

Registering a  
WFOE in China.

**Asomerit**

# WFOE Registration White Paper.

*2026 edition · Reflecting the new PRC Company Law and Apostille Convention.*

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# Introduction

Why this paper exists, what it covers, and the rule changes that have reshaped WFOE setup in the last 24 months.

## ● 01 Regulatory baseline

Company Law, Foreign Investment Law, negative list access and current WFOE structure.

## ● 02 Setup decisions

Entity type, business scope, registered capital, shareholder documents and required roles.

## ● 03 After registration

Banking, chops, tax filings, annual reports, transfer pricing and ongoing



# About this white paper.

Asomerit is a Beijing–headquartered corporate services firm. We help international businesses establish, operate, and scale entities in China — covering company setup, tax and accounting, legal and compliance, payroll, and Employer of Record. Our team combines bilingual China–market specialists with foreign–trained advisors who understand the questions overseas headquarters actually ask.

The regulatory landscape for a WFOE has changed materially in the past 24 months. The PRC Company Law amendment effective 1 July 2024 introduced a five–year cap on registered capital contributions. China's accession to the Hague Apostille Convention (effective 7 November 2023) replaced consular legalization for documents issued in most member states. The 2024 Foreign Investment Negative List opened manufacturing fully to foreign ownership. Much of the WFOE guidance circulating online has not caught up.

We have written this paper to bring the topic up to date. It is intended for foreign founders, CFOs, and legal counsel considering, planning, or actively setting up a WFOE in mainland China in 2026. The content reflects current regulation as of publication; we review and reissue annually.

In our experience, registration goes smoothly when clients understand the process before documents are filed. The official timeline (2–3 months for most consulting and trading WFOEs, longer for manufacturing) depends almost entirely on how quickly the foreign shareholder produces clean, consistent, authenticated documents.

## 2026 SNAPSHOT — WHAT'S NEW

**Capital.** Five–year hard deadline for paid–in contribution.

**Authentication.** Apostille replaces consular legalization for Convention countries.

**Negative list.** Manufacturing fully open to 100% foreign ownership.

# What a WFOE is, and why it matters.

A Wholly Foreign–Owned Enterprise (WFOE, 外商独资企业) is a limited liability company in mainland China whose equity is held entirely by one or more foreign investors. Since the Foreign Investment Law took effect on 1 January 2020, the legacy WFOE Law has been repealed and WFOEs are governed by the same PRC Company Law as domestic Chinese limited liability companies. The five–year transition for existing FIE organisational documents ended in January 2025.

Industry access is governed by the Foreign Investment Negative List, 2024 edition, effective from 1 November 2024. Sectors not on the list are open to foreign investment on the same terms as domestic investment; restricted sectors may require a joint venture, Chinese control, or specific approvals; a small number remain prohibited.

## REPATRIATING PROFIT FROM A WFOE

The question most foreign founders ask first is how money gets out. China's foreign–exchange controls are administered by the State Administration of Foreign Exchange (SAFE) and applied strictly. A defensible repatriation strategy materially reduces your effective tax rate and avoids surprises at year–end.

Three routes account for most outbound flows from a WFOE:

**01**

### Dividends

Most common route. Available after audited after–tax profits and statutory reserve allocation. Withholding tax applies (typically 10%; reduced by treaty where conditions are met).

**02**

### Service fees & royalties

Useful where the parent provides real services, management support, or IP. Contracts, invoices, and transfer–pricing support are required; pricing must be arm's length.

**03**

### Intercompany loans

Bound by cross–border financing quota rules and the registered–capital/total–investment ratio. Best used for funding needs, not disguised profit repatriation.

# Three ways to enter the China market.

Foreign investors typically choose between three vehicles: a Wholly Foreign–Owned Enterprise, a Joint Venture, or a Representative Office. The decision shapes everything downstream — capital, tax, hiring rights, invoicing, exit. We work through each in turn.

## MOST COMMON

### Wholly Foreign–Owned Enterprise

A standalone PRC limited liability company, 100% owned by foreign investors. Can trade, manufacture, hire, invoice in RMB, and remit profits as dividends. Governed by the Company Law. The default choice for anything other than restricted sectors or genuine local partnership needs.

## WHEN LOCAL PARTNERSHIP MATTERS

### Joint Venture

Same legal form as a WFOE (a PRC LLC) but with at least one Chinese co–investor. Still useful when a local partner contributes something the foreign investor cannot easily buy — a production site, a regulated license, a state–owned channel. Governance becomes the design challenge.

## LIMITED BUT CHEAP

### Representative Office

Not a legal entity in its own right — an extension of a foreign parent that must have existed for at least two years. Allowed to do market research and liaison work. Cannot trade, invoice, or sign commercial contracts. Still taxed on a deemed–profit basis. Workforce capped at four foreign employees.

# Consulting, trading, or manufacturing.

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There is no formal sub-classification in the Company Law, but in practice WFOEs are categorised by the activities permitted under their business scope. The category drives what permits you need, how long setup takes, and what your registered capital should look like to regulators.

## 01 Consulting WFOE

Permitted to provide consulting, advisory and other services. The lightest setup — no special permits, no environmental review. Most service businesses (technology, marketing, professional services) start here. Typical timeline: 8–10 weeks in tier-1 cities.

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## 02 Trading WFOE

Permitted to trade, wholesale, retail, import and export. Requires a customs registration on top of the standard business license to clear goods. Can also offer services within scope. Typical timeline: 12–14 weeks, longer if customs filings are time-sensitive.

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## 03 Manufacturing WFOE

Permitted to manufacture and sell products. The heaviest setup. Requires an industrial-zoned lease, an environmental impact assessment, and (depending on the product) industry permits. Manufacturing is now fully open under the 2024 negative list. Typical timeline: 4–6 months.

## WHY A WFOE

# Six reasons foreign investors choose a WFOE.

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Despite the tighter capital-contribution timeline introduced in 2024, the WFOE remains the default vehicle for foreign investment in China for service, technology, trading, and manufacturing businesses. The advantages over a joint venture or a representative office are concrete.

## ● Full control

100% foreign equity. No requirement to share ownership, board seats, or operational decisions with a domestic partner.

## ● Direct commercial activity

Permitted to trade, manufacture, and provide services within the approved business scope — and to do so under the WFOE's own name.

## ● Invoice in RMB

Issue official VAT invoices (fapiao) and collect revenue in RMB. Essential for selling to Chinese enterprise clients and accessing input-VAT credits.

## ● Hire freely

Employ both foreign and Chinese staff directly. No FESCO intermediary required. No cap on foreign employees in most cities.

## ● Repatriate profits

Once statutory reserves are met, profits can be remitted as dividends to the foreign parent, subject to withholding tax and SAFE procedures.

## ● IP and brand protection

The WFOE can hold its own contracts, IP licences, and trademarks — separating Chinese-market assets cleanly from the parent.

## WFOE vs JV vs Representative Office.

A side-by-side view of the three vehicles on the dimensions that matter at decision time.

	WFOE	Joint Venture	Representative Office
<b>Legal status</b>	Separate PRC legal entity	Separate PRC legal entity	Extension of the foreign parent (parent must have existed $\geq 2$ years)
<b>Ownership</b>	100% foreign	At least one Chinese investor	No equity; cost centre of parent
<b>Registered capital</b>	No statutory minimum for most sectors; full paid-in within 5 years	Same as WFOE	None required
<b>Business scope</b>	Trading, manufacturing, services — within scope and outside the negative list	Same as WFOE	Marketing & liaison only; no revenue activity
<b>Invoicing</b>	May issue fapiao in RMB	May issue fapiao in RMB	Not permitted
<b>Hiring</b>	Direct hire of foreign and Chinese staff	Same as WFOE	Max 4 foreigners; Chinese staff via FESCO only
<b>Liability</b>	Limited to registered capital	Limited to each party's registered capital	Parent fully liable
<b>Typical timeline</b>	8–14 weeks (manufacturing: 16–24)	12–16 weeks	6–10 weeks

# Key considerations when setting up a WFOE in China.

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The eight topics below shape almost every WFOE setup. Decisions made before filing usually cost more to undo than to get right at the start.

# The constitution and the licence to operate.

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## ARTICLES OF ASSOCIATION

The Articles of Association (AoA, 公司章程) are the constitutional document of a WFOE. They set out the business scope, registered capital, contribution schedule, the powers of the shareholder(s), and the rules governing the board, the legal representative, and the supervisor. The company is legally bound to operate within them.

Under the 2024 Company Law, the AoA must include the shareholders' capital contribution deadline — a change that flows directly from the five-year contribution rule discussed on the next page. Maintain a clean record of every amendment, and file changes with SAMR promptly. Failure to comply with the contribution schedule in your AoA is no longer a paper-only risk; directors can be held personally liable.

## BUSINESS SCOPE

The business scope (经营范围) is the description, printed on the business licence, of the activities the WFOE is permitted to undertake. It is publicly searchable via the SAMR online registry.

WFOEs may conduct any activity that is not prohibited or restricted under the Foreign Investment Negative List (2024 edition). Operating outside your scope risks fines and, in the worst case, revocation of the business licence — for example, a consulting WFOE that starts selling physical goods without amending its scope.

We caution clients against drafting an artificially broad scope. "More categories, more options" feels like prudent flexibility, but it tends to create post-filing problems with the tax bureau (which uses scope to determine your taxable activities). A tight, considered scope that reflects what you actually plan to do is easier to defend at audit and easier to amend later when the business genuinely changes direction.

# What changed on 1 July 2024.

The PRC Company Law amendment effective 1 July 2024 introduced the most significant change to capital rules in a decade. For limited liability companies — which is what every WFOE is — subscribed registered capital must be fully paid in within five years of the company's incorporation date.

Until 2024 the rule was effectively flexible: companies could declare large capital with a 30- or 50-year contribution schedule and never deliver. That window has closed. Existing WFOEs incorporated before 1 July 2024 enter a transition period: if the remaining contribution period exceeds five years from 1 July 2027, the schedule must be adjusted by 30 June 2027. Missed contributions may trigger director liability, SAMR enforcement, or forced capital reduction.

**5**  
years

## THE NEW DEADLINE

From the date the WFOE is incorporated, shareholders must pay in 100% of declared registered capital within five years, unless sector-specific rules provide otherwise. Capital is normally injected through the bank capital account and recorded in the WFOE's books; CPA verification may be needed for audit, lending, or regulatory purposes. Plan the schedule before you file — it goes into the AoA.

## HOW MUCH SHOULD YOU ACTUALLY DECLARE?

There is no statutory minimum for most sectors. But the figure on your business licence signals credibility to banks, customers, and bid evaluators — and influences foreign-debt capacity under the total-investment/registered-capital rules or the macro-prudential regime. Common practice for a consulting WFOE in tier-1 cities sits at RMB 500K–1M; a trading WFOE at RMB 1–3M; a manufacturing WFOE substantially higher and sector-driven.

**Recommended calibration: 18–36 months of operating costs + setup costs + a margin, not an arbitrary prestige number. A figure you cannot inject within five years is now a governance and enforcement risk — not just paperwork inconvenience.**

## Who you must appoint, and what they do.

A WFOE must have shareholder(s), a director or board, a legal representative, and a management function at registration. Some roles can be held by the same person. Supervisory arrangements are more flexible under the 2024 Company Law; the legal representative remains the position with the most personal exposure.

01

### Shareholder

At least one. Filed with SAMR. Any nationality except a domestic Chinese company. Meetings may be held anywhere.

02

### Executive Director — or Board of Directors

A small WFOE may appoint one director; larger governance structures may use a board. The 2024 Company Law removed the previous 13–director cap. Any nationality. Meetings need not be in China.

03

### Legal Representative

One person. Bears legal responsibility for the WFOE's acts and controls the company chops. Must be the executive director, board chair, or general manager. Any nationality. The position with the most personal exposure — choose carefully.

04

### General Manager

Runs day-to-day operations. Not filed with SAMR. Can be a board member or independent. Any nationality, not required to be a China resident.

05

### Supervisor / Board of Supervisors

A supervisor or supervisory board is still commonly used, but small LLCs may, with unanimous shareholder consent, dispense with a supervisor; an audit committee can also replace supervisory functions. Supervisors cannot be directors or senior managers.

## Apostille, finally — for most countries.

Before SAMR will accept a WFOE application, the foreign shareholder's corporate documents (or, for an individual investor, a passport) must be authenticated in the country of origin. Until 2023 this meant a slow and expensive double process: home-country notarisation followed by consular legalisation at the Chinese embassy or consulate.

China acceded to the Hague Convention Abolishing the Requirement of Legalisation for Foreign Public Documents on 8 March 2023; the Convention entered into force between China and other member states on 7 November 2023. For documents issued in a member state, consular legalisation has been replaced by a single Apostille certificate from the designated competent authority in the issuing country — typically a state Secretary of State (USA), the Foreign, Commonwealth & Development Office (UK), or equivalent.

### PATH A — APOSTILLE

#### Convention member states.

Includes the USA, UK, Australia, Japan, South Korea, and most of Europe. One Apostille certificate from the competent authority in the issuing country. No Chinese consulate involvement.

**Typical time: 1–3 weeks**

### PATH B — CONSULAR LEGALISATION

#### Non-member states.

Includes some Southeast Asian and Middle Eastern jurisdictions. Notarise locally, certify with the home-country foreign ministry, then legalise at the Chinese embassy or consulate.

**Typical time: 4–8 weeks**

Regardless of path: the foreign company name must appear identically on every document, and the chain of authority — from board resolution to power of attorney to passport — must be clearly traceable. Inconsistencies are the single most common cause of rejection.

## Where the WFOE lives, what it is called.

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### REGISTERED ADDRESS

Every WFOE needs a registered address in China before it can be incorporated. The address has to be a real commercial space — not a residential apartment — with a lease and government–filed lease documentation.

- The office (or, for a manufacturing WFOE, the plant) should be rented before name approval. SAMR will check the address at incorporation and, in many cities, on–site afterwards.
- Many local bureaus expect the lease to remain valid for at least 12 months from submission, although exact requirements vary by city.
- We recommend a clause making the lease void if the WFOE application is rejected — it avoids paying for space you cannot use.
- A manufacturing WFOE must lease industrial–zoned space and complete an environmental impact assessment before the business licence can be issued.

### COMPANY NAME APPROVAL

The official company name of a WFOE must be in Chinese. An English name is optional and serves only as an unofficial trading name. Company chops carry the Chinese name.

The Chinese name follows a strict four–part structure: City of registration + Company name + Industry/activity + Company form (e.g. 北京艾索美瑞特咨询有限公司). Names containing "China", "State", "National", or "International" require minimum–capital thresholds and additional approvals.

Submit several candidate Chinese names in priority order. Longer names with more distinctive characters have a higher acceptance rate. Pre–approval is fast (typically 3–5 business days) and is the first step in the on–shore process.

## The five-in-one licence and foreign-investment information report.

### FIVE-IN-ONE BUSINESS LICENCE

Once the company name is approved, SAMR issues the business licence — which has consolidated five previously separate registrations into one:



Since 2018, SAMR has issued an electronic business licence alongside the paper version, with identical legal validity. The e–licence lives in mini–programs inside WeChat and Alipay and is used for annual filings, fapiao validation, and tax declarations. Some cities (notably Beijing) require the e–licence before tax registration can be completed — the legal representative must be physically present at SAMR to activate it.

### FOREIGN INVESTMENT INFORMATION REPORT

Since 2020, the former MOFCOM/CoC filing system has been replaced by the foreign–investment information reporting regime. For standard sectors outside the Negative List, the initial report is submitted through the enterprise registration system together with the SAMR registration, then shared with commerce authorities. It is an information report, not a separate approval.

No separate CoC approval certificate is issued for ordinary permitted sectors. Restricted–list sectors still require pre–approval or special clearance before registration; later changes, dissolution, and annual reports must also be reported accurately.

## Once the licence is in hand.

### POST-REGISTRATION TASKS

A business licence alone is not enough to operate. The following steps complete the setup, in roughly the order in which they happen:

- Carve company chops — official chop, financial chop, legal representative chop, contract chop and invoice chop where needed. In China, the chop, not the signature alone, binds the company.
- Open the basic RMB deposit account and foreign-currency capital account. Prepare beneficial-owner/KYC materials, ownership charts, and transaction explanations for bank review.
- Complete tax registration, tax UKey/e-invoicing setup, VAT taxpayer status confirmation, and bookkeeping workflow — the tax clock starts when the company is formed.
- Register the WFOE and employees with social insurance and housing fund authorities before payroll begins.
- If hiring foreigners, complete employer-side work-permit system registration and then apply for work permits and residence permits.
- Apply for industry-specific permits where required — customs (trading), Food Operation Permit (F&B), HR service licence, ICP/telecom approvals, and so on.

### MONTHLY TAX FILING CADENCE

Tax	Filed by	Cadence
Corporate Income Tax (CIT) — 25% standard	All WFOEs	Monthly or quarterly provisional; annual reconciliation by 31 May.
VAT — 13% / 9% / 6%	Small-scale taxpayer	Monthly/quarterly; simplified calculation; no input VAT credit.
VAT — same rates, input credits	General taxpayer	Usually monthly; input VAT credit available.
Surtax (urban construction, education)	All VAT payers	Filed with VAT.
Individual Income Tax (IIT) — 3–45%	All employed in China	Monthly withholding.

## The year-end discipline.

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### VAT TAXPAYER STATUS

Small-scale and general VAT taxpayer status differs in calculation method, filing frequency, and input VAT recovery. General taxpayers apply the normal VAT method and can credit input VAT; small-scale taxpayers generally use the simplified method and cannot credit input VAT.

The historical sector-by-sector thresholds have been unified. Under the current VAT rules and the 2026 VAT Law framework, a taxpayer generally moves to the general VAT method when annual taxable sales exceed RMB 5 million. A WFOE may also elect general taxpayer status earlier where input VAT recovery, customer invoicing needs, or export rebates justify it.

### ANNUAL COMPLIANCE CALENDAR

Every foreign-invested company must complete three annual filings:

- Audited financial statements, prepared by a Chinese-registered CPA firm to PRC GAAP standards where required or requested by local practice. Common internal deadline: March/April.
- Annual CIT reconciliation, filed by 31 May, based on the accounts.
- Annual reporting through SAMR/enterprise credit system and foreign-investment information reporting channels, generally by 30 June.

### TRANSFER PRICING

When the WFOE transacts with affiliated foreign entities, the arm's-length principle applies — pricing must reflect what unrelated parties would have agreed. China follows OECD BEPS guidance and adds local requirements, including value-chain analysis in the local file. Local file thresholds: RMB 200M (tangible goods), RMB 100M (financial assets or intangibles), RMB 40M (other related-party transactions). Master file threshold: RMB 1B in total related-party transactions or group-level master-file preparation.



# Conclusion

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Setting up a WFOE in China in 2026 is more accessible than it has ever been — broad foreign ownership access, an Apostille-based authentication process for many countries, online filings, e-licences, and mature local registration systems. It is also more disciplined: the five-year capital rule means decisions made at registration now have consequences five years out, not thirty.

Most of the difficulty in setting up a WFOE is concentrated in the four or five decisions made before the first document is filed — choice of city, choice of entity type, business scope, registered capital, legal representative. The filings themselves are largely procedural once those decisions are right. The cost of getting them wrong is paid later, in tax disputes, capital injections that cannot be funded, and amendments that delay growth.

Asomerit has advised foreign companies on China market entry across consulting, trading, technology, and manufacturing WFOEs. We focus on getting the upstream decisions right and then executing the filings without surprises. If you are considering a WFOE — or if you have an existing WFOE that may need restructuring under the new capital rules — we offer a free 30-minute consultation to scope the work.

**Schedule a free consultation**

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# Easily set up, manage & advance your business in China.

Asomerit is a Beijing-headquartered corporate services firm helping international businesses establish, operate, and scale in China. We combine bilingual local specialists with foreign-trained advisors — the same hybrid lens through which this paper was written.

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