

# Managing multinational operations in china

Business



Some of the documents that are required to be submitted include the following:

Objectives:

Business Scope;

Article of association;

The scale of operation;

Products to be produced/ Services to be provided;

Technology and equipment to be used;

Land area required;

Conditions and quantities of water, electricity, gas and other forms of energy resources required;

Requirements for public facilities.

Once these and other required documents are submitted, the approving authority gives a reply within 30 days after receipt, and decide whether or not to grant license within 90 days.

Imports and Exports

Due to WTO, China has imported quota licensing control from all but three items (Hong Kong Trade Development Council). China implemented a number of measures for imports and exports.

According to the New Foreign Trade Law amended in April 2004, import goods and technologies are divided into four categories, namely prohibited imports, restricted imports, free imports, and goods under tariff-rate quota management (Hong Kong Trade Development Council).

The exports are restricted for resources that are in short supply in China. The foreign currency rules allow enterprises to either sell their foreign exchanges

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to certain banks or open current foreign currency accounts to keep their foreign exchange.

### Tax system

Imports are taxed based on the VAT (value-added tax), however, exports are not taxed and the tariffs already paid, will be rebated. Hence, the country promotes exports.

Other forms of taxes include customs, income tax, and business tax.

“ Foreign-invested enterprises (FIEs) and foreign enterprises have to pay income tax on their income derived from production, business operations and other sources within the territory of China” (Hong Kong Trade Development Council).

$\text{Tax payable} = \text{taxable income} \times \text{applicable tax rate}$

$\text{Taxable income} = \text{total annual income} - \text{costs} - \text{expenses} - \text{losses}$

Income tax on foreign enterprises is levied on an annual basis and paid in advance in quarterly installment (Hong Kong Trade Development Council).

The foreign enterprises in preferred sectors are subject to a lower income tax rate of 15%.

### Foreign exchange control

A foreign enterprise can open a foreign exchange settlement account through one of the banks, and can use this fund to make external payments, whenever required. In case additional funds are required, this can be purchased from the bank.