required.

A summary of the fees and costs is provided in Schedule 1 to the quotation.

2. Payment Terms and Methods

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

If China's mainland or Taiwan official tax invoice is required, Value-Added Tax or Business Tax at the prevailing rate in the respective jurisdiction will be charged.

3. Basic Structure of a RO in Shenzhen

The minimum requirements of a representative office in Shenzhen, China are as follows:

- One chief representative
- The foreign enterprise must be established and operating for more than two years
- No more than three general representatives
- Chief representative or general representative must be natural person with no restriction on nationality

4. Required Documents and Materials

The following materials are required for the purpose of application for registration of a representative office in Shenzhen, China:

(1) Name of the Representative Office to be Registered

The name of representative office to be registered in Shenzhen must follow the format "Name of Origin Country + Chinese Translation of Name of the Foreign Enterprise + Shenzhen Representative Office".

(2) Particulars of the Foreign Enterprise

Please provide the particulars of the foreign enterprise, including the registered address, principal business activities, registered capital or total assets, contact phone number etc.

(3) Tenancy Agreement

One set of original Tenancy Agreement and Leasing Certificate of the office premise to be used by the proposed representative office.

(4) Legalised Incorporation Documents of the Foreign Enterprise

One set of legalised incorporation documents of the foreign enterprise (investor of the proposed representative office). The investor's incorporation documents, including Certificate of Incorporation and/or Business Registration Certificate, registered address and articles of association, shall be legalised by the Chinese Embassy or Consulate in the country where the investor is registered. For an enterprise registered in Hong Kong, the incorporation documents shall be attested by the notary public in Hong Kong who is authorized by Chinese government authority.

(5) Legalised Power of Attorney

One set of power of attorney to the person who will sign all the application documents on behalf of the foreign enterprise, which shall be legalised by the Chinese Embassy or Consulate in the country where the investor is registered.

(6) Legalised Bank Reference Letter

One set of bank reference letter of the foreign enterprise, which shall be legalised by the Chinese Embassy or Consulate in the country where the investor is registered.

(7) Legalised Letter of Appointment for the Chief Representative

One set of letter of appointment for the Chief Representative and his/her identity documents, which shall be legalised by the Chinese Embassy or Consulate in the country where the investor is registered.

(8) Chief Representative and General Representative (if any)

Please provide particulars of the chief representative and general representative, including name, China mobile number, email address, residential address in China, arrival date in China and personal resume. Please also provide a photocopy of the passport and two passport-size colour photos with white background.

(9) Particulars of Preferred Bank

Please provide the name of preferred bank and the designated branch at which the bank account of the representative office is to be established.

Please note the chief representative of the representative office is required to visit Shenzhen to open the bank account. The bank officers will go to your office to conduct a site inspection when you submit the application to them.

5. Procedures for Establishing a RO in Shenzhen

(1) Preliminary

(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 representative office for a term of not less than 12 months. The office must be located in a commercial building.

(b) Legalisation of Incorporation Documents of Foreign Enterprise

The investor is also required to arrange to have the incorporation documents of the foreign enterprise, power of attorney, bank reference letter and letter of appointment for the chief representative legalized by the Chinese Embassy or Consulate in the country where the foreign enterprise is registered.

(c) Other Documentation

The investor at the same time needs to prepare other documents, such as photocopy of passports/ China's mainland travel permits and resume of the chief representative and general representative.

(2) Application for Registration of RO

Upon receipt of all duly executed documents, Kaizen will apply for Registration Certificate for the representative office with Shenzhen Market Supervision Administration (MSA). MSA will usually issue Registration Certificate within 3-5 working days after receiving all the required documentation. Once Registration Certificate is issued, the representative office is deemed to be duly organised and existing under PRC law and will have full operational rights to operate in China within the scope of its Registration Certificate.

(3) Post Registration Stage

(a) Carving of Representative Office's Seal and Chops

Application for approval for making of Office Stamp (Office Seal) with the Public Security Bureau and arranging the carving the company seal and chops.

(b) Opening of Bank Account

Opening of one RMB basic account with the bank selected by client.

6. Estimated Time Frame

It is estimated that the whole registration process would take around 5 to 7 weeks, subject to the schedule of the investor and also the approval by the various registration authorities in Shenzhen. The table below shows the estimated time frame for each of the steps for the registration.

Step	Description	Who is Responsible	Working Days
Preliminary			
1	Legalization of Incorporation Documents	Investor	Investor's schedule
2	Tenancy (Lease) Agreement (for the office to be used by the representative office)	Investor	Investor's schedule
3	Other documents	Investor	Investor's schedule
Application for Registration			
4	Application for registration certificate and representative certificate	Kaizen	3-5
Other Registration Procedures			
5	Application for approval and carving of company seals	Kaizen	2
6	Opening of RMB basic account	Kaizen	20
Around 5-7 Weeks			

8. Annual Compliance Requirements in China

Immediately after a representative office is officially registered in Shenzhen, 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 Shenzhen State Administration of Taxation and filing of annual report to the competent government authorities etc. In any case if any of these annual compliances are not handled in a timely manner, the representative office may subject to penalties or at the risk of getting their license suspended or cancelled by the MSA.

Kaizen is well equipped with experienced personnel and capable of providing all the services that your Shenzhen representative office 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.

9. Recruitment of Chinese employee(s)

A representative office shall entrust a local dispatch service agency for foreigners or other service units designated by the Chinese Government to recruit and employ Chinese personnel in accordance with laws and regulations of the PRC.

Typically, a representative office will sign a "contract for service" agreement with the local service unit. Under such service contract the local service unit agrees to provide, and the representative office agrees to pay for employee hiring services and for administering the employment relationship. After the establishment of the employment relationship, the local service unit will handle on a monthly basis the employee's mandatory contributions to the social insurance plan. The local service unit also administers the employees' personal file, and may handle such other administrative employment matters as may be entrusted by the representative office.

We, as a qualified dispatch company, could provide the related labor dispatch service to you in compliance with the PRC law. Our fees will be quoted separately upon request.

10. Real-Name Certification of the Chief Representative

Provided the chief representative of a representative office is a foreigner or Hong Kong/Macau/Taiwan resident, then s/he is required to visit the local office of State Administration of Taxation (SAT) in person so as to enable the SAT to verify her or his Passport or Hong Kong/Macau/Taiwan resident's mainland travel permit. This is what we called real-name certification with the tax bureau. Failure to complete the real-name certification will affect the company's tax related matters, or in the worst scenario, may not be able to file tax returns, with the SAT.

Since the chief representative is required to visit the SAT in person to perform the real name certification, we would recommend that she or he should be accompanied by a local staff, so as to avoid any language or communication problems. If you want us to send our staff to go to the SAT with your foreign chief representative, we can also arrange for it accordingly. Our fees for the foregoing service are USD250.

Schedule 1 – Summary of Costs for Registration of a RO in Shenzhen

Item	Description	Amount USD
1	Service fees for RO Registration (Note 1)	1,900
2	Official filing fees for RO Registration (Note 2)	400
3	Disbursements	80
4	Service fee internet banking facility application (Optional)	300
5	Real-name Certification of the Chief Representative (Optional)	250
6	Legalization Fees (Optional)	TBC
7	Translation fees (Optional)	TBC
TOTAL		2,930

Note:

1. If, due to the limitation of foreign investor company's principal business activities, the registration of representative office requires special licence or permit, Kaizen can handle the application and our fees will be quoted upon request.
2. The government fee is an estimated amount. We will collect it before the commencement of services and any shortfall will be billed after completion of registration of the representative office.
3. Item 4 to 7 will only be incurred if we are being engaged for such services.
4. If Chinese tax invoice is required, a Value Added Tax and Surcharges of 7.5% would be applicable.

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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