



# CHINA

China - Chinese Civil law



Incorporate Now



Consultation

Click request a call for a free, no obligation consultation.  
In a hurry? Click incorporate now, and startup your company immediately.

## Incorporating a company in China

# China taxes

Do you want to incorporate in China? Reading this will help you becoming knowledgeable on the specific tax laws and rates for a LLC - (WFOE) which is the most common company type in China.

China imposes tax on resident enterprises on their worldwide income. This means that income accrued offshore, from our research, and this is not personal tax advice, is taxed at 25%. The country doesn't have major incentives to transfer in foreign earned profits. In China the effective rate of taxation on a LLC (WFOE) entity is 25%. Special rates may apply to SME (20% or 10% under certain requirements) or companies involved in new-high technology (15%). China ranks 101st when compared to corporate tax rate worldwide.

The VAT rate in China is 17.00%, which ranks China as 98th overall with regards to VAT globally. In terms of other taxation, an employer will contribute at maximum rate of 33.90% to the equivalent of a social security fund and an employee will contribute 10.5%. The overall complexity of the tax system is high. This is measured by average time to comply with a country's labor tax requirements is as it is 261 hours. Contributing to this is the number of yearly labor tax payments, which is 44 in CN.

Thin capitalization restrictions are officially enacted. Thin capitalisation refers to any type of requirements on companies' debt-to-asset ratios. Dividends received from a resident company are exempt. Dividends distributed between resident companies are usually exempt from taxation. Dividends received from a foreign entity are considered taxable income. Dividends are payments of earnings of the business, determined by the board of directors, to shareholders. Dividends can be one of the following stock, cash, or property. Capital Gains are usually considered business ordinary income and subject to Corporate Income Tax standard rates. A capital gains tax is levied on the profits that a corporation or natural person realizes when they sell a capital asset for a price that is higher than the purchase price.

The interest withholding tax rate is estimated at 10%. Which means that the taxman expects legal entities to withhold 10% of payments abroad on interests. The dividends withholding tax rate is 10%. This should be interpreted that usually the relevant tax authorities expects companies to withhold 10% of dividends paid to non-residents. Royalties are subject to a 10% withholding tax. This means that a company may have to withhold 10% of royalty payments abroad. China has concluded tax treaties with a large list of countries, that may reduce or eliminate withholding taxes. There is no known tax on wealth in China. There are no inheritance taxes in China. There are real property and deed taxes on the transfer of certain lands rights or building ownership rights. There are commonly used credits for innovation spend that include breaks on taxation here.

The above is not tax or legal advice for your particular circumstances. We can refer you to an expert in China who can properly advise you. Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in China is 17% which ranks 109 in the world.

- ✗ Patent box
- ✓ RND credit
- ✗ Wealth tax
- ✓ Estate tax
- ✗ Transfer taxes
- ✗ Asset taxes
- ✗ Capital duties

- 110 Tax treaties
- 25% Offshore Tax
- 25% Corp rate
- Loss carryback years
- 59 Corporate time
- 17% VAT rate
- 25% Capital gains
- 2018 AEOI planned

# China Legalese

When examining a jurisdiction in which to incorporate, the first thing to look at is the legal code. The underlying law in China is chinese civil law law. You will want to get some local advice as to how to best structure a company in China. Electronic signatures are permitted.

The abbreviation CN is for China and the most common company type type in China is a LLC - (WFOE).

The average time to incorporate is 5-12 Days to put together the paperwork and file a LLC - (WFOE) in CN. The types of currencies you can use to setup your company is often RMB legal currency.

Redomiciliation is not common. One is typically not permitted to change the jurisdiction.

There must be at least 1 shareholder. This makes it possible for you to own a LLC - (WFOE) in CN by yourself. Corporate Shareholders are allowed, meaning you could have a company as a shareholder. Foreign ownership is tolerated, up to 100% of the ownership of the LLC - (WFOE).

A LLC - (WFOE) is only required to have 1 director on the board. Additionally, corporate directors are not permitted. Directors should not expect to be private, as they are disclosed. There is a requirement to have annual meetings of shareholders.

A registered office is a requirement, whom the company will pay yearly, for an agent which can receive any official legal correspondance on behalf of the company. A related requirement, a corporate secretary is not a requirement.

There is an obligation to file yearly tax returns. On that note, there is oftentimes a requirement to have these accounts audited.

Overall we think China is a ok option and have given it a score of 59 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✗ **Shareholders not disclosed in a public registry**
- ✗ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✗ **Corporate director permitted**
- ✗ **Local Secretary not required**
- ✓ **Local Director not required**
- ✓ **Electronic signature**

- 1 Shareholders required**
- 1 Directors required**
- 5-12 Days to form**



# CHINA

China - Chinese Civil law

★ [Incorporate Now](#)

☎ [Consultation](#)

Click request a call for a free, no obligation consultation.  
In a hurry? Click incorporate now, and startup your company immediately.

## Country Info



🚩 National Flag of

中华人民共和国 (cmn)

\$ Currency

**CNY**

☎ Area Code

**+86**

🏛 Capital

**Beijing**

✈ Region

**Eastern Asia**

🗣 Native Languages

**Mandarin**