

How to do business in China

Legal considerations

China has what is officially termed 'a socialist legal system with Chinese characteristics'. The legal system is based on both statutory law and custom.

You must identify whether the market is open to you and whether restrictions apply. In some sectors it is possible to set up a 100% foreign-owned company. In others, entry is possible only through a local partner.

Check the '2017 Foreign Investment Catalogue' published by the Chinese Ministry of Commerce (MOFCOM) to find out which industries are open, restricted or closed: <http://www.china-briefing.com/news/2017/07/11/china-releases-2017-foreign-investment-catalogue-opening-access-new-industries.html>.

You can read guidance on dealing with commercial disputes in China, at: <https://www.gov.uk/guidance/commercial-disputes-in-china>, and contact the DIT team in

China at: <https://www.gov.uk/world/organisations/department-for-international-trade-china#contact-us> to help find tax and legal advisers before entering into agreements. See also the 'Legal sector briefing' in the 'Sector-specific opportunities' section of the guide:

http://484.shang-beij-shenz_484_china.doingbusinessguide.co.uk/the-guide/sector-specific-opportunities-in-china/, and the 'Business risk' section in the 'What are the challenges?' section of the guide: http://484.shang-beij-shenz_484_china.doingbusinessguide.co.uk/the-guide/what-are-the-challenges/.

Trade embargo on China

The EU has a partial embargo on the export of arms and related material to China.

Find out more about the UK Government's interpretation of the scope of this embargo, at: <https://www.gov.uk/guidance/arms-embargo-on-china>.

Contact the Export Control Joint Unit at: <https://www.gov.uk/government/organisations/export-control-organisation> for more information on the arms embargo.

Controlled goods export licences for China

You need a licence to export items on the EU dual-use list (goods along with their associated technologies that can be used for both civil and military purposes) to China.

You can find out about export licensing requirements for military or dual-use goods, services or technology, at: <https://www.gov.uk/guidance/beginners-guide-to-export-controls>.

Some other products may need certification or licensing. Check which products and services require certification or licensing before export, at: <https://www.gov.uk/starting-to-export/licences>.

Standards and technical regulations in China

China sets its own national standards. These are often referred to as 'GB standards', with some mandatory and others voluntary. A prefix code indicates the status, GB=mandatory and GB/T=voluntary.

Not all Chinese standards are aligned with established international standards. It is important to check the Chinese laws, regulations, standards and certification requirements that apply to your area of business. Sectors such as medical and food require registration, (and possibly testing), and certification.

The Standardization Administration of the People's Republic of China (SAC) has responsibility for standards. See: <http://www.sac.gov.cn/sacen/>.

China Compulsory Certification (CCC)

The CCC mark is a compulsory quality and safety mark. It is generally required for manufactured products that could impact on human life and health, animals, plants, environmental protection and national security.

Goods imported into China that require the CCC mark and do not have it may be held by Chinese customs and be subject to penalties.

China's National Certification and Accreditation Administration (CNCA) publishes a catalogue that lists all the products that require a CCC mark. See: <http://www.ccc-mark.com/lists-of-products-subject-to-ccc-mark.html>.

You can find out more about CCC marks at: <http://www.cbcc.org/services/resources/getting-started/>, and also see the CBCC's video on applying for CCC marks at: https://www.youtube.com/watch?v=4IV_imWMs8o&index=5&list=PLv_tMYysg7ROD-n2hCkPWBaYTRYxzMpFL.

Packaging in China

Packaging must meet Chinese medical and safety regulations. It must not be poisonous or dangerous and must be easily degradable and recyclable. Wood packaging must carry the International Plant Protection Convention (IPPC) logo.

You can find out more about regulations for wood packaging at: <https://www.gov.uk/wood-packaging-import-export>.

Product labelling in China

Goods for sale in China must be labelled in Chinese (simplified script for mainland China). For some products, information must be printed directly onto the packaging. Your labelling should always indicate which Chinese standards have been used where this is applicable, and be aware that the above is a very simplified summary – the requirements on food products alone are extremely exhaustive and the regulations can change very quickly. You need to be clear that labelling can by itself be a significant barrier to market entry and you should always take advice on the latest requirements.

Labels must clearly indicate the country of origin of the product and the name and address of the Chinese distributor.

Food product labels must also contain:

- net weight
- ingredients listing
- date of production and expiry date

You should always check the labelling requirements for your products.

Intellectual property (IP) in China

China is a World Trade Organization (WTO) member. As part of your market entry strategy you must:

- establish how you can protect your IP rights
- find out about costs
- monitor the market for possible infringements

You must register your trademarks in China before entering the market. China uses a 'first-to-file' system for trademarks. You may lose legal protection if a similar trademark has already been registered within China.

The CBBC has guidance on IP in China at: <http://www.cbcc.org/services/resources/getting-started/>, and the UK Intellectual Property Office's (UKIPO) also has detailed guidance at: <https://www.gov.uk/government/publications/intellectual-property-rights-in-china>.

The European Commission's China IP Rights SME Helpdesk also offers help for small and medium enterprises (SMEs). See: <http://www.ipr-hub.eu/>.

In addition, the CBBC has a recorded webinar on registration and enforcement strategies for patents in China and trademarks in China at: https://www.youtube.com/playlist?list=PLv_tMYysg7RNu280zoFB6Ggw6xqs0FyG0.

Tax and customs considerations in China

The UK and China have signed double taxation agreements, ensuring the same income is not taxed in more than one country. See: <https://www.gov.uk/government/publications/china-tax-treaties>.

Value Added Tax (VAT) in China

If you are registered for VAT you can zero-rate the VAT on most goods you export to China. You will need to get evidence of the export within three months from the time of sale.

Find out more about VAT on exports to non-EU countries and zero rating conditions, at: <https://www.gov.uk/guidance/vat-exports-dispatches-and-supplying-goods-abroad>.

Corporate tax in China

If you set up an office in China corporate tax will apply. Taxes applicable to a foreign-invested enterprise (FIE) include:

- enterprise income tax: 25% (rate for SMEs under Chinese law is 20%)
- business tax: usually 3% or 5%

The EU SME Centre at: <http://www.eusmecentre.org.cn/guideline/china-enterprise-income-tax> provides information on enterprise income tax in China.

All service companies obtaining income in China or with consumers located in China are subject to Chinese taxes, unless exempted expressly by Chinese regulations.

Cross border e-commerce tax is different (and beneficial to many UK exporters) and customs requirements too. See the CBBC Insight 'How will China's new e-commerce tax policy impact your business?' at: <http://www.cbcc.org/news/cbbc-insighttech-digital-china-s-new-e-commerce-i/>.

Customs and documentation for China

Customs in China

Importation of goods into China can fall into three categories: prohibited, restricted and permitted.

The General Administration of Customs of the People's Republic of China (GACC) has a listing of prohibited and restricted items at: <http://english.customs.gov.cn/service/guide?c=d5cf8c2a-2196-4cd9-89c8-7c3aa823fe47&k=45>.

Chinese customs uses a valuation database that lists the values of various imports based on international market prices, foreign market prices and domestic prices. Importers' values are normally accepted, but if they are out of line with the valuation database there may be a recalculation.

Customs requirements for cross border e-commerce are simpler, requirements for Chinese documentation do not apply, and goods shipped via "direct shopping" or personal parcels will be subject to different (if any) checks.

The GACC also provides general information on customs procedures and tariffs.

You can find more about import tariffs in the European Commission's Market Access Database at: <http://madb.europa.eu/madb/indexPubli.htm>.

Documentation in China

Goods exported to China must comply with domestic legislation. The documentation needed by Chinese customs varies according to product.

Certificates of quality, quantity or weight issued by manufacturers or public assessors are normally required. Certain goods will be inspected on arrival or must be accompanied by formal certification recognised by the Chinese Government.

Goods will be returned to the seller if they do not conform with the certificates after re-inspection by the Chinese authorities. In addition, a claim may be lodged for compensation.

You can check with CBBC business advisers for further advice, at: <http://www.cbcc.org/contact-us/>.

Complying with HMRC regulations to export to China

You must make export declarations to HMRC through the National Export System (NES) (<https://www.gov.uk/guidance/export-declarations-and-the-national-export-system-export-procedures>) to export your goods to China.

You must classify your goods as part of the declaration, including a commodity code and a Customs Procedure Code (CPC). You can find commodity codes and other measures applying to exports in the UK Trade Tariff at: <https://www.gov.uk/trade-tariff>.

Contact the HMRC Tariff Classification Service for more help, at: <https://www.gov.uk/government/publications/notice-600-classifying-your-imports-or-exports/notice-600-classifying-your-imports-or-exports#list-of-useful-contacts>.

You must declare any goods that you take with you in your baggage to sell outside the EU, at: <https://www.gov.uk/take-goods-sell-abroad>.

Cross border e-commerce tax is different (and beneficial to many UK exporters) and customs requirements too. See the CBBC Insight 'How will China's new e-commerce tax policy impact your business?' at: <http://www.cbbc.org/news/cbbc-insight-tech-digital-china-s-new-e-commerce-i/>.

Shipping your goods to China

If you are not knowledgeable about international shipping procedures you can use a freight forwarder to move your goods. A forwarder will have extensive knowledge of documentation requirements, regulations, transportation costs and banking practices in China.

You can find freight forwarding companies to help you transport your goods to China via the British International Freight Association (BIFA) at: <http://www.bifa.org/home> or the Freight Transport Association (FTA) at: <http://www.fta.co.uk/>.

Posting goods to China

The Royal Mail has information about sending goods by post to China, at: <http://www.royalmail.com/china>.

Shipping dangerous goods to China

Special rules apply if you are shipping dangerous goods to China. See: <https://www.gov.uk/shipping-dangerous-goods/what-are-dangerous-goods>.

Terms of delivery to China

Your contract should include agreement on terms of delivery using Incoterms. See: <https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-rules-2010/>.

Temporary export of goods to China

You can use an ATA (Admission Temporaire/Temporary Admission) Carnet to simplify the customs procedures needed to temporarily take goods into China. See: <https://www.gov.uk/taking-goods-out-uk-temporarily>. The goods and carnet must be validated by Chinese customs on arrival.

Hand-carried goods entering China through an ATA Carnet must be registered with the China Council for the Promotion of International Trade within three days of clearing customs. See: <http://en.ccpit.org/info/index.html>.

You need an export licence to temporarily take dual use goods to China.

Use the SPIRE system to apply for a temporary export licence. See: <https://www.spire.trade.gov.uk/spire/fox/espire/LOGIN/login>.

UK Export Finance

The government can provide finance or credit insurance specifically to support UK exports through UK Export Finance (UKEF) – the UK's export credit agency. See: <https://www.gov.uk/government/organisations/uk-export-finance>.

For up-to-date country-specific information on the support available see UKEF's cover policy and indicators for China at: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#china>.

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