



Foreign Investment Enterprises Are Denied for Setting Up Liaison Offices

It has been years that foreign investment enterprises ("FIE"s) are allowed to set up liaison offices across China according to the Implementation Rules of the Administration and Registration Regulation for Legal Entities ("the Implementation Rules of the ARRLE" or 企业法人登记管理条例实施细则). However, starting from last December, applications for establishment/renewal of liaison offices of FIEs have been denied by the local branches of the State Administration for Industry and Commerce ("SAIC") in some cities such as Beijing, Shanghai, Suzhou, Shenzhen and Wuhan.

We understand from the officials of SAIC and some of its local branches that no application for establishment/renewal of liaison offices of FIEs would be processed. It is because there is no formal procedure to process such applications under the newly amended Administration and Registration Regulation for Companies ("ARRC" or 公司登记管理条例).

The new ARRC was only amended to correspond to the amendments made in the Company Law of the PRC revised in late October 2005. It does not contain any provision governing "liaison offices" of FIEs, but only "branches". Some officials indicated that SAIC would no longer take into account the Implementation Rules of the ARRLE although it does cover the setting up of liaison office by FIEs. It is hoped that the SAIC may issue a circular in near future to clarify this matter and remove the uncertainty.

In the context of this China Tax / Business News Flash, China refers to the People's Republic of China but excludes Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region.

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