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Costs of setting up an office in Shanghai

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Note: Information in this report is designed to give readers preliminary information on setting up offices in Shanghai, and is for reference purposes only. Path To China recommends that companies seek professional advice from legal, financial and consulting professionals that have expertise in the China market. Path To China is expertise on providing one stop shop service of business registration in China. We would be glad to help you set up your business in Shanghai, handle the Taxation matters as well as obtain your staff's work permit in China. For information or advice, ring Path To China Hotline on (8621) 5102 5278 , visit www.PathToChina.com, or contact your Path To China Consultant.

Business registration cost

In broad terms, businesses can set up in China as a representative office, a wholly foreign owned enterprise or a joint venture.

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<http://www.pathtochina.com/regcompany.htm>

Service fee:

It's quite different that the consultant companies' service fee, some charge USD 10,000 for setting up a business entity in China while some charge RMB 10,000.

But why it's so expensive to start a business in Shanghai, China?

1. Thanks to bureaucrat, a foreign invested company or Rep. Office setting up in China do requires lots efforts, professional service on it. Some could spend you 6 months only to get the proper registration licenses.
2. According to the current regulation, only an approved agent [consulting company, law firm etc] could submit the application. Some consulting companies or law firms engage this industry but don't have proper license to submit the application chose to out source the service to those who have proper license. This makes the service fee becomes expensive.
3. Rental, salary etc are expensive in Shanghai compare with most of the cities in China. The business registration agent located in a fairly nice building has to cover those huge expenses.
4. Grey areas still existing: you will have to prepare HONG BAO to do business in China.

At Path To China, we charge reasonable service fee, some of our clients were think that our price are to low (YES!) on the market, then they are afraid to choose us, and think that it will involve much more hidden fee later:)

Think about it, almost all the company registration websites that you visited have no price on it. And it always saying, it should be case by case and we have to review your situation etc. No, it's not that true. According to a recent market survey: 80% of foreign invested companies in Shanghai engage Consulting, I.T. service, Trading, Manufacturing etc. The procedures of setting up these businesses are quite standard. Consulting Company A setting up with consulting company B has noting difference on registration procedure according to our 6 years experience.

While, our price has been online for quite a few years, this is the way that we provide service. Check out Path To China latest price list with your PTC consultant.

SAVE YOUR MONEY FROM THE BEGIN.

Government fee: for Rep. Office: approx. RMB 3,000; Consulting and trading WFOE: approx. RMB 10,000.
Manufacturing WFOE: approx. RMB 15,000 upwards;

Office rentals

Since 1990, the commercial and residential landscape of Shanghai has been in a constant state of transformation. Blocks of older dwellings have been levelled and replaced with modern business towers and residential buildings, and extensive spending has created a good road network.

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In the first quarter of 2006, Shanghai's prime office market witnessed continued appreciation in rental levels. Grade A office rentals increased by 2.9% to US\$37.6 psm per month.⁴

Currently, there is pressure on good office space in Shanghai, as many foreign and domestic companies continue to move into the city or upgrade from existing office space. The vacancy rate of commercial building stands at around 5%.

Major Office Areas in Shanghai are:

1. Central Huaihai Road
2. Nanjing Road West
3. Xujiahui
4. Hongqiao
5. People's Square
6. Lujiazui.
7. Xin Tian Di

A number of the recently constructed or soon to be constructed prime office buildings in Shanghai are listed on the websites of major real estate consulting firms. One high profile example is the World Financial Centre which is currently under construction in the Lujiazui District of Pudong. This building will be one of the tallest in the world, with close to 100 floors.

Serviced offices

Start-up businesses or those with a limited budget have the option of setting up serviced offices. Serviced offices provide an array of business services, including bilingual secretarial support, handling of mail, fax and telephone calls, courier services, transportation and hotel arrangements.

This one-stop approach to setting up an office allows many companies that are new to China to focus on core business activities by bypassing the technical difficulties of finding an office and hiring staff.

Major Serviced Offices in Shanghai are:

Executive Centre
www.executivecentre.com

Servcorp Shanghai
www.servcorp.net

Regus:
www.regus.cn

CEO Suite
www.ceosuite.com

Office General

www.officegeneral.com

telecommunications and internet costs

China began cellphone service in the late 1980s and it has experienced extreme growth in the sector since then. Both GSM and CDMA networks are used.

As a result of rapid development, the cost of using cellphones has dropped significantly. Average handsets cost between RMB 1,500 - 4,500 (US\$188 - 542). Handsets are available at a large number of commercial outlets and can be activated right away. Pre-paid plans are available too. Most international brands of handsets are available, and there is a good selection of domestic brands as well.

The local telephone service in China requires a customer to submit an application at a local operator's office after business license been issued. According to the latest service standards published by all national operators (China Telecom, Netcom, Railcom), setting up a basic service account in Shanghai usually takes between 10 days.

The cost of a basic service consists of two elements: monthly flat fee and charges for actual usage. Monthly fees vary, but are normally between RMB 30~35 (US\$3.60-US\$4.20) a month. This usually includes a basic⁶ monthly fee, local government charge (similar to local tax), maintenance charge, and number listing charge.

China has a range of service provides for internet access, including China Telecom, NetCom, UniCom and national ISPs such as ChinaNet. The latter is estimated to host more than 70% of all websites in China.

High speed internet access is growing fast, including ADSL, LAN-based broadband access etc.

Roughly Broadband Connection Costs:

Installation fee: RMB 500

Monthly charge: RMB 600 for 192K; RMB 1000 for 384 K and RMB1850 for 640K. 2M will be higher.

Recruitment and staff costs

Representative offices are required to fill their staffing needs through government affiliated agencies such as FESCO and CIIC. These companies are basically happy to sign up any staff that companies propose, or to act as recruitment agencies. FESCO and CIIC are a convenient way of handling staff, in that they handle all staff tax and welfare issues for a company.

If a foreign company is setting up a WFOE then they are able to employ staff directly.

There are a number of recruitment and head hunting agencies in Shanghai. These companies can be useful in finding staff, especially for key local management and marketing positions. The Internet is also a widely used tool for recruitment and several internet sites are dedicated to advertising positions.

Word of mouth still remains one of the main methods for locating and recruiting staff.

Recruitment Agencies

Below are some recruitment agencies and executive search firms. Service offerings and fees should be

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compared across these companies.

51Job [largest in China]
www.51job.com

Chinasplash: good database of expatriates candidates
www.Chinasplash.com

Shanghai Foreign Service (FESCO)
www.efesco.com

Shanghai Human Resources Service Centre
www.shrc.com.cn
www.zhaopin.com

Staff Costs

In Shanghai's labour market, salaries vary according to industry, company and location. Remuneration packages include a monthly salary, annual or bi-annual bonuses, overtime payments and employer and employee contributions to mandatory taxation and social welfare.

The average monthly salary is RMB 1,200-1800 for manual worker, RMB 2000-4000 for skilled production worker, RMB 2000-5000 for fresh fresh graduates and RMB 10,000 upwards for people in line management positions. People in positions in senior management positions will command salaries comparable those paid in Western Countries. The gap is huge for salary in Shanghai.

Other costs

Unit cost of utilities in Shanghai

Water	RMB 3.42/T
Electricity	RMB 0.8 to 1.0 per kw-h for Grade A buildings,
Management fee	Varying by property management companies.
Gas	RMB 2.05 (US \$0.25) per cubic metre

Cost of telephones and mobiles in Shanghai

Telephone	Residence	Office
Local telephone	RMB0.20 /minute for the first 3 minutes; RMB 0.10 /minute, 3 minutes onwards. Monthly charge is RMB 25	RMB0.22 /minute for the first 3 minutes; RMB0.11/minute, 3 minutes onwards; Monthly charge RMB 35
Domestic long distance call	0.7 RMB (US\$0.08) per minute 0.3 RMB (US\$0.04) per minute if using a IP	Same as residence
International long distance call	8 RMB (US\$0.96) per minute 3.6 RMB (US\$0.43) per minute if using a IP	Same as residence

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Mobile	0.4 RMB (US\$0.04) per minute for local call and 1 RMB (US\$0.12) per minute for long distance. Mobile calls in China are charged on both incoming and outward calls.	
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The cost of petrol is around RMB 4.92-5.50 (US\$0.62-0.69) per litre. The registration fee for license plate is around RMB 40000 (US \$5000), varying monthly by auction price. Monthly car maintenance expense is around RMB 1000 (US \$125). Car insurance costs are upwards of RMB 2000 (US \$250) for third party, theft and fire cover. Many of these ownership and running costs will be included in lease plans.

Cost of Car rental in Shanghai

Vehicle prices

It's common to lease a car and driver from specialist agencies, although ownership is another option. The following is a range of models and their prices. When looking for vehicles in China, the sorts of issues to be taken into consideration are family, company requirements, image, servicing options, cost, and safety.

Car maker	Type	Car price (USD)	Monthly leasing fee (USD)	Purchase Tax (USD)
Toyota Crown	2.5 AT/MT	37,325	1875	3187
Nissan Teana	2.3 AT JK	25,750	1810	2412
Audi A6	Locally produced (L2.0T/FSI/MT)	46,450	1875	3962
Audi A6	L3.0 CVT	110,375	3310	7300

Major Car Lease companies in Shanghai:

Shang Car:
www.shangcar.com

Shanghai Limo:
www.asialimo.com

Risingsh Car Rental:
www.risingsh.com

Major used car companies in Shanghai:

Shang Car:
www.shangcar.com

Note: this guide book printed on March 30, 2008
Currency exchange rate in this guide book: 1 USD= 7 RMB