



Introduction on **Wholly Foreign-Owned Enterprise** **(“WFOE”)** in China



DARE & HABERE CONSULTING LTD.

Tax • Transaction Advisory • Dispute Support

Wholly Foreign-Owned Enterprise ("WFOE")

- *Law on the People's Republic of China on Wholly Foreign Owned Enterprises* in 1986 (amended in 2000) and its implementation rules in 1990 (amended in 2001)



Advantages on WFOE

- Independence and autonomy.
- No need to negotiate with China party on finance, operation, staff and distribution arrangements.
- Direct to engage research and development provided adhering to the established requirement.
- Limited liability company.



Wholly Foreign-Owned Enterprise ("WFOE")

- Local government may approve the establishment of WFOEs (if no requirement to allocate raw materials, supplies of energy, communication, transportation, trade quota and other planned economic allocations).
- All approvals for WFOEs must be reported to MOFCOM.
- Approval authorities may review all application.



Procedure for Setup WFOE

- Preliminary outline proposal
- Approval authorities' written reply
- Formal application
- Documentation requirements:
Such as Reply, Application Form, Articles of Association, Feasibility Study Report, Investors' Contract, Legal Representatives and Proof of Identities or Appointments of Directors, Legal Status and Credit Standing of the investors, Bank Statements, Environmental Report, Factory Premises to be Acquired, Lists of Materials and Equipment, Capital and Resources, and etc.



Procedure for Setup WFOE

- Timeframe : 90 days (may be extended).
- Within 30 days on approval, register with local SAIC for business license.
- Within 30 days on issuing with business license, register with tax authorities.



Wholly Foreign-Owned Enterprise ("WFOE")

- Total investment (including funds for infrastructure and operations)
- Any change of registered capital, mortgages or assignments of property requires the approval and registered or informed to relevant bodies as set up.
- Capital contributions : if by installments, initial 15% and all within 3 years upon issuance of business license otherwise certificate and license cancelled.



Wholly Foreign-Owned Enterprise ("WFOE")

- Termination or expiration
- Usual with a specific term.
- On expiration; specific events in the Articles; or statutory basis.
- Need written approval.
- If suffered losses, required public announcement.



Wholly Foreign-Owned Enterprise ("WFOE")

- Subject to the requirement of at least 10% retention for reserve funds up to 50% on registered capital, profits may be remitted abroad.
- Foreign exchange with approved China banks and special approval is required for oversea bank accounts.
- Other requirements on tax, land, labour.





Dare & Habere specializes in providing tax, transaction advisory and dispute support consulting services to a wide variety of business enterprises and organisations.

Corporate Services aims to enhance the capabilities of your company acts and work as an extension of internal support and resources of your company.

Tax Services helps enterprises to deal with a multitude of tax issues ranging from preparation and structuring to dispute and appeal.

Transaction Advisory can help you gain enhanced value with information and knowledge, and identify risks and benefits for investment decision.

Dispute Support assists you in managing complex commercial disputes and guarding against unusual transactions and events that might undermine your case or performance.

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