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# China's Five-in-One Business License: Pressure Mounts for Foreign Businesses to Implement

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China's Five-in-One system combines a business' tax registration certificate, organization code, business license, social security registration certificate, and statistical registration certificate into a single document with one social credit code. This has made setting up a business in China faster and easier for foreign investors.



Companies in China with soon-to-be outdated certification would be wise to put the [Five-in-One business license](#) amendment on their upcoming agenda.

Businesses without an integrated business license under the [Three-in-One](#) or Five-in-One system should now upgrade. The deadline for converting to Five-in-One certification is December 31, 2017. Beyond this date, all five certificates held by the company, now encompassed by the Five-in-One system, will be deemed as invalid and cancelled.

Companies who hold business licenses under the previous Three-in-One system, which did not include the social security registration and statistical registration certificates, need not worry. According to the State Council, companies registered under a Three-in-One business license will automatically have their information submitted to related departments for amendment. This means they do not need to submit any Five-in-One amendment applications.

Some regional disparities apply. For example, Liaoning and Jiangsu provinces have piloted a Six-in-One license in several counties, which also includes a company's seal carving approval certificate. Yangzhou prefecture city in Jiangsu is currently mulling the possibility of integrating a 'Twelve-in-One License'. Shenzhen and Zhejiang provinces both launched a Five-in-One license for WFOEs early when the Three-in-One license was first announced.

Despite these regional differences, the key requirement to have a combined business license and unified social credit code carries the same State Administration for Industry and Commerce (AIC) deadline. Notably, some local

AICs, such as that of Shenzhen, have not separately issued deadlines. It is possible that some local officials will give very short notice before the reform is fully consolidated. It is therefore highly advisable for businesses to play it safe and amend their certification and license sooner rather than later to avoid being caught of guard.

Businesses in all areas are advised to employ the assistance of an advisor so as to successfully navigate local conditions. Amendment may be easier in some areas than in others, as local government departments often vary wildly in their ability to exchange information. This means that what could be a very simple amendment process in one city may turn out to be more complicated in another.

Many businesses may already have been required to change to the Five-in-One business license. For example, in Shanghai, businesses making changes to their registered information, such as their business scope, legal representatives etc. have already been required by the government to register for a Five-in-One business license. Businesses who have had their organization code expire within the last year have also been required to update their certification to be included under a Five-in-One license.

### **Difficulties of amendment and consequences of failure**

Amending certification to combine all five components into a single integrated license is no easy task. The process can be divided into roughly two parts, requiring both complex legal and tax related amendments.

Many businesses in Beijing have recently received warnings from the local tax bureau, reminding them to finish updating the tax-end of the Five-in-One license as soon as possible.

Tammy Tian, manager of Corporate Accounting Services for [Dezan Shira & Associates](#) in Beijing, summarizes the consequences of not doing so: “An invalid tax license might influence [fapiao](#) issuance from a taxpayer to its clients and other tax affairs such as tax refund applications, input [VAT](#) deduction etc. Additionally, banks might also create obstacles in transaction execution if a company doesn’t update valid licenses at banks.”

Several tax bureaus have imposed unofficial internal deadlines earlier than the official date. For example, the Suzhou local tax bureau has asked companies to complete Five-in-One amendments as early as the end of 2016, warning that a failure to do so would mean they could no longer issue invoices.

This is largely due to the fact that tax-end amendments can take an additional four to five weeks once legal amendments have been completed. This means that there may be insufficient time remaining to complete tax reforms if enterprises submit legal amendments too close to the December 31 deadline.

The matter of tax is complicated further by the fact that tax amendments do not stop at documentation within the Five-in-One framework. [Chet Scheltema](#), Regional Director for Dezan Shira & Associates explains: “What’s misleading is that tax registration consolidation into the Five-in-One doesn’t mean you’re done with the tax

bureau. Before beginning business, a company will have to have its accounting firm (or accountant) visit the tax bureau to be assigned an in-charge tax official, and will have to make a number of electives related to VAT tax rate and potentially other tax elections. What the Five-in-One tax registration does is just get you a tax bureau number.”

This means that when a business applies for a Five-in-One amendment to tax registration certification, it will also have to go through the steps associated with initial tax registration consolidation again.

After a company has updated its certificate, its tax code will have changed, so it must re-complete the following steps:

- (re)Activate its online tax filing system under its name;
- Sign three parties agreement (company-bank-tax authority) so tax can be deduct automatically; and
- Apply for the official [VAT invoice](#) (fapiao).

Legal matters concerning amendments are no less complicated. Rowling Song, Senior Associate for Dezan Shira’s & Associate’s Business Advisory Service, re-stresses the severity of all five certificates at the company end being deemed as invalid and cancelled automatically past the deadline. Additionally, she emphasizes that: “it’s still not clear whether or not there will be any remedial measures or ways to amend certification once failing to meet the Five-in-One deadline in time.” To avoid unnecessary [WFOE operational obstacles](#), businesses are highly advised to avoid this situation if possible.

Song elaborates: “Difficulties in the legal Five-in-One is mostly caused by the loss of any one of original or duplicate business licenses, enterprise code certificates, tax registration certificates, or statistic registration certificates, as they all need to be returned to the AIC in exchange for a new business license, together with proof of the enterprise’s uniform social credit code. In the instance of loss of documentation, an ‘original certificate loss announcement’ in city-level newspapers and an explanation letter signed by a legal representative are required as supplementary proof.”

### **Worthwhile changes**

For existing businesses who do not have a Three-in-One or Five-in-One license, the legal and regulatory complexity required to update certification, as well as the consequences of improper implementation, mean seeking a professional agent’s assistance for the process is highly recommended.

The need for amendments may be inconvenient and troublesome in the short term. However, this reform is part of ongoing efforts to ease an overcomplicated corporate entry process. Further changes will provide a far more open and simplified route into China for foreign business.

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