

Shanghai Pudong issued preferential policies to attract more regional headquarters

Michael Qu Shanghai Co-effort Law Firm

On June 26, Shanghai Pudong issued preferential policies to attract multinationals. The new policies include 12 clauses covering a wide range of 8 aspects. By comparison with the current applicable rules, the incentives include improved customs clearance services and simpler foreign exchange administration; encouraging multinational headquarters to expand their role in off-shore trade and service trade. Benefits to high-level foreign staff at multinational headquarters will include more convenient entry and exit procedures and subsidies for purchasing or renting apartments. It is also encouraged for multinational headquarters to take part in the construction of departments for talents' accommodation.

According to the official announcement, the Pudong New Area will establish eight bases to attract more multinational corporations to set up their regional headquarters in the area. The eight areas, including Zhoupu, Caolu and Linggang, have a total area of 2.78 square kilometers. Pudong is now home to the regional offices of 164 multinational companies, half of the city's total.

Prior to this movement, the people's government of Shanghai has already issued a set of regulations encouraging multinational companies (MNCs) to set up regional headquarters in the municipality, especially in Pudong.

Below is a briefing of current applicable regulations on recognition and establishment in Shanghai as MNC regional headquarters

1. Definition of MNC regional headquarters

MNC regional headquarters refer to the only head office set up in Shanghai by a mother company registered offshore by way of investment or authorization, with the headquarters performing the functions of management and services provision for enterprises in more than one country. MNCs may establish regional headquarters in the form of enterprise with independent legal person status such as foreign-invested investment company or management company.

2. Applicant Qualifications

Applicants for recognition in Shanghai as MNC regional headquarters must be wholly owned investment or management enterprises.

3. Approval principles

(1) Foreign-invested investment companies may apply for recognition as Regional Headquarters directly.

(2) The establishment of a Regional Headquarters in the form of a management company shall satisfy the following conditions:

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A: Its parent company has total assets valued at not less than US\$400 million.

B: The cumulative investment by parent company in PRC shall be no less than USD30 million and the enterprises in China and abroad that the parent company has been authorized to manage number not less than three; Or the enterprises in China and abroad that the parent company has been authorized to manage number not less than six.

C: If a foreign transnational corporation has not established foreign investment companies, it can apply in the form of management companies for the establishment of a regional headquarters with registered capital of no less than USD 2 million;

4. Verification and Approval Authority and Application Procedure

(1) Foreign-invested investment companies may apply for recognition as Regional Headquarters. Shanghai Foreign Economic Relations and Trade Commission (hereafter referred as SFETC) shall complete its examination and render its decision on whether to approve an application within 10 days after the date of receipt of the application and the other materials. If it decides to approve an application, it shall issue a recognition certificate or approval certificate. Meanwhile, SFETC shall report the recognition and approval of Regional Headquarters to the Ministry of Foreign Trade and Economic Cooperation for the record in a timely manner.

(2) Management Companies may apply for recognition as Regional Headquarters. Shanghai Foreign Economic Relations and Trade Commission (hereafter referred as SFETC) shall complete its examination and render its decision on whether to approve an application within 10 days after the date of receipt of the application and the other materials. If it decides to approve an application, it shall issue a recognition certificate or approval certificate.

5. Scope of Business and Service

Operation, management and service provided by laws and regulations and administrative regulations are as follows:

- (1): Decision making on investment;
- (2): Capital operation and financial management;
- (3): Technical support and R & D;
- (4): Domestic Sales and Import & Export;
- (5): Logistics;
- (6): internal shared service in the company and outsourcing service of company abroad;
- (7): Training and management of staff.

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