



POLICY INTERPRETATION OF BUSINESS ENTRY IN SHANGHAI

SHANGHAI ADMINISTRATION FOR
MARKET REGULATION

INTERPRET





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Company Registration

What preparations need to be made before registering a limited liability company?

Answer Choose a suitable name, find a business location, identify shareholders, define business scope, determine the amount of registered capital, and designate a legal representative.

Is a company required to have a name upon registration?

Answer Yes. It is a legal requirement for a new company to have a name upon registration in accordance with the Regulation of the People's Republic of China on the Registration of Market Entities.

What are the requirements for naming a company?

Answer There are clear, elaborate, and specific requirements in the selection of a company name in the Provisions on the Administration of Enterprise Name Registration. For instance, the proposed company names must not damage national dignity or interest, undermine public interest and social order, or offend public order as well as good customs. Thus, all proposed names must undergo scrutiny by registration authorities.

How can people know whether their proposed company names be reviewed by the registration authority?

Answer Log into the website of the Shanghai Online Business Registration platform (https://yct.sh.gov.cn/portal_yct/), which will automatically check the feasibility of the proposed company name in accordance with laws.



Company Registration

What information must company shareholders provide during registration?

Answer According to the Regulation of the People's Republic of China on the Registration of Market Entities, market entities must register with their real names. Thus applicants shall cooperate with registration agencies on the verification of ID information and fill in the name, ID number, capital contribution, and contribution dates of shareholders on the application forms.

How shareholders cooperate with registration authority to verify their identity information?

Answer In Shanghai, company registration is processed entirely on the website of the Shanghai Online Business Registration platform (https://yct.sh.gov.cn/portal_yct/). Shareholders and other relevant personnel must undergo the verification of their identity information via such digital methods as facial recognition and utilize electronic signatures in compliance with the Electronic Signature Law of the People's Republic of China.



Are there any contribution requirements for shareholders during company registration?

Answer According to the Company Law of the People's Republic of China, the registered capital of a limited liability company comprises the total contributions subscribed by all shareholders registered with the registration authorities. Upon company registration, domestic and international shareholders are entitled to subscribe their registered capital as stipulated in the articles of the enterprise constitution. There is no minimum requirement for the subscription of registered capital by shareholders.

Company Registration

Are companies required to submit their application materials to the registration authority when there are some changes concerning their business scope and other matters after their establishment?

Answer According to the Regulation of the People's Republic of China on the Registration of Market Entities, in matters where market entities modify their registration, they shall extend the application to the registration authorities for modification registration within 30 days after the modification resolution, decision, or statutory modification matter occurs.

Are there any requirements for the education or working experience of shareholders during company registration?

Answer No. Both natural and legal persons are eligible to invest in and set up companies when they meet legal requirements. During the registration process, they only need to submit the required documents per regulations (please find more information from registration document guidelines on the website of the Shanghai Online Business Registration platform). There's no need for shareholders to provide their educational or training certificates, proof of no criminal record, business plans, feasibility studies, financial plans, or other related documents.

Are there any restrictions on the number of companies, the amount of investment, and the distribution of revenues for international investors who want to establish their enterprises in China?

Answer No, there are no such limitations under Chinese laws and regulations.

Are international investors required to purchase raw materials and other commodities from China for their business production if they founded companies in the country?

Answer No, there aren't any relevant limitations. Foreign-invested companies are entitled to independently choose their product suppliers.



Company Registration

Are there any special requirements for foreign-funded companies in China for the employment of people of Chinese or foreign nationalities?

Answer These companies have the autonomy to determine whether to employ Chinese or international personnel based on their business operations. There are no legal restrictions or regulations concerning the employment of foreign nationals.

Are foreign investors allowed to invest in and establish banks or insurance institutions in China?

Answer According to Order No. 5 [2018] of the China Banking and Insurance Regulatory Commission and the Regulations of the People's Republic of China on the Administration of Foreign-funded Financial Institutions, restrictions on foreign ownership of Chinese-funded banks and insurance institutions have been removed. This policy modification guarantees the equity investment proportion between domestic and foreign investors, allowing foreign ownership in banking and insurance institutions to reach 100 percent.



How to reflect the business activities engaged in by the company on its license?

Answer The business activities conducted by a company are outlined within the license through its business scope. According to the Regulation of the People's Republic of China on the Registration of Market Entities, the business scope of market entities encompasses both general business projects and licensed business projects in accordance with risk levels associated with specific business activities. If the business scope involves licensed projects that require legal approval before registration, market entities must submit the relevant approval documents when applying for registration. When applying for registration via the website of the Shanghai Online Business Registration platform, people can tick their business scope in accordance with the business project classification standards promulgated by registration authorities.

Is it necessary for a company to seek approval from a professional intermediary agency to prepare and submit its application materials to the registration authorities when it is established or there are some changes to its registered items after the establishment?

Answer The Shanghai Online Business Registration platform will provide applicants with comprehensive service guidelines and automatically generate application forms and materials when they apply for the establishment of companies or make amendments to their registry. Additionally, people can receive detailed and attentive guidance from the service windows of registration authorities. Hence, there is no need for people to seek assistance from professional intermediary institutions concerning the establishment of their companies or the modification of their registry.

Company Registration

Where can market entities obtain the forms and materials required for registration?

Answer According to the Regulation of the People's Republic of China on the Registration of Market Entities, the State Administration for Market Regulation shall formulate a list of registry materials and document formats to meet the demands of different types of market entities and make them publicly accessible via government websites, the service windows of the registration authorities, and other channels. Registration authorities shall not require applicants to provide relevant information on market entity registration that is available through the government information-sharing platform. People can find the forms, material lists, and document formats required for services through the guidelines of registration documents on the Shanghai Online Business Registration platform: https://yct.sh.gov.cn/portal_yct/webportal/v2/templateOfApplicationDocuments.



Is it a requirement for companies to submit their annual and financial reports to the registration agencies during their operation?

Answer According to No.654 Decree of the State Council of the People's Republic of China —Provisional Regulations on Information Disclosure of Enterprises, companies are required to submit their previous year's annual report to the market supervision departments through the enterprise credit information disclosure system between January 1 and June 30 of each year and subsequently publish it publicly. The contents of the annual report must include the number of employees, total assets, total liabilities, external guarantees and pledges, total owner's equity, total operating income, main business income, total profits, net profits, and total tax payments.

Are applicants required to make a declaration of the information of beneficial ownership to the registration agencies upon the establishment of their companies?

Answer According to the Regulation of the People's Republic of China on the Registration of Market Entities, beneficial ownership information is considered statutory filing information and must be submitted to the registration authorities.

Green Development

Is it necessary to obtain an environmental permit before conducting business activities?

Answer It is a basic state policy of China to protect the environment. All units and individuals are obliged to engage in environmental conservation. All enterprises, public institutions, and other market entities shall take action to prevent and reduce environmental pollution and ecological damage. There are different requirements for market entities to pay attention to environmental protection in terms of risk levels associated with their business activities. People can check the Classification Management List of Environmental Impact Assessment for Construction Projects Implementation Detailed Provisions (2021 Edition) in Shanghai to determine whether an environmental impact assessment is required.

Construction projects with low environmental impact and that are not specified in the classification management list are not subject to environmental impact assessment management and generally do not have to undertake an environmental assessment.

Enterprises shall engage in the writing of environmental assessment reports and get the public involved in the process in accordance with relevant regulations after registration when their construction projects are required to do so.

Please visit and apply for online approvals through the Government Online-Offline Shanghai portal of the Shanghai Municipal People's Government.

For construction projects that are required to handle the completion of an environmental impact registration form, please fill out the registration form online through the Construction Project Environmental Impact Registration Form Online Filing System.



What are the supervision requirements of the Environmental Protection Department for business activities that do not require environmental permits?

Answer In Shanghai, environmental permit notification prompts have been incorporated into the process of company establishment. When investors register a company on the Shanghai Online Business Registration, it will automatically prompt them to comply with environmental laws and regulations and inform them of the environmental classification of supervision requirements.

The relevant requirements for new enterprises with low or very low environmental impact in terms of environmental permits have been centrally announced on the websites of the Government Online-Offline Shanghai and the Shanghai Municipal Bureau of Ecology and Environment. People can query this information through the above websites. (See <https://zwdt.sh.gov.cn/govPortals/municipalDepartments/SH-HBSH> for details)



Digital Transformation

Can a company be registered and established in Shanghai through the internet?

Answer In Shanghai, the establishment of a new enterprise can be completed entirely online through the Shanghai Online Business Registration platform (https://yct.sh.gov.cn/portal_yct/). The specific steps are as follows:

- 1) Apply for enterprise registration, official seals engraving, tax-related matters, employment, and social insurance online through a "one-stop" application process.
- 2) All documents required for company establishment and registration are automatically generated by Shanghai Online Business Registration. Shareholders can verify their identities via internet-connected links, electronically sign documents with electronic signatures compliant with the Law of the People's Republic of China on Electronic Signature, and submit all electronic documents directly to the registration authorities via the internet.
- 3) Upon completion of company establishment and registration, people can immediately process their employment information and social insurance. Electronic business licenses and electronic seals can be downloaded and used on mobile devices, allowing the issuance of electronic invoices when engaging in business activities.
- 4) After online approval of registration authorities, all registration materials will be archived in electronic format. (see Shanghai Online Business Registration and the Registration Process Overview section at https://yct.sh.gov.cn/portal_yct/images/files/s_20230527_5.pdf for details)



Can people process the changes of their company's name, legal representatives, and other matters online after an enterprise establishment?

Answer Yes. They can visit Shanghai Online Business Registration to complete the changes online. The specific steps are as follows:
1) Declare change information online. 2) Submit electronic documents online and complete electronic signatures. 3) Obtain an electronic business license. (For details, please visit the Shanghai Online Business Registration and Registration Process Overview section at https://yct.sh.gov.cn/portal_yct/images/files/s_20230527_6.pdf).



Digital Transformation

How can people download and use the electronic business license after company registration?

Answer All registered companies can download and use their electronic business licenses. In 2023, the usage of electronic business licenses in Shanghai exceeded 58 million, ranking first nationwide. After company registration, a legal representative can use mobile devices such as smartphones to authenticate their identity information through the WeChat or Alipay mini-programs of electronic business license and download the e-license. Once downloaded, the legal representative can authorize others to manage and use the e-license. (For detailed operation procedures, please visit the Shanghai Online Business Registration platform and the Registration Process Guide section at https://yct.sh.gov.cn/portal_yct/webportal/v2/noticeSyzn).



Are there any Unique Business Identification numbers for companies besides their names?

Answer All enterprises nationwide use the Unified Social Credit Code as the sole identification number. Upon company registration, each company will be assigned a Unified Social Credit Code by the registration authorities, which is recorded on the business license. All government departments use the Unified Social Credit Code to identify corporate entities.

Are companies required to declare registration information to other government departments such as taxation and human resources after the changes of their registration information?

Answer All company registration information in Shanghai is stored in a single database. According to regulations such as the Regulations of Shanghai Municipality on Data, all government departments can access company registration information through the database, so there is no need for relevant companies to declare their information after revision to other departments separately. The updated information will automatically be sent to relevant departments after the changes in registration information, eliminating the need for separate declarations.

What is the function of the QR code on the business license?

Answer The QR code is the Business Entity Identity Code (referred to as the "Code"), which is given to all business entities by market regulation departments in accordance with national standards. The Code can be found on the national unified electronic business license system, loaded on both electronic and paper business licenses. The Code links to enterprise registration, operational permits, supervision, and other related enterprise information, allowing the public to view it by scanning the code with WeChat or other mobile apps.



Transparency of Information

Where can people find the documents required for company registration?

Answer According to the Regulation of the People's Republic of China on the Registration of Market Entities, the State Administration for Market Regulation will develop a list of registration materials and document formats for different types of market entities, and make them reachable publicly through government websites and registration authority service windows. People can find the required forms, list of materials, and sample formats in the Registration Document Guidance section of the Shanghai Online Business Registration platform at https://yct.sh.gov.cn/-portal_yct/webportal/v2/templateOfApplicationDocuments.

Where can people find the service standards for company registration?

Answer People can inquire about relevant service standards online in the Business License section of Government Online-Offline Shanghai at <https://zwdt.sh.gov.cn/govPortals/revision/service/detail.html?id=d7be089e-3ff8-46a6-aeeb-f5c46f2ea010>.



Where can people find the registration information of all types of enterprises nationwide?

Answer According to the Regulation of the People's Republic of China on the Registration of Market Entities and its Implementation Rules, the State Administration for Market Regulation has developed unified standards for market entity registration data and system construction. The State Administration for Market Regulation has established a national unified enterprise registration database, which collects all national market entity registration management information and makes it public through the National Enterprise Credit Information Publicity System (<https://www.gsxt.gov.cn/index.html>). People can access all enterprise registration information nationwide on this system, which includes the company name, Unified Social Credit Code, the names of company directors and shareholders, date of establishment, registered address, business scope, and more.



Transparency of Information

How many new companies were established in Shanghai in 2023?

Answer In 2023, Shanghai saw the establishment of 369,000 limited liability companies, marking a 24 percent year-on-year increase from the same period of 2022. People can find specific data by visiting the Firm Statistics column on the Shanghai Online Business Registration platform: https://yct.sh.gov.cn/portal_yct/webportal/v2/etpsStatList



Does Shanghai provide specific-purpose public funding programs to support the development of SMEs?

Answer To ensure small and medium-sized enterprises (SMEs) can fairly compete in the market, safeguard their legitimate rights and interests, support entrepreneurship and innovation, stabilize and expand urban and rural employment, and leverage their significant role in national economic and social development, Shanghai has formulated and implemented the Regulations of Shanghai Municipality on Promoting the Development of SMEs. In accordance with these regulations, Shanghai has provided specific funding programs for SMEs on a yearly basis. People can access relevant information and apply for funding through the SMEs Public Funding Programs column on the Shanghai Online Business Registration platform: https://yct.sh.gov.cn/portal_yct/webportal/v2/hjZxqy or through the One-stop Access to Municipal Funding column on the Government Online-Offline Shanghai: https://zwdt.sh.gov.cn/smzy/shell_pc/personal/special-funds-index.



Women Entrepreneurs

Does Shanghai have any supportive policies for women to start their businesses?

Answer

It is a fundamental state policy of gender equality in China. Women are entitled to enjoy equal rights with men in terms of political, economic, cultural, social, and family affairs. In 2023, a total of 1,673 enterprises in Shanghai reaped benefits from the Special Funds for the Development of SMEs in Shanghai, 661 of which were established with female investors. To encourage women to launch businesses, Shanghai has carried out supportive activities every year. For more information, please visit the Collection of Female Entrepreneurs Cases column on the Shanghai Women platform: <https://www.shwomen.org/shnx/shnxcyjyjj/shnxcyjyjj.html#>.



How many women invest and start businesses in Shanghai?

Answer

According to statistics, among the newly established limited liability companies in 2022, there were 142,000 limited liability companies with at least one female shareholder. The number of female shareholders and directors reached nearly 170,000 and 103,000, respectively.

These numbers further increased in 2023. People can find more details through the Firm Statistics column on the Shanghai Online Business Registration platform: https://yct.sh.gov.cn/-portal_yct/webportal/v2/etpsStat?year=2022.



Time and Costs

How long does it usually take for people to establish a company in Shanghai?

Answer

In accordance with the Regulations of the Shanghai Municipality on Optimizing the Business Environment, the establishment of Chinese and foreign-funded companies can be processed through the Shanghai Online Business Registration platform. This platform handles applications for business licenses, official seals, invoices, basic social insurance, and other related services. If all documents are complete and compatible with statutory forms, relevant government departments will complete the process on the spot. If the application cannot be done on the spot, it should be completed within one working day.

Are there any fees charged for people to start business in Shanghai?

Answer

The establishment of business in Shanghai is entirely free of charge. After establishment, people can obtain their electronic business licenses and electronic seals for free. All Chinese and foreign-funded enterprises thus do not have to pay any fees to government departments. Additionally, Shanghai provides newly founded companies with free official seal-engraving services. Newly established businesses that require physical seals can apply for a set of four physical seals for free (corporate seal, seal of legal representative, special financial seal, and special invoice seal).

How long does it take for companies to open a bank account after their establishment?

Answer

To further facilitate the opening of bank accounts for companies, the People's Bank of China (PBOC) has made consistent efforts to optimize its administrative services and further improve the convenience and efficiency of account opening. In accordance with the Guidelines of the People's Bank of China on Improving Banking Account Services and Risk Prevention for SMEs (No.260 in 2021), it often takes about 1-3 working days from the appointment to the completion of account opening. If a company wants to open a simplified account, the account can be opened on the spot provided that all required documents are provided.

Do people have to pay fees for the opening of their bank account after the company's establishment?

Answer

Major commercial banks have achieved full exemption of basic deposit accounts opening fees.

