

Three forms of presence in China

Switching one structure for another doesn't work

3 forms — 1 decision for years

WFOE

100% foreign capital

- ✓ Management and IP are not shared with anyone
- ✓ Full PRC tax burden
- ✓ **What for:** trade, services, R&D

JV

Joint venture

- ✓ Access to the partner's market
- ✓ A shareholders' agreement is mandatory
- ✓ **What for:** industries on the "Negative List"

RO

Representative office

- ✓ Simple and cheap launch
- ✓ Not allowed to earn revenue
- ✓ **What for:** market research, marketing

A mistake at this step can be fixed **only by re-registration**

"One China market" — a myth that costs dearly

Not one market, but thirty-one economies (31 provinces)

-  **Guangdong:** Cantonese dialect; only the written language is shared with Putonghua
-  **East and west:** incomes differ several times over

-  Entering "China" instead of a specific region is a typical and costly mistake
-  Market size and audience behavior are tested in one province

Bottom line

Start in one province, scale after the first sales

Registered capital: an obligation with a deadline

The PRC Company Law has brought back a deadline

5 years for full payment

1 July 2024

The revised law **came into force**

5 years

New companies: all subscribed capital is paid within 5 years of registration

by 30 June 2027

Registered earlier: transition period

-  Trying to pull contributions back out through a loan or sham transaction — **"piercing the corporate veil"**

Important

Mixing company money with personal funds opens the way to the shareholder's secondary liability

Company seal and legal representative: the point of paralysis

Power lies not with the signature but with the 公章

1 seal = control over the company

Step 1 The articles detail the procedure for replacing the representative

Step 2 The physical seal stays with the former representative

Step 3 The registration authority refuses the new one

Step 4 The corporate conflict drags on for years

Bottom line

Control over the seal is set up at launch, not in the heat of a dispute

Tax map: from the base 25% to a preferential 5%

The base rate is not a verdict but a starting point

25% → 5%

Corporate income tax (CIT)

25% base rate

15% high-tech status

5% small companies with profit up to CNY 3 million, until the end of 2027

Dividends abroad

10% withholding tax

5% via Hong Kong with beneficial owner status

Golden Tax IV reconciles fapiao, revenue and bank data in real time

Two gaps in trust

An unverified partner and an unprotected brand

30–50% prepayment — the price of a skipped check

Risk 1

Counterparty

- ⚠ An “active” status in the registry won't show lawsuits, debts or the director's reputation
- ⚠ **What to check:** litigation, finances, beneficial owner

Risk 2

Trademark

- ⚠ The "first to file" principle applies
- ⚠ **Cost of being late:** blackmail, blocked shipments, counterfeits

The trademark application is filed **in parallel with company registration**, not after the first sales

CONTACTS

VITA LIBERTA LIMITED

www.vitaliberta.hk

Office room 68, 7/F, Woon Lee Commercial Building, 7 Austin Ave, Tsim Sha Tsui, Kowloon, Hong Kong

+852 6841 6177



legal@vitaliberta.com



Hangzhou office (China):

Room 815, Building 3, Zhonghao Wangjiang International, No. 332 Wangjiang East Road, Shangcheng District, Hangzhou City

Direct line:

+86 130 7361 7169