

# China Business Advisory

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## Update on Business Registration Reform

The State Council issued a decision, Guoling No. 648 (“the Decision”), to repeal and amend some administrative regulations on 19<sup>th</sup> February 2014. Key features of the Decision are as follows:

- The following two administrative regulations were repealed from 1<sup>st</sup> March 2014:
  - a. Provisions for the Contribution of Capital by Parties to Joint Ventures Using Chinese and Foreign Investment (approved by the State Council on 30<sup>th</sup> December 1987 and promulgated by Ministry of Foreign Trade and Economic Cooperation and State Administration of Industry and Commerce (“SAIC”) on 1<sup>st</sup> January 1988);
  - b. Supplementary Provisions regarding Investment Contributions by Parties to a Sino-Foreign Equity Joint Venture (approved by the State Council on 2<sup>nd</sup> September 1997 and promulgated by the Ministry of Foreign Trade and Economic Cooperation and the State Administration for Industry and Commerce on 29<sup>th</sup> September 1997).
- Certain parts of the provisions of the following Administrative Regulations were modified which came into effect from 1<sup>st</sup> March 2014:
  - a. Regulation of the People's Republic of China on the Administration of Company Registration;
  - b. Administrative Regulations of the People's Republic of China Governing the Incorporation of Legal Persons;

- c. Regulations for the Implementation of the Law of the People’s Republic of China on Chinese-Foreign Equity Joint Ventures;
- d. The Implementation Regulations of the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures;
- e. Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-Foreign Contractual Joint Ventures;
- f. Measures of the People’s Republic of China for the Administration of Partnership Enterprise Registration.

The repeal and modifications were made in order to bring the relevant regulations in line with the reform to the Company Law of China as regards capital, annual reporting and information to be made available to the public.

### **Support to Further Expand the Cross-Border Usage of RMB in FTZ Issued**

To simplify the procedures for using RMB across the border under current account and direct investment items within the China (Shanghai) Pilot Free Trade Zone (“FTZ”), the Shanghai headquarters of the People’s Bank of China (“PBOC”) issued a notice, No. 22 in 2014 (“the Notice”), concerning support to further expand the cross-border usage of RMB in the FTZ on 20<sup>th</sup> February 2014. Key features of the Notice are as follows:

- Reviewing procedures will be reduced for cross-border RMB settlement under current account and direct investment items within the FTZ. Under the principles of “knowing the customers, knowing the business, and conducting due diligence”, banks in Shanghai may take or make payments on instructions of individuals or entities within the FTZ;
- Individuals employed or practicing within the FTZ are allowed to open and operate bank accounts conducting cross-border RMB transactions;
- Non-bank financial institutions and enterprises located in the FTZ are allowed to borrow RMB funds from offshore sources, the total amount of which however will be subject to some restrictions;

- Enterprises in the FTZ may build a two-way RMB cash pool within their corporate group. It allows centralized collections and payments of cross-border RMB for transactions of a current account nature conducted both among members of the corporate group and with enterprises outside of the group who are closely related with regard to certain criteria;
- The Notice encourages banks in Shanghai to cooperate with payment institutions that have obtained an “online payment permit” in the FTZ or directly provide RMB settlement services to these E-commerce enterprises;
- The Notice also encourages the China Foreign Exchange Trading Center and Shanghai Gold Exchange to provide cross-border RMB exchange services.

### **Annual Business Inspections Replaced by Reporting System**

An announcement (No. 28 in 2014) was issued by SAIC on 14<sup>th</sup> February 2014 to replace the requirements of annual business inspections by an annual reporting system. The announcement will take effect on 1<sup>st</sup> March 2014 under which companies which fail to submit the necessary report within the stipulated window will be listed as “irregular” in a publicly accessible database. Non-compliance in this regard for 3 consecutive years will result in the company in question being blacklisted.

## Service Highlight

The Chinese government has put strenuous efforts to improve the investment environment in China through reforms in many key areas including business registration, tax, foreign exchange control and customs administration.

Many new policies and regulations have been released and old ones revised lately. More are expected to come to facilitate doing business in China. We are more than pleased to discuss with you how to leverage these positive measures to enhance your business success.

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