

Shanghai promotes trading headquarters

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In brief

- » Shanghai has rolled out another investment policy, attracting companies to set up a “trading headquarters”.
- » Companies in four types of business can seek for a recognition as a trading headquarters, to enjoy the benefits.

Feedback

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In detail

On 23 July 2021, Shanghai rolled out a new policy (“Several Opinions of Shanghai on Encouraging Companies to Set Up Trading Headquarters”) attracting further investments on headquarters economy. The policy will take effect from 1 September 2021 till 31 August 2026.

We summarize below the main content of the policy.

» Scope

› Investor

Both foreign and domestic investors can set up trading headquarters in Shanghai.

› Functions

Trading headquarters refers to those trading entities in Shanghai handling any one or a combination of the following functions for their affiliates:

- Sourcing;
- Distribution;
- Marketing;
- Settlement; or
- Logistics; etc.

› Business

Companies in the following four types of businesses can apply for the recognition as a trading headquarters:

- 1) Domestic wholesale and retailing;
- 2) International trading of goods;
- 3) Warehousing / logistics or international servicing;
- 4) Internet platform business.

» Criteria for recognition

Shanghai city’s Commerce Committee is the authority responsible for assessing the application for the recognition of a trading headquarters.

Shanghai-registered companies applying for the recognition as a trading headquarters in the following four types of businesses must meet the said criteria:

Business	Criteria
Domestic wholesale and retailing	<ul style="list-style-type: none"> • Revenue of previous year has exceeded CNY 10 billion • Over 50% of its revenue is from domestic wholesale and retailing sales
International trading of goods	<ul style="list-style-type: none"> • Revenue of previous year has exceeded CNY 6 billion • Over 50% of its revenue is from international trading
Warehousing / logistics or international servicing	<ul style="list-style-type: none"> • Revenue of previous year has exceeded CNY 4 billion • Over 50% of its revenue is from international warehousing / logistics, or international servicing
Internet platform business operators	<ul style="list-style-type: none"> • Number of registered users or vendors has exceeded 5,000, with more than 30% vendors from outside Shanghai • Annual transaction volume has exceeded CNY 5 billion (for consumer-facing platforms) or CNY 15 billion (for corporate-facing platforms)

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» Application

Applicants should submit (a) **an application form** and (b) an **audited financial report** of the previous year for seeking the recognition. The district and city commerce department will each take **five** working days to process the application.

» Benefits

Recognized trading headquarters can enjoy the following benefits:

1) Incentives and subsidies

Trading headquarters can be granted local incentives and subsidies such as special trading funds and development funds, etc.

2) Financing

- They can be listed in a government-backed “Policy-driven Financing and Guarantee Fund for Medium-and-micro Businesses”;
- They can set up cross-border RMB cash pooling, and adopt net-off treatments in their current-account RMB payables and receivables;
- They can also consolidate their cross-border finance managements for fund movement, clearing, settlement, hedging, investing, and financing.

3) Tax

Trading headquarters can join the trial program for digital VAT invoicing, enjoy a simpler procedure for VAT invoicing operations, and enjoy the beneficial tax treatments in restructuring.

4) Immigration

- Chinese nationals can apply for APEC business travel cards to enjoy VISA and other immigration benefits from APEC countries;
- Foreign nationals can apply for multiple-entry VISA up to 180 days of stay, valid for one year;
- Foreign staff can apply for a residence permit with a long period of validity (three to five years).

5) Customs

Trading headquarters can enjoy a faster customs clearance and simpler administration measures.

WTS China observation

Shanghai’s new policy on trading headquarters is another major step to promote headquarters economy. Companies meeting the requirements should consider if their China supply chain strategy can fit into the new policy and benefit from it.

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