You may now set up a joint venture entity with a PRC citizen in Pudong, Shanghai

Description

For many years, when a foreign natural person or entity wants to set up a joint venture in China, he can only find a Chinese entity as partner instead of a Chinese natural person. It is not clear why China has maintained this rule for so many years while in practice there are easy ways of circumventing this restriction.

However, with the adoption of PRC Foreign Invested Partnership Enterprise Law, that restriction is becoming more unreasonable, and unfair for Chinese people who want to directly set up joint venture entity with foreigners or foreign entities. It will be absurd to block Chinese citizen from incorporating foreign invested companies while allowing them to start up foreign invested partnership enterprises.

On that backdrop, Shanghai Industry and Commerce Bureau together with Shanghai Pudong People's Government have jointly issued a new rule allowing Chinese citizens to establish equity or cooperative joint venture enterprises with foreign persons or entities. The new rule is entitled as "Trial Measures for the Investment in and Establishment of Sino-foreign Equity Joint Venture Enterprises and Sino-foreign Cooperative Joint Venture Enterprises by Domestic Natural Persons in Pudong New Area".

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Investors shall note that, such new type of sino-foreign joint ventures shall only be engaged in industries that belong to the "encouraged" and "permitted" categories under the Industry Catalog for Guiding Foreign Investment. Currently, there are no limit on the amount of total investment for encouraged and permitted projects to be located in Pudong New Area, which means any such projects will fall within the approval jurisdiction of Pudong local government.

Existing foreign invested enterprises may change to include Chinese individual investors.

Lastly, this new rule only has a life of two years and is set to expire at the end of April of 2012.

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admin