

Time limit on capital contribution to foreign investment enterprises (companies)

Description

In China, a company (in this article we take the limited liability company, the LLC, for illustration), either domestic or foreign-invested, has to have its own registered capital in order to be recognized as a legal entity at law. As to the timing of capital injection, Chinese laws have treated domestic firms and foreign invested firms differently. To set up a domestic company, a portion of 20% of the total registered capital shall be placed in an interim bank account before obtaining the business license from the company registry department, and however as for a foreign invested company, all registered capital can be contributed after the business license is issued.

According to the current relevant laws and regulations, timing of capital contribution in respect of a foreign invested company is generally prescribed as follows:

(1) If the shareholder(s) is to inject the total registered capital in a lump sum, the injection shall be completed within six (6) months after the date of establishment of the LLC, being the date of the issuance of the business license.

(2) If the shareholder(s) is to inject the total registered capital by installments, the injection of the first installment shall not be less than 15% of the total registered capital and the minimum registered capital of RMB 30,000 set forth in Company Law of China and further such first installment shall be made in place within three (3) months after the date of the establishment of the LLC. The remainder of the registered capital shall be contributed within two (2) years of the date of the establishment of the LLC, unless otherwise required by laws and administrative regulations.

However, in the case of a domestic LLC, it is required that the injection of the first installment by all shareholders shall not be less than 20% of the subscribed total registered capital and the minimum registered capital of RMB 30,000.

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