



An Update: Foreign Investment Enterprises Are Denied for Setting Up Liaison Offices

As mentioned in our News Flash Issue 4 this February, registration applications for liaison offices of Foreign Investment Enterprises (“FIEs”) were denied by various local branches of the State Administration for Industry and Commerce (“SAIC”) across China even though the relevant registration regulation which FIEs relied on to make applications for years has not been officially terminated.

Recently, SAIC together with the Ministry of Commerce, the General Administration of Customs and the State Administration of Foreign Exchange have released a circular on various approval and registration procedures. Amongst all, there are a few points relevant to the above issue.

First of all, it clearly states that SAIC will no longer process registration applications for liaison offices of FIEs. Similarly, for those liaison offices previously registered, no application for change of registration details or extension of registration will be processed. Upon expiry of the existing registrations of liaison offices, relevant cancellation procedures should be performed. Where necessary, their head offices may consider to set up branch offices.

On the other hand, the circular does not prohibit the existence of liaison office. In view of this, one may raise doubt on whether liaison offices may still exist without any SAIC registration requirement. However, it is worthwhile to note that no one should conduct any “business activities” in the name of a liaison office according to the circular. Any violation may result fine and forfeiture of business receipt.

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.

The information contained in this publication is for general guidance on matters of interest only and is not meant to be comprehensive. The application and impact of laws can vary widely based on the specific facts involved. Before taking any action, please ensure that you obtain advice specific to your circumstances from your usual PricewaterhouseCoopers client service team.

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