

SHANGHAI ENACTS NEW PROVISION TO ENCOURAGE ESTABLISHMENT OF REGIONAL HEADQUARTERS**BY: JEFFREY BREEN**

The Shanghai Municipal Government recently enacted the *Provisions of Shanghai City on Encouraging the Establishment of Regional Headquarters by Multinational Corporations* (the Regulations). As the name implies, the government's primary goal with the Regulations is to encourage multinational corporations (MNCs) to set up (or relocate) their regional headquarters to Shanghai.

Those companies interested in establishing regional headquarters in Shanghai should note the five major changes brought about by the Regulations:

1. Any MNC that sets up its regional headquarters in Shanghai will receive a "start-up" subsidy of RMB 5 million which will be payable over three years at a rate of 40 percent, 30 percent and 30 percent. *(Note: this subsidy will only be given to regional headquarters that take the form of an investment company).*
2. Any regional headquarter leasing its office space will receive a "rental" subsidy at the rate of RMB 8 per day for up to 1000 square meters for three years. This would lead to a maximum rental subsidy of RMB 2.4 million.
3. Those regional headquarters (established as investment companies) that perform well will receive lump-sum bonuses. Regional headquarters with annual turnover exceeding RMB 1 billion will receive a reward of RMB 10 million. Regional headquarters with annual turnover exceeding RMB 500 million will receive a reward of RMB 5 million. As stated above, the rewards are paid out over three years at a rate of 40 percent, 30 percent and 30 percent.
4. The Regulations significantly improved the procedures for expatriate employees of regional headquarters that need to apply for a visa or work/residence permit. Fewer documents and less time is now required.

5. Finally, Chinese employees from other provinces who work for the regional headquarters will be given priority for permanent residence permits in Shanghai.

As shown above, Shanghai is making a concerted effort to become a major hub for MNC regional headquarters. However, it is important that companies understand these changes before venturing into China. Therefore, companies interested in learning more about the new Regulations are encouraged to seek the assistance of counsel.

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