

**AN OVERVIEW OF FOREIGN
DIRECT INVESTMENT
REQUIREMENTS FOR
RESTAURANTS IN CHINA**

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A. Background

The following overview will show (1) what capital requirements must be met to establish a restaurant in Beijing to be wholly owned by foreigners, and (2) which steps in the formal process must be taken to obtain the necessary licenses, registrations and approvals. The relevant information that differs in case the restaurant should be established in Shanghai can be found in the footnotes.

B. Legal Issues

1. Registered capital

There is no statutory minimum capital amount for a Wholly Foreign-Owned Enterprise (WFOE) to run a restaurant.¹ However, in practice, the authorities (i.e. Commission of Commerce) will refer to a feasibility report and investment scale to determine whether the applied capital is acceptable. As per consultation with the Commission of Commerce in Beijing, if the restaurant is to be set up in downtown districts such as Chaoyang, Dongcheng etc., the minimum capital shall be CNY 500,000². If the restaurant is to be set up in suburban districts where expenditures are much lower, in practice, a minimum capital of CNY 100,000 should suffice. In other words, investors shall first estimate the possible expenditures (e.g. rent, wages) of the restaurant at the chosen location that might occur during the first year, as normally the registered capital shall be no less than such amount.

2. General procedure of setting up a WFOE-restaurant (authorities)

- i. Name pre-registration with responsible Administration of Industry and Commerce

Estimated time: 3 working days

- ii. Apply for approval from responsible Environmental Protection Bureau

Estimated time: 30 working days

- iii. Apply for Public Place Hygiene License with responsible Health Bureau

Estimated time: 20 working days

¹ There used to be a minimum capital standard for WFOE, i.e. USD 140,000, but nowadays this standard could go as low as CNY 30,000 in theory, CNY 100,000 in practice.

² Same in downtown Shanghai according to the Commission of Commerce in Shanghai.

iv. Apply for Certificate of Approval with responsible Commission of Commerce

Estimated time: 10 working days

v. Apply for Catering Service License with responsible Health Bureau³

Estimated time: 20 working days

vi. Apply for Business License with responsible Administration of Industry and Commerce

Estimated time: 10 working days

vii. Apply for Record Registration Form for Alcohol Circulation⁴ with responsible Commission of Commerce

Estimated time: 5 working days

viii. Apply for approval from Fire Department of responsible Public Security Bureau

Estimated time: 15 working days

Total estimated time for authorities' approvals and registrations:
113 working days (approx. 6 months)

Of course, the amount of days necessary for each of the above steps are estimations and they will not be applicable if further communication is needed or problems arise. Some time should also be calculated for finding and instructing attorneys or other advisers.

³ Unlike Beijing, Catering Service License in Shanghai has to be applied for with the Shanghai Food and Drug Administration.

⁴ In Shanghai, where for restaurants intend to retail alcohol commodities, an Alcohol Commodities Retail License shall be applied for with the responsible Commission of Commerce instead of a Record Registration Form for Alcohol Circulation.

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