

Management Consulting Services (8)

1. What are the specific commitments in respect of the management consulting services sector under CEPA?

Under CEPA, Hong Kong suppliers of management consulting services are allowed to provide service in the Mainland in the form of wholly-owned operations as from 1 January 2004. Under China's WTO commitments, foreign companies are permitted to set up wholly foreign-owned subsidiaries in the management consulting services sector by end-2007. In other words, CEPA allows Hong Kong companies to access the Mainland market through wholly-owned operations some four years ahead of their foreign counterparts. The minimum registered capital requirement for Hong Kong service suppliers providing management consulting services in the Mainland follows the requirements in the *Company Law of the People's Republic of China*.

2. According to CEPA, the minimum registered capital requirement for Hong Kong service suppliers providing management consulting services in the Mainland follows the requirements of the *Company Law of the People's Republic of China*. What exactly is the level of capital required?

As promulgated in the Order of the President No. 42 on 27 October 2005, Article 26 of the amended Company Law of the People's Republic of China, which came into force on 1 January 2006, stipulates that the capital requirement for a limited company engaging in consulting is RMB¥ 30,000.

3. Is the coverage of management consulting services under CEPA narrower than the Provisional Central Product Classification (CPC) 865 which China committed to under WTO?

The classifications of the management consulting services set out in CEPA have in fact covered all of the CPC 865 under the United Nations Provisional CPC classification, i.e.

- General management consulting services;
- Financial management consulting services;
- Marketing management consulting services;
- Human resources management consulting services;
- Product management consulting services;

- Public relations services; and
- Other management consulting services.

(Note: the UN Provisional CPC classification does not contain CPC86507 and CPC86508)

- 4. One of the criteria for “Hong Kong service supplier” is that a company should be incorporated or registered in Hong Kong and have engaged in substantive business operations for 3 years or more. My company has been in business operation for 3 years, but it has only engaged in management consulting activities during the recent year. Is my company qualified to enjoy the arrangements under CEPA?**

Hong Kong companies must have engaged in the provision of management consulting services for 3 years or more and fulfil the CEPA provisions in order to enjoy the concessions under CEPA to set up wholly-owned operations to provide management consulting services in the Mainland.

- 5. I have been providing management consulting services in my personal capacity in Hong Kong for over 3 years. Can I set up a wholly-owned operation or become a private operator in the Mainland?**

The definition of “Hong Kong service supplier” covers “natural person” (meaning a permanent resident of the Hong Kong Special Administrative Region of the People’s Republic of China) as well as “juridical person” (meaning any legal entity duly constituted or otherwise organized under applicable laws of Hong Kong). As long as you or your company meets the requirement of “Hong Kong service supplier” under Annex 5 of CEPA, you or your company can supply management consulting services in the form of wholly-owned operations in the Mainland.

- 6. Are certification and head-hunting services regarded as management consulting services?**

Certification and head-hunting services do not belong to management consulting services under the UN Provisional CPC classification.

- 7. Does CEPA provide for any tax exemption or reduction?**

CEPA provides concessions on market access and registered capital requirement for management consulting service suppliers from Hong Kong. It does not cover concessions on tax

exemption or reduction.

- 8. Many management consultants are self-employed, and they use their residential address as their registered business address. Will they be excluded from CEPA simply because they do not have “business premises”?**

The definition of “Hong Kong service supplier” under CEPA includes “natural person” (meaning a permanent resident of the Hong Kong Special Administrative Region of the People’s Republic of China) and “juridical person” (meaning any legal entity duly constituted or otherwise organized under applicable laws of Hong Kong). The specific criteria for Hong Kong service suppliers who provide services in the form of juridical person include consideration on business premises, which should be commensurate with the scope and scale of its business. We shall adopt a pragmatic approach in considering each case.