

“Unprecedented” Reform of Company Registration Regime in China

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China Law Practice

On October 25, 2013, Premier Li Keqiang chaired an executive meeting of the State Council, and announced during the meeting that China is going to push forward the reform of the company registration regime, which will support a faster pace of economic reform in China and “arouse social investment vitality”.

The five reform policies announced in the executive meeting were reported by the official website of China State Council two days later on October 27, 2013. On November 7, the Information Office of the State Council held a press conference regarding this remarkable meeting of State Council. Zhang Mao, the Director of the State Administration for Industry and Commerce (SAIC) briefed the new policies in the press conference. According to the official report of State Council and the information in the press conference, the executive meeting confirmed the policies as follows:

- 1. Relaxing the registered capital requirements for setting up a company:** The minimum registration capital of RMB 30,000 (around USD 5,000) for limited liability companies will be cancelled as well as the RMB 100,000 (around USD 16,667) minimum for single shareholder companies and the RMB 5,000,000 (around USD 833,333) minimum for joint stock companies. In addition, the ratio of the initial payment and the deadline for full contribution will be cancelled. Further, the actual capital contributions of the company will no longer be a registration item for incorporation.
- 2. Replacing annual inspection regime by annual report regime:** The current annual inspection regime will be substituted by annual report regime. Such annual reports shall be available for all entities and individuals for inspection. Transparency of the company information shall be promoted.
- 3. Relaxing the registration conditions of the enterprise business residence:** The State Council will delegate the legislation power regarding the registration conditions of the “business residence” to local governments based on the understanding that the upcoming local rules shall relax the registration conditions for more convenient incorporation.
- 4. Developing the enterprise credit system:** Information including the registration record, the annual reports and the business qualifications shall be disclosed and shared through the enterprise credit system. Electronic records are encouraged and an electronic business license shall have the same effect as a hard copy of the business license. A “blacklist” will be established and updated

which will record non-compliance by specific companies, and such “blacklist” shall be made public through the to-be-developed credit system.

5. Changing the paid-up registration regime to a subscription regime: The actual capital contribution regime will be replaced by subscribed capital regime, which will lower the costs for incorporation. The new regime will require the company shareholders (founders) to voluntarily subscribe the capital contribution, form of contribution and due date of contribution. At the same time, the company shareholders (founders) are responsible and liable for the authenticity and legitimacy of such contribution.

These new policies will result in legislative amendments to Company Law, Sino-foreign joint venture laws and other foreign investment laws and regulations. Zhang Mao, the Director of SAIC, revealed in the press conference that SIAC is now cooperating on the legislation work of the State Council. The new policies cannot be fully implemented until the rules are strictly in accordance with the reform.

Zhang Mao also commented that based on the principle of national treatment, all foreign-invested enterprises will enjoy the same reformatory policies. These new policies indicate the investment climate of China will be further improved as company profiles become more transparent.

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