

An Introduction to Business Laws in China

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Many European companies, particularly SMEs, operating in China are not always aware of some of the most fundamental laws and regulations that affect their business in the marketplace. There are many reasons for this, including language barriers, the lack of in-house expertise and frequent changes in the regulatory environment. The amount of laws has been increasing at a breathtaking rate since China has taken up the task of creating a 'socialist legal system with Chinese characteristics' little more than 30 years ago, driven to some extent by the requirements of China's integration into the global economic order and its accession to the World Trade Organisation in 2001.

Even though many of these laws are still unclearly implemented and insufficiently enforced, those related to international trade and business cooperation are, by now, relatively well defined and routinely applied. Thus, European small and medium-sized companies entering the Chinese market can expect a reasonable degree of legal protection in the country, provided they know their rights and responsibilities and act accordingly. Since even a minor infraction could put an otherwise successful business venture at risk and entail significant costs, it is strongly advised to make use of the services of a lawyer thoroughly familiar with the practicalities of the Chinese legal system from the very start of your engagement with China.

First impressions

To help newcomers to the market get a first impression of what might be in store for them from a legal perspective, the EU SME Centre's legal team has put together a collection of English translations of the most essential laws SMEs are likely to come across when exporting to or investing in China. For most, a link to the original Chinese version is provided as well.

The database, which is [freely accessible on the website of the EU SME Centre](#), is divided into seven business and legal areas:

1.) Foreign investment

Including general regulations and laws on wholly foreign-owned enterprises, joint ventures, foreign-invested partnership enterprises and representative offices.

2.) Cross-border trade

Including the Chinese Foreign Trade Law, the Regulations on the Administration of the Import and Export of Goods and the Regulations on the Administration of Technology Import and Export.

3.) Foreign exchange administration

Including the Regulation on Foreign Exchange Control.

4.) Taxes

Including regulations on the corporate income tax, the individual income tax, turnover taxes and major taxes involved in the operation of a representative office.

5.) Visa policy

Including the Exit and Entry Administration Law.

6.) Labour-related laws

Including the Chinese Labour Law, the Labour Contract Law and the Decision of the Standing Committee of the National People's Congress on Revising the Labour Contract Law.

7.) Franchising

Including the Regulations for the Administration of Commercial Franchising and the Administrative Measures for the Record-Filing of Commercial Franchises.

In addition to facilitating initial orientation on commonly encountered requirements, the database is also helpful when considering the best entry strategy, deciding on the scope of business in China and entering into negotiations with a legal advisor. It also serves as a secondary source of information to the Centre's guidelines and reports, many of which deal with legal aspects of market entry in China.

The law database is just one of the many resources available on the website of the EU SME Centre, many of which pertain to legal aspects of doing business in China. Highlights include guidelines and webinar recordings on:

- The establishment of a foreign-invested enterprise in China
- Sales contracts when exporting to China
- Finding the right partner in China
- How to set clear rules for your employees in China

Access to the online knowledge centre is granted to European SMEs and intermediaries after a free and easy registration process. If you have specific questions in this area, feel free to contact our team of experts and receive an answer within seven working days.

Dig deeper

To be sure, English translations of Chinese laws should never be used as a basis for final decision making, as key information may be contained within the nuances of individual words or expressions in the wording of a law. So even though the greatest care has been taken to only include accurate translations, the risk of erroneous interpretations has to be taken into account. In addition, laws evolve constantly and the most recent editions tend only to be available in Chinese. Finally, interpreting laws correctly may depend on an understanding of related regulations and sometimes even diverging opinions by local authorities, something which only an experienced local lawyer can be expected to possess.

The EU SME Centre law database will help European SMEs in the early stages of market research to better understand China's prevailing legal norms, thus supporting informed decision making when analysing if circumstances are right for their entry to the market.

The EU SME Centre is a support service provider for European small and medium-sized enterprises and business support organisations facilitating market access in China. Financed by the European Union, the Centre provides free of charge, practical information, advice and business tools to better equip SMEs to develop their business and tackle challenges faced in the Chinese market. For more information, including the diagnostic kit 'Are you ready for China?', please visit the Centre's website at www.eusmecentre.org.cn.