

## CHINA

BEITEN BURKHARDT

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## MNCs encouraged to establish Beijing headquarters



By Tina Zhang

In 1999, Beijing became the first Chinese city to publish policies encouraging multinational companies (MNCs) to establish regional headquarters in the city, offering preferential policies on taxation, foreign currency management and entry and exit administration.

Whilst some provisions have since been accepted as common policies, the development of the economy has meant that others have become outdated, motivating the government of Beijing to publish amendments in May 2009 entitled, "Several Provisions on Encouraging Multinational Companies to Establish Regional Headquarters in Beijing". Rules regarding the implementation of the new policies were also issued in June to clarify recognition criteria and details of the incentives available to MNCs with regional headquarters in Beijing.

**Recognition of regional headquarters:** The new policies lower the threshold for MNCs establishing regional headquarters in Beijing, with the cumulative amount of paid-in registered capital contributed by foreign parent companies reduced from US\$30 million to US\$10 million.

Under the new implementation rules, both foreign-invested holding companies and foreign-invested management companies may apply for recognition of the headquarters. Foreign-invested management companies should satisfy the following conditions:

- the total assets of the parent company are no less than US\$400 million;
- the aggregate capital actually contributed by the parent company in China is no less than US\$10 million, with the parent company investing in (or authorising management to manage) at least three domestic or overseas companies;
- the registered capital of the management company is no less than US\$2 million; and
- the management company has the highest administrative authority over all Chinese subsidiaries of the parent company.

**Government-funded subsidies and awards:** A one-off subsidy shall be granted to newly registered or relocated regional headquar-

ters after 1 January 2009. Ranging from RMB 5-10 million, the subsidy is based on the level of the registered capital of the headquarters, and is to be paid over a three year period. Existing headquarters may be eligible for these incentives depending on the extent of any capital increase.

From 2009, headquarters that reach a certain annual turnover for the first time can also be granted a one-off reward of up to RMB 10 million, with certain subsidies additionally available for office rent, office construction and office purchase.

**Expansion of business scope:** Under the new policies, regional headquarters of MNCs are not only permitted to engage in investment, operation management, fund operation and management, technical support and R&D, marketing services, personnel training and management activities, but can also be involved in import and export, domestic distribution, logistics and service outsourcing.

**Talent introduction:** The new policies also include measures to facilitate talent introduction, entry and exit administration, residence and transfer of personnel. For instance, foreign senior executives and technical personnel of regional headquarters (e.g. legal representatives, general managers, vice general managers and financial controllers) may be granted a visa with multiple entries for no more than five years, or a residence permit for expatriates valid for five years. Moreover, expatriates of regional headquarters are allowed to purchase real estate in Beijing without a restriction related to their working period in China.

At present, there are over 160 foreign-invested companies with their headquarters in Beijing, from among which 41 companies have been recognised as regional headquarters. The new policies will enhance the functions of the regional headquarters by MNCs and promote economic development in Beijing.

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