

## **Important tips you shall learn before you enter the Chinese market**

### **Chapter 1: Do I need a legal entity in China?**

#### **Checklist before coming to China**

China is not an easy place to conduct business and before coming to China you need to ask yourself a few basic questions:

- a) Product - is my product suitable for China? Are there more international/local players in my field? Is there a demand for my product? Basic or thorough market research will give you some information about the market for your product and will help you decide if, when, and where to try and enter the Chinese market.
- b) Budget – do you have enough budgets for your China adventure? China is an expensive place - and things may be a lot costlier than you expected. Salaries, rent, travel expenses, taxes, duties, and government fees are all surprisingly pricey. Prepare a budget for the first 2 years and double your estimate in order not to be surprised later.
- c) Time – do you have the time and patience to wait until the Chinese market will show signs of success? Everything in China takes longer than expected and you should be prepared to see results a lot later than you might have thought.
- d) Management resources - do you have enough management resources to manage the Chinese market? China is one country, but the size of a continent. You need to dedicate enough management resources for the market and not consider it as another country that falls under a manager who is handling several countries in the Asia Pacific region. You will require a special team both in the HQ and on the ground.

#### **Do I need an entity in China?**

In the past few years, setting up a WFOE has become easier and cheaper. However, managing a WFOE, and the liability that comes with it, remains as complicated as before - although many foreign companies are not aware of this. Not knowing that there are other options for conducting business in China means that many companies that should not set up a WFOE are pushed into setting one up and are wasting their time and money solving related problems instead of focusing on their business.

Newcomers to China think that the only way to conduct the following activities is by setting up a WFOE (or worse, establishing a representative office - or even worse, a joint venture).

You **DON'T** need a WFOE to conduct the following activities:

- a) Employ local employees
- b) Employ foreigners and obtain visas and work permits for them
- c) Sign a lease, contract or obtain office space
- d) Manage the HR aspect of employees: salaries, social benefits, expense management etc.
- e) Manage the finance flow of activity in China
- f) Import products into China
- g) Claim an import VAT refund
- h) Store products in a warehouse or logistics center
- i) Sell products and issue RMB VAT invoices (known in Chinese as *fapiao*)
- j) Register an ICP license and set up a Chinese website
- k) Register a WeChat account
- l) Set up an eCommerce store and conduct eCommerce activity



For each of the above activities there are numerous service companies that can provide a service for each one of the above items. They do this by, using the service company's license as described in the incubation service model for sales operations below.

### **Incubation models for sales operations**

There are many service companies that provide a specific service such as serviced office companies, logistics companies, staffing and dispatch companies and accounting firms. Each one of them specializes in one aspect of the business. However, instead of managing several service providers, another option is to look for sales incubators that are providing all of the above services under one roof.

Whichever service provider you choose, it is important to check for references from other foreign companies concerning the quality of the service. That way you can be sure that you choose a reputable service provider who has deep experience in working with foreign companies and overcoming the special challenges that await them in China.

### **About PTL Group**

Operating since 2000, PTL Group is an International Management company that supports foreign companies to enter and develop their business in China. Our unique sales incubation model allows foreign companies to focus on their sales activities when first enter the Chinese market, whereas everything related to operation of a company can be taken care by PTL Group. The services we provide are as below:

- [Recruitment & HR Management](#)
- [Office Sharing](#)
- [Financial Management](#)
- [Logistics and Warehousing](#)
- [Marketing Management](#)
- [WFOE Set-up and Management](#)
- [Sales Incubation for companies without an entity in China](#)

For any further questions, please send us an inquiry [here](#).