

# Doing Business 2011

China

**Making  
a Difference for  
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Doing Business 2011  
Business Reforms

*Doing Business 2011 : Making a Difference for Entrepreneurs* is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for China. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011 : Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

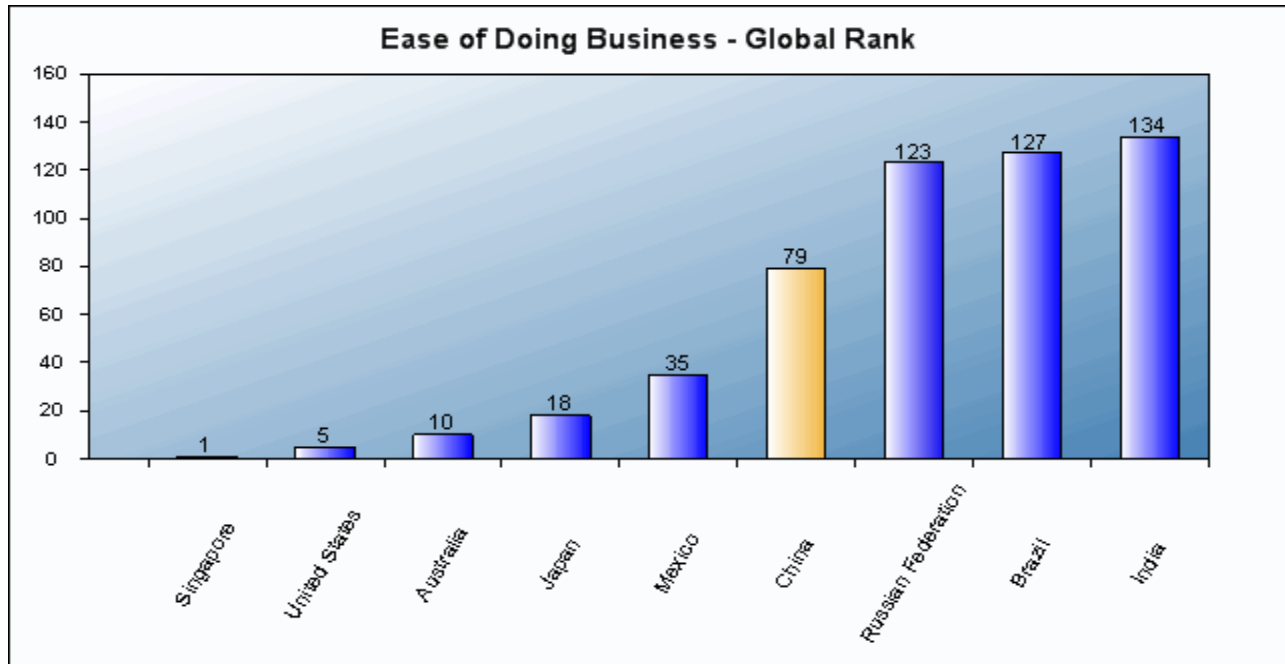
\* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

## Economy Rankings - Ease of Doing Business

China is ranked 79 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

### China - Compared to global good practice economy as well as selected economies:



### China's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	79
Starting a Business	151
Dealing with Construction Permits	181
Registering Property	38
Getting Credit	65
Protecting Investors	93
Paying Taxes	114
Trading Across Borders	50
Enforcing Contracts	15
Closing a Business	68

## Summary of Indicators - China

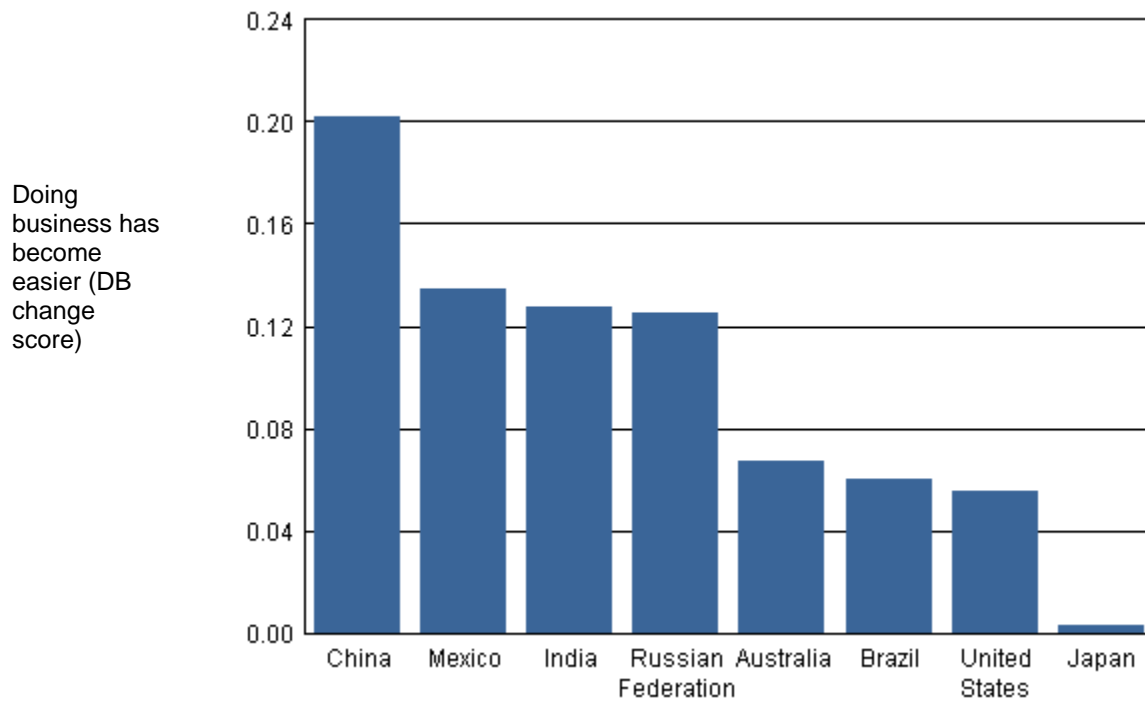
<b>Starting a Business</b>	Procedures (number)	14
	Time (days)	38
	Cost (% of income per capita)	4.5
	Min. capital (% of income per capita)	118.3
<b>Dealing with Construction Permits</b>	Procedures (number)	37
	Time (days)	336
	Cost (% of income per capita)	523.4
<b>Registering Property</b>	Procedures (number)	4
	Time (days)	29
	Cost (% of property value)	3.6
<b>Getting Credit</b>	Strength of legal rights index (0-10)	6
	Depth of credit information index (0-6)	4
	Public registry coverage (% of adults)	63.9
	Private bureau coverage (% of adults)	0.0
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	10
	Extent of director liability index (0-10)	1
	Ease of shareholder suits index (0-10)	4
	Strength of investor protection index (0-10)	5.0
<b>Paying Taxes</b>	Payments (number per year)	7
	Time (hours per year)	398
	Profit tax (%)	6.0
	Labor tax and contributions (%)	49.6
	Other taxes (%)	7.9
	Total tax rate (% profit)	63.5
<b>Trading Across Borders</b>	Documents to export (number)	7
	Time to export (days)	21
	Cost to export (US\$ per container)	500
	Documents to import (number)	5
	Time to import (days)	24
	Cost to import (US\$ per container)	545

<b>Enforcing Contracts</b>	Procedures (number)	34
	Time (days)	406
	Cost (% of claim)	11.1
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	36.4
	Time (years)	1.7
	Cost (% of estate)	22

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators-such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*





Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

#### Some reform outcomes

*In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.*

*In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.*

*In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.*

#### What does Starting a Business measure?

##### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

##### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

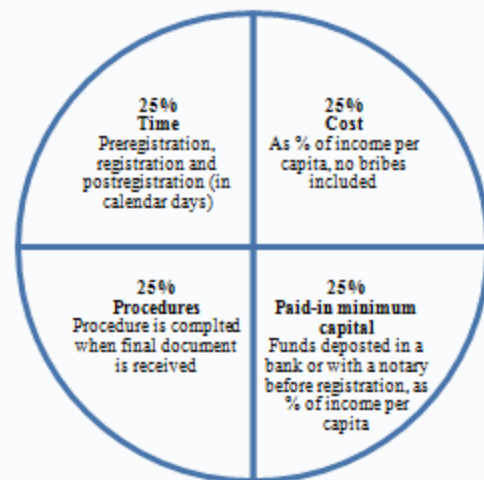
##### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

##### Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

**Starting a Business:** getting a local limited liability company up and running  
Rankings are based on 4 subindicators



#### Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

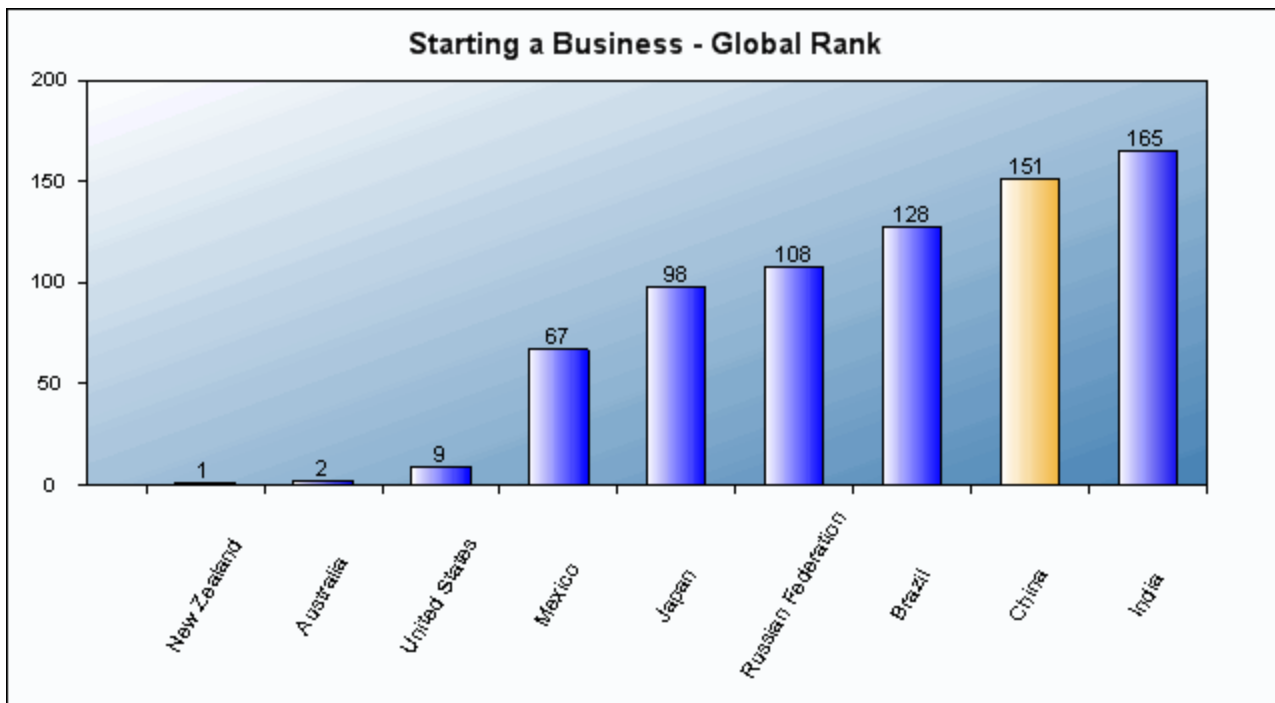
#### The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

# 1. Benchmarking Starting a Business Regulations:

China is ranked 151 overall for Starting a Business.

Ranking of China in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for China compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>	<b>Min. capital (% of income per capita)</b>
<b>Denmark*</b>			0.0	
<b>New Zealand*</b>	1	1		0.0

<i>Selected Economy</i>				
<b>China</b>	<b>14</b>	<b>38</b>	<b>4.5</b>	<b>118.3</b>

<i>Comparator Economies</i>				
<b>Australia</b>	2	2	0.7	0.0
<b>Brazil</b>	15	120	7.3	0.0
<b>India</b>	12	29	56.5	188.8
<b>Japan</b>	8	23	7.5	0.0
<b>Mexico</b>	6	9	12.3	9.2
<b>Russian Federation</b>	9	30	3.6	1.9
<b>United States</b>	6	6	1.4	0.0

\* The following economies are also good practice economies for :

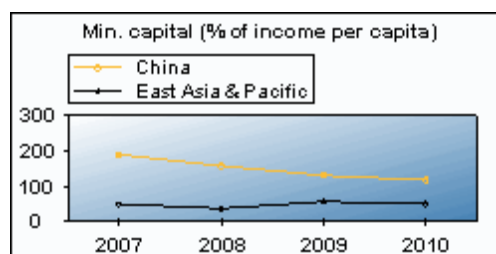
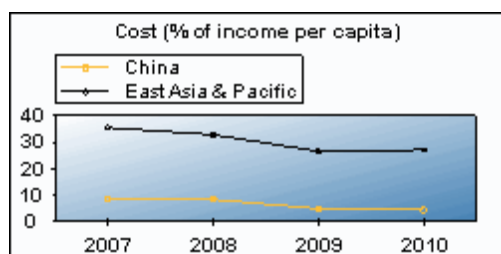
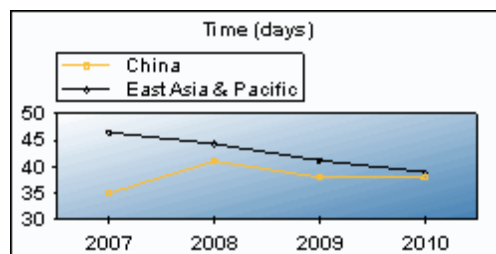
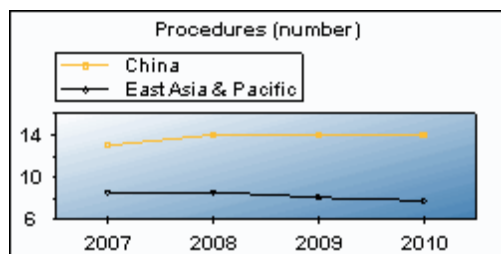
**Procedures (number): Canada**

**Cost (% of income per capita): Slovenia**

## 2. Historical data: Starting a Business in China

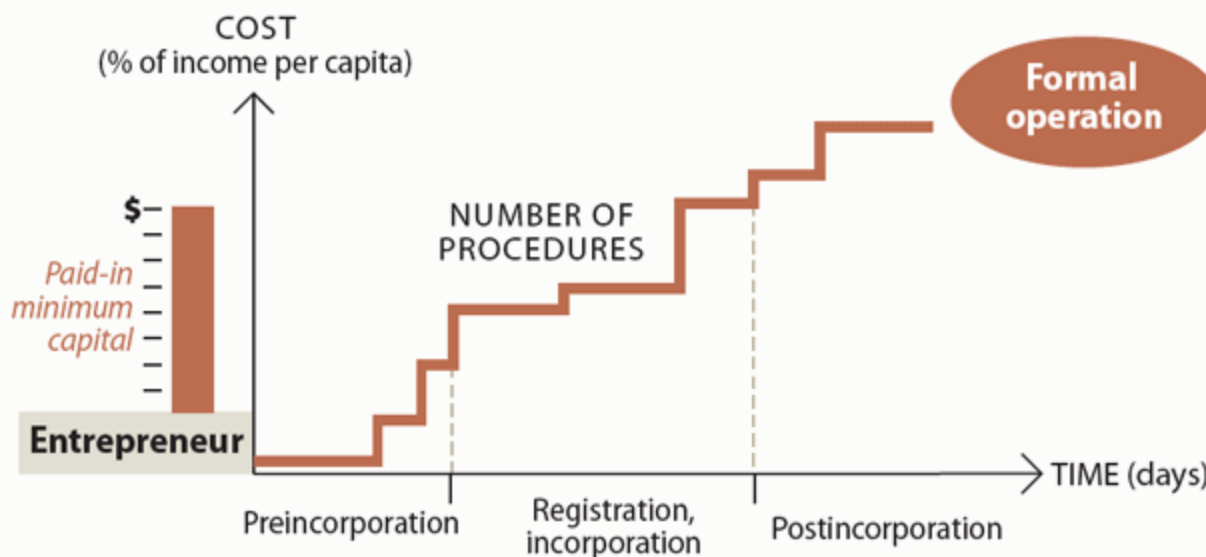
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	149	151
Procedures (number)	13	14	14	14
Time (days)	35	41	38	38
Cost (% of income per capita)	8.4	8.4	4.9	4.5
Min. capital (% of income per capita)	190.2	158.1	130.9	118.3

3. The following graphs illustrate the Starting a Business sub indicators in China over the past 4 years:



## Starting a Business Summary - China

### What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in China.

STANDARDIZED COMPANY  
 Legal Form: Limited Liability Company  
 City: Shanghai

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain a notice of pre-approval of the company name	1	no charge
2	Open a preliminary bank account; deposit fund in the account and obtain the certificate of deposit	1	no charge
3	Obtain capital verification report from an auditing firm	2	CNY 350
4	Obtain registration certification "business license of enterprise legal person" with SAIC or local equivalent	5	CNY 213
5	Obtain the approval to make a company seal from the police department	1	no charge
6	Make a company seal	1	CNY 300
7	Obtain the organization code certificate issued by the Quality and Technology Supervision Bureau	5	CNY 148

8	Register with the local statistics bureau	1	CNY 20
9	Register for both state and local tax with the tax bureau	7	CNY 100
10	Open a formal bank account of the company and transfer the registered capital to the account	1	no charge
11	Apply for the authorization to print or purchase financial invoices/receipts	10	no charge
12	Purchase uniform invoices	1	CNY 6
13	File for recruitment registration with local career service center	1	no charge
14	Register with Social Welfare Insurance Center	1	no charge

## Starting a Business Details - China

### Procedure 1 Obtain a notice of pre-approval of the company name

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** The applicant picks up the application for company name preapproval from the local Administration of Industry and Commerce (AIC), or otherwise, downloads the form from AIC's Web site. The applicant can be the representative designated by all the shareholders or the agent entrusted by all the shareholders. The completed application form shall be signed by all shareholders of the company. The application form together with the business licences or other registration certificates (if the shareholders are companies or other eligible entities) and the photocopy of the identity card of the individual shareholders shall be filed with the AIC. Effective July 1, 2004, enterprise name registration must follow the amended State Administration of Industry and Commerce (SAIC) rules (that is, the new Enterprise Name Registration Administration Implementing Measures, or Qi ye ming cheng deng ji guan li shi shi ban fa). According to the new registration rules, if the applicant goes directly to the AIC, a proposed company name is approved or rejected on the spot. This is newly regulated by Article 24 of the aforementioned measures and is implemented in practice. However if the application is made through mail, fax, email, etc, the proposed company name will be approved or rejected within 15 days.

### Procedure 2 Open a preliminary bank account; deposit fund in the account and obtain the certificate of deposit

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** The Company Law was modified on October 27, 2005, and became effective on January 1, 2006.

- Article 26 lowers the minimum capital requirement to CNY 30,000. According to this article, the shareholders, after paying the required initial capital contribution, may pay off their remaining capital contributions, if any, within 2 years after establishing the company. Note that the required initial capital contribution is at least 20% of the proposed company's registered capital and shall not be lower than the legal requirement for the registered capital for particular industries.
- Article 27 provides the form of the capital contribution. According to this article, if the initial capital contribution is in cash, the shareholders must (a) open a preliminary bank account after obtaining preapproval of the company name; and (b) deposit the initial capital contribution into the bank account. If the initial capital contribution is in nonmonetary assets, the shareholder must transfer the property title of the assets to the company and the value of such assets must be appraised. The initial capital contribution must be verified by legally established verification institutes. The revised Company Law enables shareholders to contribute up to 70% of the registered capital of a limited liability corporation in "nonmonetary assets that can be monetarily valued and legally transferred."

### Procedure 3 Obtain capital verification report from an auditing firm

**Time to complete:** 2

**Cost to complete:** CNY 350

**Comment:** An auditing firm has to prepare a report that verifies the company capital as past of the documents necessary for registration

**Procedure 4 Obtain registration certification "business license of enterprise legal person" with SAIC or local equivalent**

**Time to complete:** 5

**Cost to complete:** CNY 213

**Comment:** To obtain registration certification, the company must file a completed application form along with the following documents:

- Notice of approval of company name.
- Lease or other proof of company office.
- Capital verification certificate or appraisal report.
- Articles of association, executed by each shareholder.
- Representation authorization.
- Identity cards of shareholders and identification documents of officers.
- Appointment documents and identification documents (certifying name and address) of the directors, supervisors, and officers.
- Appointment documents and identification documents of the company's legal representative
- If the initial contribution is in nonmonetary assets, the document certifying transfer of the property title of such assets.
- Other documents as required by the authorities.

Within 15 working days from receipt of all documents, the AIC should decide to approve or not approve the company registration. After the company registers, it can proceed to have its seal carved, to open formal bank accounts, and to apply for taxation registration.

According to the new administrative rules, application forms may be downloaded from the local government authorities' Web sites. Statutory time limits were introduced for acceptance of application documents and for registration decisionmaking, which differs according to the form of application. In practice, the decision will usually be made within 15 days of receipt of the application. Documentation requirements for company registration were standardized. The Registry is now required to publicly display them.

- According to Article 52, if an application is filed (by letter, telegraph, telex, fax, email, or electronic data exchange), the Company Registry must, within 5 days of receiving the relevant application documents and materials, decide whether to accept the application. If the application documents and materials are incomplete or do not meet the statutory requirements, the Registry must inform the applicant, within 5 days, of all contents subject to supplementation and correction.

- According to Article 54, if the organ in charge of company registration must verify the application documents and materials, it shall decide whether to approve the registration within 15 days of acceptance. In other cases, the organ must decide whether to approve the registration on the spot or within 15 days of acceptance.

- According to Article 55, if the organ decides to approve a company registration, it shall issue a "notice on approval for establishment registration" and inform the applicant to collect its business license within 10 days.

**Procedure 5 Obtain the approval to make a company seal from the police department**

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** If all the shareholders are individual investors, the registration file will include the duplicate of the business license (the original and one copy) and the legal representative's identification card. If registration is approved, a notice to make the company seal will be issued to the company.

**Procedure 6 Make a company seal**

**Time to complete:** 1



**Cost to complete:** CNY 300

**Comment:** To make the company seal, the company shall designate a company possessing a Shanghai Special Industry Permit (company seal carving) (《上海市特种行业许可证》(公章刻制业). This process costs CNY 70–300, depending on the design and the quality.

#### **Procedure 7 Obtain the organization code certificate issued by the Quality and Technology Supervision Bureau**

**Time to complete:** 5

**Cost to complete:** CNY 148

**Comment:** The company must apply for the organization code certificate within 30 days of obtaining the business license, by filing a completed application form with the Shanghai Organization Code Management Center (a branch of the Quality and Technology Supervision Bureau) along with the following documents:

- Business license (original and one copy)
- Identity card of the legal representative (one copy).

#### **Procedure 8 Register with the local statistics bureau**

**Time to complete:** 1

**Cost to complete:** CNY 20

**Comment:** Within 30 days of obtaining the business license, the company must apply for statistics registration by submitting to the local statistics bureau a completed statistics registration form along with the following documents:

- Business license (one copy)
- Organization code certificate (one copy).

#### **Procedure 9 Register for both state and local tax with the tax bureau**

**Time to complete:** 7

**Cost to complete:** CNY 100

**Comment:** The tax registration procedures have been simplified since 2004 with the implementation of the Administration Measures of Tax Registration, issued by the State Taxation Bureau. Two separate taxation authorities still exist (the state taxation bureau and local taxation bureau). However, company founders are required to file tax registration only once, to either of these two authorities. The statutory time limit is 30 days from the date of receiving the registration application.

The company must file the tax registration form and the initial tax reporting forms. Together with those forms, the company submits for review the following documents:

- Business license duplicate (original and one copy).
- Organization code certificate (original and one copy).
- Identification card of the legal representative (original and one copy).
- Identification card of the taxation personnel (original and one copy).
- Company seal and financial seal.
- Office lease agreement and receipt(s) for rent paid.
- Articles of association (original and one copy) and bank-issued account-opening certificate (original and one copy).
- capital verification report
- Photocopy of property ownership certificate
- land use right certificate
- commitment letter regarding the authenticity of the documents submitted.

#### **Procedure 10 Open a formal bank account of the company and transfer the registered capital to the account**

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** The procedures and required documents for opening a company bank account and transferring the registered capital to it may vary depending on each bank's practice.

#### **Procedure 11 Apply for the authorization to print or purchase financial invoices/receipts**

**Time to complete:** 10

**Cost to complete:** no charge

**Comment:** After registering for state or local taxes and obtaining the tax registration certificate, the company must apply separately to the relevant authorities (that is, the state and local taxation offices) for approval to purchase and issue financial invoices/receipts. The taxation authority will issue the invoice purchasing book, if it agrees to grant the company such qualification, upon reviewing the following submitted documents:

- Tax registration certificate (one copy).
- Identity card of taxation personnel (one copy).
- Application forms.
- Models of invoice seal.

#### **Procedure 12 Purchase uniform invoices**

**Time to complete:** 1

**Cost to complete:** CNY 6

**Comment:** The company must obtain and submit an application form to purchase uniform invoices (购用统一发票申请单). The form and the authorization book (from Procedure 10) must be submitted to the Tax Office.

The VAT and ordinary invoices are published by the tax authority for antiforgery reasons (with few exceptions). Taxpayers buy VAT and ordinary invoices from the tax authority.

#### **Procedure 13 File for recruitment registration with local career service center**

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** Within 30 days of recruiting employees, a new company must register with the local career service center, sponsored by the local government. Relevant application forms which can be electronically downloaded or obtained from the local career service center shall be filled and submitted.

#### **Procedure 14 Register with Social Welfare Insurance Center**

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** Within 30 days of establishment, the company must register for the payment of employee social insurance with the local social insurance office by submitting a completed social insurance registration form and the following documents:

- Company seal.
- Duplicate of business license (original and one copy).
- Organization code certificate (original and one copy).

After all these documents have been verified, the authorities will issue a notice to open a social insurance account for the company. The company must then apply to open a special account at the

designated bank. The local social insurance office will issue the social insurance registration card to the company on receiving bank notification of account opening.

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

### Some reform outcomes

*In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.*

*Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.*

### What does the Dealing with Construction Permits indicator measure?

#### Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

### Case Study Assumptions

#### The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

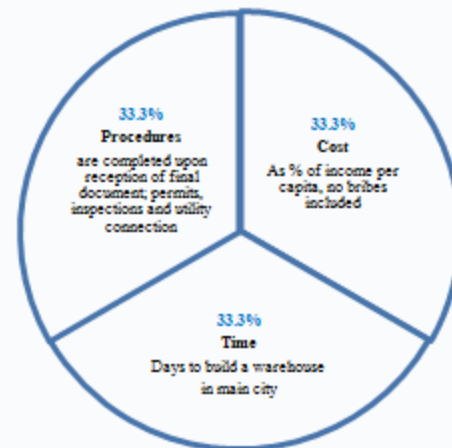
#### The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

### Dealing with Construction Permits:

#### Building a warehouse

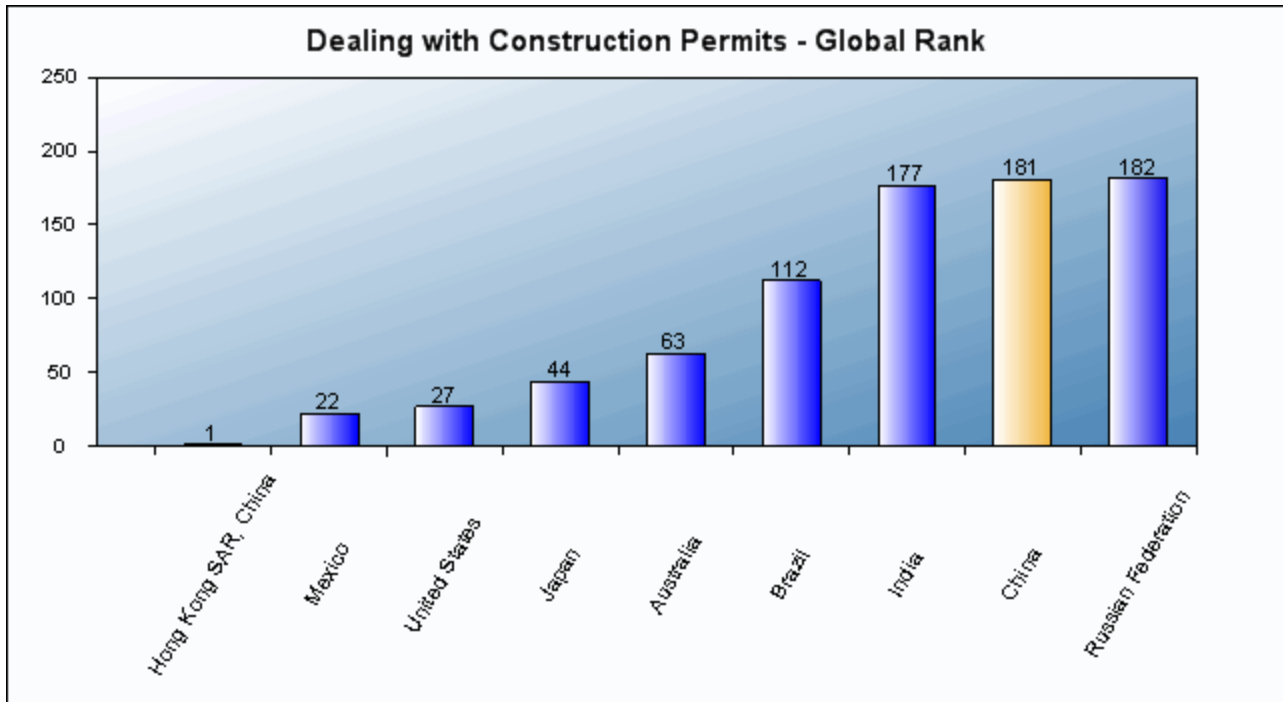
Rankings are based on 3 subindicators



# 1. Benchmarking Dealing with Construction Permits Regulations:

China is ranked 181 overall for Dealing with Construction Permits.

Ranking of China in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for China compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Qatar</b>			0.8
<b>Singapore</b>		25	

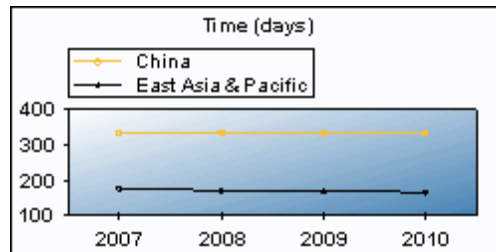
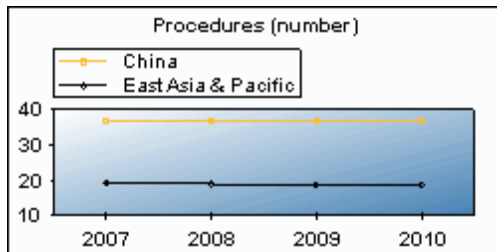
<i>Selected Economy</i>			
<b>China</b>	<b>37</b>	<b>336</b>	<b>523.4</b>

<i>Comparator Economies</i>			
<b>Australia</b>	16	221	11.7
<b>Brazil</b>	18	411	46.6
<b>India</b>	37	195	2143.7
<b>Japan</b>	15	187	20.8
<b>Mexico</b>	11	105	117.0
<b>Russian Federation</b>	53	540	4141.0
<b>United States</b>	19	40	12.8

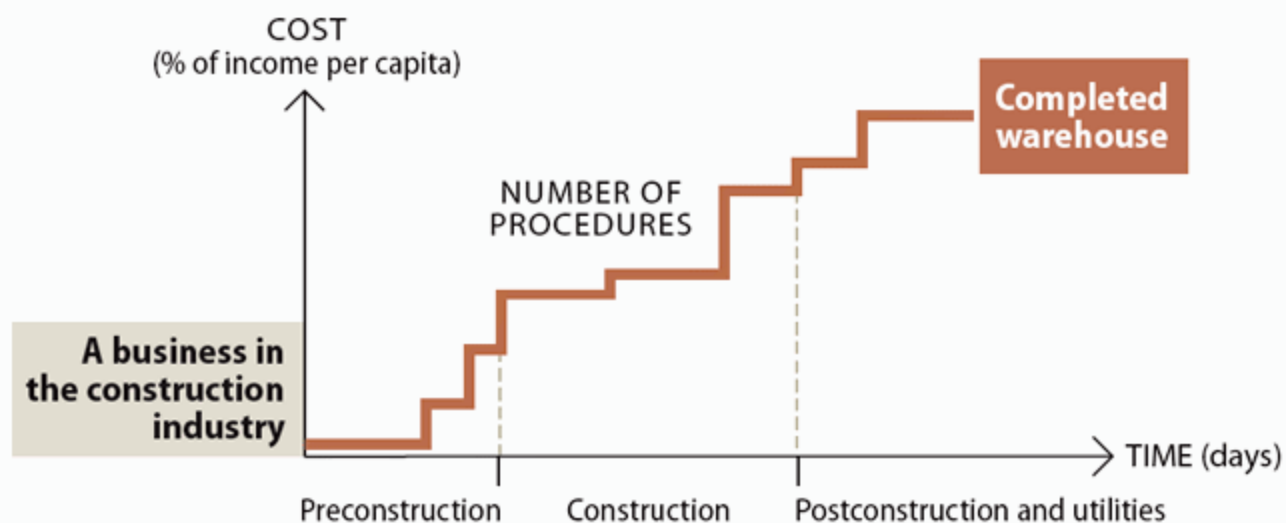
## 2. Historical data: Dealing with Construction Permits in China

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	180	181
Procedures (number)	37	37	37	37
Time (days)	336	336	336	336
Cost (% of income per capita)	840.2	698.4	579.2	523.4

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in China over the past 4 years:



## What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in China.

BUILDING A WAREHOUSE  
City: Shanghai

### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain approval of the project proposal from the Municipal Development and Reform Commission	21 days	no charge
2 *	Request and obtain the approval of request of construction project planning and design from the Municipal Commission of Urban Planning	28 days	no charge
3	Request and obtain the approval on planning and design project for construction (建设工程规划设计方案批复) and the notification on the review of the design plan (审定设计方案通知书) from the Municipal Commission of Urban Planning (市规划委员会)	28 days	no charge
4	Request and obtain the planning permit of using land for construction purposes	60 days	no charge
5	Request and obtain the land use permit for construction from the State Land, Resources, and Housing Agency	10 days	no charge
6	Request and obtain an environmental evaluation	30 days	no charge
7 *	Request and obtain construction project planning permit	35 days	CNY 1,319



8	Request and obtain certificate of safety operation on construction project at the Safety and Quality Supervision Office of the Municipal Construction Commission	1 day	CNY 20
9	Request and obtain evidence of capital from bank	1 day	no charge
10*	Register construction drawings at the People's Defense Office	1 day	CNY 78,036
11*	Review of construction drawings by Shanghai City Appearance and Environmental Sanitation Administration Bureau	10 days	no charge
12*	Review of construction drawings by Fire Protection Bureau	20 days	no charge
13*	Review of construction drawings by Shanghai Police and Traffic Police General Team	25 days	no charge
14*	Receive review of building drawings by a building drawing examiner authorized by the Planning Committee and obtain a letter of notice	20 days	no charge
15*	Hire an authorized supervision agency	2 days	CNY 48,021
16*	Register for direct contracting of construction with the Municipal Tendering Office	1 day	no charge
17*	Have the building contractor and supervisor seal the application form	1 day	no charge
18*	Pay the fees for funds of concrete (散装水泥基金) and energy-saving wall materials (节能墙体材料) with the Office of Building Materials of the Municipal Construction Commission	8 days	no charge
19*	Enter the project into the Municipal Statistics Bureau's record	1 day	CNY 20
20	Request and obtain building permit	21 days	CNY 4,552
21*	Receive on-site inspection by the Construction Commission	1 day	no charge
22	Receive "four-party" Inspection	1 day	no charge
23	Request and receive inspection of the completed construction from the planning department	10 days	no charge
24*	Request and receive fire department inspection upon building completion	15 days	no charge
25	Request opinion on whether construction project is lightning-proof	14 days	no charge

26	Request and obtain certificate of the completed construction from the fire department	15 days	no charge
27*	Request and receive inspection of the completed construction from the environmental protection department	30 days	no charge
28*	Request and receive inspection on construction completion (竣工备案) and inspection from the Municipal Construction Committee	7 days	no charge
29	Request and obtain certificate of completion and certificate of final inspection from the Municipal Construction Commission	21 days	no charge
30*	Request electricity connection	1 day	no charge
31*	Receive electricity inspection	1 day	no charge
32*	Connect to electricity	57 days	no charge
33*	Request water and sewage connection	1 day	no charge
34*	Receive water and sewage inspection	1 day	no charge
35*	Receive connection to water and sewage services	49 days	no charge
36*	Request and receive connection to telephone	14 days	CNY 200
37*	Register building with Real Estate Registry	30 days	CNY 550

\* Takes place simultaneously with another procedure.

## Dealing with Construction Permits Details - China

### Procedure 1 Request and obtain approval of the project proposal from the Municipal Development and Reform Commission

**Time to complete:** 21 days

**Cost to complete:** no charge

**Agency:** Municipal Development and Reform Commission

**Comment:** To request approval of the project proposal, BuildCo must submit the following documents to the Municipal Development and Reform Commission:

- Letter of application.
- Project proposal, with feasibility study report compiled according to government specifications.
- Land use right.
- Construction location map.
- Business certificate.

The commission will consult with the municipal authorities overseeing land use, planning, and other governmental functions: education, transportation, fire safety, health and sanitation, relics preservation, landscape planning, people's defense, energy efficiency, seismic monitoring, and water irrigation and management. The commission deals with all departments internally.

The feasibility study report, issued by this agency, is required for project investments worth over CNY 10 million. Thus, the report does not apply in the case considered here.

There is no unified time limit for examining and approving the project conducted by the Municipal Development and Reform Commission. For this procedure, the time frame is determined by the particulars of each project. The time frame may vary between 2 to 4 weeks.

### Procedure 2 Request and obtain the approval of request of construction project planning and design from the Municipal Commission of Urban Planning

**Time to complete:** 28 days

**Cost to complete:** no charge

**Agency:** Municipal Commission of Urban Planning

**Comment:** The Municipal Commission of Urban Planning evaluates the project impact on city planning. Inspection and mapping may be conducted before the commission issues an opinion letter on location selection and enquiry forms for the authorities that the commission deems necessary to be consulted.

To request approval for construction on self-owned land, BuildCo must submit the following documents:

- Attestation on land use rights, which may be one of these three documents (a) land use certificate of state-owned land (国有土地使用证); (b) planning permit for using land for construction purposes (建设用地规划许可); and (c) certificate of collectively owned land use rights (集体土地使用证).
- A completed application form (planning permission of construction project) stamped with BuildCo's seal.
- Introduction of the planned project, including zone area, construction purpose, project feature, and so forth.
- Planning drawings (including major technical indicators).

- Basic cadastral map with designed construction location marked out.
- Topographic map (地形图).
- Title certificate of the land and its attached drawing.

Ensuring that planned construction complies with city requirements planning, the commission examines the documents and proposes design requests.

As a result of this procedure, the relevant municipal construction commission will give the applicant an identification number that allows the applicant to track the progress made on the application (an IC card) when the applicant submit reports on the approved construction project; this occurs after Procedure 2. If the applicant submits the required documents, the IC card will be issued immediately, free of charge. The commission requires the IC card.

**Procedure 3 Request and obtain the approval on planning and design project for construction (建设工程规划设计方案批复) and the notification on the review of the design plan (审定设计方案通知书) from the Municipal Commission of Urban Planning (市规划委员会)**

**Time to complete:** 28 days

**Cost to complete:** no charge

**Agency:** Municipal Commission of Urban Planning

**Comment:** After obtaining the approval of planning request, BuildCo should apply with the Planning Bureau for the approval of the construction planning and design project (建设工程规划设计方案批复). The following documents are required for apply this approval:

- Application form, Planning and design project for construction.
- Topographical map (地形图).
- Ichnographic map (平面图).
- Scheme drawing (方案图) and instruction of design.
- Form, Area of layers (分层面积表).
- Approval of the feasibility study report or other relevant approval.
- Approval of request of construction project planning and design (建设工程规划设计要求通知单).
- Other relevant documents and drawings required in the notice of request for construction project planning and design.

The time line is 28 days. There is no charge for this approval.

**Procedure 4 Request and obtain the planning permit of using land for construction purposes**

**Time to complete:** 60 days

**Cost to complete:** no charge

**Agency:** Shanghai District Urban Planning Administration Bureau

**Comment:** To request a land-use planning permit, the documents to be filed include

- Application for project planning permit (form sealed by BuildCo).
- Planning opinion and attached map.
- Project proposal, including feasibility report and other documents approved by the municipal planning authority.
- Notice of opinion on construction location and affixed maps or, otherwise, the agreement of the transfer of right for state-owned land and affixed maps.
- Cadastral map.
- Approval of construction design and maps, if the plan has been approved.

The authority should notify the applicant whether revisions are needed within 5 days. The

time for this procedure is 40 working days. This procedure occurs after the “notification of the review of design plans” is issued by the municipality.

**Procedure 5 Request and obtain the land use permit for construction from the State Land, Resources, and Housing Agency**

**Time to complete:** 10 days

**Cost to complete:** no charge

**Agency:** State Land, Resources, and Housing Agency

**Comment:** The Shanghai Housing, Land, and Resource Administration Bureau reviews requests for the land-use construction permit (建设用地批准书), including the following documentation:

- Land use planning permit for construction purposes (建设用地规划许可证).
- Pole setting notice (用地钉桩成果通知单)
- Plan of building progress.
- Application for land-use permit.

**Procedure 6 Request and obtain an environmental evaluation**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Comment:** In the case considered here, BuildCo must submit an environmental impact assessment (环境影响报告表). Effective January 1, 2006, the approval of environmental evaluation form can be obtained at no cost in 30 days.

**Procedure 7 Request and obtain construction project planning permit**

**Time to complete:** 35 days

**Cost to complete:** CNY 1,319

**Agency:** Municipal Planning Authority

**Comment:** Documents needed for construction on the self-owned land include the following:

- Construction plan documents, approved by the Municipal Development and Reform Commission (not required for new buildings less than 300 sq. m. and renovation projects less than 3,000 sq. m.).
- Application form (planning permission for a construction project), stamped with BuildCo seal.
- Notice on the review of the design plan, and the attached drawings.
- Building design drawings.
- Agreements and documents required by the Notice on the review of the design plan.
- Topographic map (地形图).
- Ichnographic map (平面图).
- Construction map (建筑施工图).
- Groundwork construction ichnographic map (基础施工平面图), groundwork detail drawing (基础详图及), and piling plan drawing (桩位平面布置图).
- Ichnographic sketch map used for public purposes.
- Approval documents on primary proposal of the construction project.
- Title certificate of the land and its attached drawing.
- Construction budget plan.

The authority issues the permit of project planning or a notice of revision on building drawings. Cost is calculated at 0.1%–0.3% of estimated construction value, and the percentage is smaller if the building cost is larger.

**Procedure 8 Request and obtain certificate of safety operation on construction project at the Safety and Quality Supervision Office of the Municipal Construction Commission**

**Time to complete:** 1 day

**Cost to complete:** CNY 20

**Agency:** Municipal Construction Commission (Safety and Quality Supervision Office)

**Comment:** All project construction companies must obtain the certificate of safety operation. To obtain it, BuildCo must file the annual building plan and the construction planning permit with the Safety and Quality Supervision Office of the Municipal Construction Commission. This requirement is set by the Notice on Strengthening the Approval of Certificate of Safety Operation on Construction Project, issued by the Department of Construction, effective June 24, 2005.

The time line to complete this procedure is 45 days after filing. The cost is CNY 20. According to the Implementation Regulations for Construction Project Building Permits of Safety Operation of Shanghai (No. 161, dated March 2006), (《上海市建筑施工企业安全生产许可证管理实施细则》), companies can apply through the Commission's Web site. The request is processed in 10 working days.

**Procedure 9 Request and obtain evidence of capital from bank**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Commercial Bank

**Comment:**

**Procedure 10 Register construction drawings at the People's Defense Office**

**Time to complete:** 1 day

**Cost to complete:** CNY 78,036

**Agency:** People's Defense Office

**Comment:** In the case considered by the report, the construction drawings will not be subject to review by the People's Defense Office because the warehouse is not related to their facilities. However, the office will impose a registration fee of CNY 60 per sq. m. This documentation must be submitted to the People's Defense Office for registration and filing.

**Procedure 11 Review of construction drawings by Shanghai City Appearance and Environmental Sanitation Administration Bureau**

**Time to complete:** 10 days

**Cost to complete:** no charge

**Agency:** Shanghai City Appearance & Environmental Sanitation Administration Bureau

**Comment:**

**Procedure 12 Review of construction drawings by Fire Protection Bureau**

**Time to complete:** 20 days

**Cost to complete:** no charge

**Agency:** Fire Protection Bureau

**Comment:**

**Procedure 13 Review of construction drawings by Shanghai Police and Traffic Police General Team**

**Time to complete:** 25 days

**Cost to complete:** no charge

**Agency:** Shanghai Police and Traffic Police General Team

**Comment:**

**Procedure 14 Receive review of building drawings by a building drawing examiner authorized by the Planning Committee and obtain a letter of notice**

**Time to complete:** 20 days

**Cost to complete:** no charge

**Agency:** Planning Committee

**Comment:** The building drawing review and fee collection occur simultaneously with the issuance of the construction project planning permit.

**Procedure 15 Hire an authorized supervision agency**

**Time to complete:** 2 days

**Cost to complete:** CNY 48,021

**Agency:** Authorized Supervision Agency

**Comment:** There is no uniform price for hiring a supervisor, but the government will normally impose a cap rate or price range. The cost should be calculated as follows:  
1. Designing step: if the budgetary estimate of the project design is less than CNY 5,000,000, the cost is calculated as 0.44 % (1,319,017.93 x 0.44%= CNY 5,803.6) of the budgetary estimate of the project design.  
2. Building and repairing step: if the budgetary estimate of the project building and repairing is less than CNY 5,000,000, the cost is calculated as 3.3% (1,319,017.93 x 3.3% = CNY 43,527.59CNY) of the budgetary estimate. The new value is CNY 43,527.59 + CNY 5,803.6 = CNY 49 331.19.

These calculations are according to the Notice on the Standard of Industry-directed Price

for the Construction Supervision Agency Fees of Shanghai' (Hu Jiang Jiang Xiezi [2001], No.20, effective January 1, 2002).

**Procedure 16 Register for direct contracting of construction with the Municipal Tendering Office**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Municipal Tendering Office  
**Comment:**

**Procedure 17 Have the building contractor and supervisor seal the application form**

**Time to complete:** 1 day  
**Cost to complete:** no charge  
**Agency:** Building Contractor and Supervisor  
**Comment:**

**Procedure 18 Pay the fees for funds of concrete (散装水泥基金) and energy-saving wall materials (节能墙体材料) with the Office of Building Materials of the Municipal Construction Commission**

**Time to complete:** 8 days  
**Cost to complete:** no charge  
**Agency:** Municipal Construction Commission (Office of Building Materials)  
**Comment:** The fee for the concrete fund is CYN 4 per ton. The fee for the new energy-saving wall material fund depends on the type of construction:  
- Civil: CYN 8 per sq. m.  
- Industrial: CYN 10 per sq. m.  
  
There is no charge for filing an application. BuildCo does not need to pay the fund for the new energy-saving wall material. After BuildCo completes construction, the Office of Building Materials charges for the clay brick funds, according to the size and number of clay bricks used in construction:  
- 24 centimeter clay brick: CNY 0.085 per brick.  
- 20 centimeter clay brick: CNY 0.060 per brick.  
  
Fee schedule for concrete fund:  
- 500 tons or under: CNY 3 per ton.  
- More than 500 tons: CYN 2 per ton.  
  
The time line is 1 day for concrete and 7 days for energy-saving wall materials.

**Procedure 19 Enter the project into the Municipal Statistics Bureau's record**

**Time to complete:** 1 day  
**Cost to complete:** CNY 20



**Agency:** Municipal Statistics Bureau

**Comment:** To enter the project into the Municipal Statistics Bureau's record, BuildCo should submit a copy of the business license and the organization code certificate. The fee is CNY 20.

## Procedure 20 Request and obtain building permit

**Time to complete:** 21 days

**Cost to complete:** CNY 4,552

**Agency:** Municipality

**Comment:** To request a building permit, BuildCo must file the following documents:

- Land-use permit for construction purpose (建设用地许可证).
- Planning permit for the construction project (建设工程规划许可证).
- Building contract.
- Building drawings and examination documents (施工图设计文件审查通知书和施工图纸).
- Building organization plan (施工组织设计), with the opinion from the general supervisor or the lead project technician.
- Notification of quality monitoring and safety monitoring (质量监督通知书、安全监督通知书).
- Contract of supervision (监理合同).
- Evidence of capital.
- Building permit applications (建筑工程施工许可申请表) (two copies).
- Building plan for the year (年度施工计划).
- Filing notice with the People's Defense Office.
- Evidence of payment of fees (四源费统一收费证明).
- Evidence of payment of concrete fund and energy-saving fund (建筑节能与发展新型墙体材料转项用费、散装水泥转项基金).
- Registration notice from the Municipal Statistics Bureau (统计局注册登记通知书).
- IC card for construction project.
- Construction contract and anticorruption agreement (form agreement between the owner and the contractor for certain anticorruption commitments) (copy).

The office registers on BuildCo's behalf for quality and safety monitoring and issues a notice.

## Procedure 21 Receive on-site inspection by the Construction Commission

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Construction Commission

**Comment:** No time limits apply for inspections. The approximate waiting time is 5 days.

## Procedure 22 Receive "four-party" Inspection

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** This procedure is called a four-party inspection (四方验收). The four parties include the site inspector, the designer, the builder, and the supervisor.

**Procedure 23 Request and receive inspection of the completed construction from the planning department**

**Time to complete:** 10 days

**Cost to complete:** no charge

**Agency:** Planning Department

**Comment:** To request a final inspection, BuildCo must file the following documents:  
- Application form for building construction permit.  
- Planning permit for the construction project (建设工程规划许可证).  
- Bank attestation on capital (资金入账凭证).  
- Evidence of water connection, power connection, road access, and ground unknited (三通一平).  
- Construction contract with contractor and probity agreement (廉洁协议).  
- Supervising contract.  
- Certificate of quality and safety operation.  
- Bid winning award notice for exploration, design, and construction.  
- Approval of construction drawings and examination of design documents.

**Procedure 24 Request and receive fire department inspection upon building completion**

**Time to complete:** 15 days

**Cost to complete:** no charge

**Agency:** Fire Department

**Comment:**

**Procedure 25 Request opinion on whether construction project is lightning-proof**

**Time to complete:** 14 days

**Cost to complete:** no charge

**Agency:** Fire Department

**Comment:** To obtain an opinion, BuildCo must file the following with the fire department:  
- Application for fire department inspection of the completed construction.  
- Inspection report of fire control establishment, if any.

**Procedure 26 Request and obtain certificate of the completed construction from the fire department**

**Time to complete:** 15 days

**Cost to complete:** no charge

**Agency:** Fire Department

**Comment:** The time limit is 17 working days from the receipt of application (according to Web site information for the Public Security and Fire Prevention Authority). In practice, the application process takes longer.

**Procedure 27 Request and receive inspection of the completed construction from the environmental protection department**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Agency:** Environmental Protection Department

**Comment:** To receive a final environmental inspection, BuildCo must submit these required documents:  
 - Supervisory report from the completed construction inspection.  
 - Application for completed construction inspection.  
 - Approval of trial production.  
 - Approval of evaluation on environmental impact.

The time limit is 30 days from the receipt of application, according to the Environment Protection Bureau Web site.

**Procedure 28 Request and receive inspection on construction completion (竣工备案) and inspection from the Municipal Construction Committee**

**Time to complete:** 7 days

**Cost to complete:** no charge

**Agency:** Municipal Construction Committee

**Comment:** Within 15 days after the building passes inspection, BuildCo must file the following documents with the Municipal Construction Commission:  
 - Filing form for inspection of completed construction.  
 - Inspection report of the completed construction (including all project information and acknowledgments of design, building, and supervisory parties).  
 - Occupation permits, issued by the planning, police and fire, and environmental departments.  
 - Acknowledgment of the city construction dossier department.  
 - Permit, issued by the People's Defense Office.  
 - Quality warranty, issued by the builder.  
 - Completion inspection report, IC card of construction project, and use permit (issued respectively by the Urban Planning Authority, Public Security Authority, Fire Prevention Authority, Environmental Protection Bureau, Antithunder Center), concrete fund settlement application, and documents on quality auditing fare settlement.

This procedure must be completed on the day of application, provided that the documents required for submission are complete. There is no charge for this procedure.

**Procedure 29 Request and obtain certificate of completion and certificate of final inspection from the Municipal Construction Commission**

**Time to complete:** 21 days

**Cost to complete:** no charge

**Agency:** Municipal Construction Committee

**Comment:** Within 15 days after the building passes the inspection, BuildCo must file the following documents with the Municipal Construction Commission:  
 - Filing form of inspected completed construction.  
 - Inspection report of the completed construction (including all project information and acknowledgment of the design, building, and supervisory parties).  
 - Occupation permits, issued by the planning, police and fire, and environmental departments.

- Acknowledgment of the city construction dossier department.
- Permit, issued by the People's Defense Office.
- Quality warranty, issued by the builder.
- Opinion on inspection and acceptance of lightning-proof construction project (建设项目防雷工程验收意见书).
- Application form for fund of concrete (散装水泥专项基金结算申请表).
- Relevant documents of paid fees of quality supervising (有关质监费结算的资料).
- IC card of construction project.
- Completion inspection report, IC card of construction project, use permit (issued respectively by Urban Planning Authority, Public Security Authority, Fire Prevention Authority, Environmental Protection Bureau, Antithunder Center), concrete fund settlement application, and documents on quality auditing fare settlement.

This procedure must be completed on the day of application, provided that the documents required for submission are complete. There is no charge for this procedure. The statutory time limit for this procedure is 15 working days.

### Procedure 30 Request electricity connection

<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	no charge
<b>Agency:</b>	Shanghai Power Corp.
<b>Comment:</b>	Shanghai Power Corp. will levy BuildCo's power supply construction charges, which include a financial charge, temporary facility charge, construction supervision charge, and basic preparation charge. The power supply construction charge will be determined mainly by the conditions of the premises and the surrounding areas of the warehouse. Thus the information assumed for this case study is insufficient to determine the specific charge. The power company indicates that the connection facilities must be finished within 3 months; an itemized bill will be provided afterward.

### Procedure 31 Receive electricity inspection

<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	no charge
<b>Agency:</b>	Shanghai Power Corp.
<b>Comment:</b>	The on-site pre-inspection is needed to determine power connection feasibility in this specific site. If feasible, they BuildCo must develop a cost budget for power connection, depending on the construction material price and quantity.

### Procedure 32 Connect to electricity

<b>Time to complete:</b>	57 days
<b>Cost to complete:</b>	no charge
<b>Agency:</b>	Shanghai Power Corp.
<b>Comment:</b>	

### Procedure 33 Request water and sewage connection

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Municipal Water Bureau

**Comment:** The water and sewage connection fee depends on the actual project size (including the price of labor and materials). A budget is a must.

The application procedure lasts at least 1–2 months and usually takes 3–4 months.

#### **Procedure 34 Receive water and sewage inspection**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Municipal Water Bureau

**Comment:** Upon receiving the water supply application, the water service crew conducts on-site surveys within 7 days. The completion of water supply is determined by construction conditions. As for sewage licensing, the Municipal Water Bureau needs 20 days after BuildCo submits the project approval and other documents on the sewage facility design to conduct a preliminary inspection. After completing the inspection and trial operation, the bureau requires 20 days to examine the results of the facility and grant approval.

#### **Procedure 35 Receive connection to water and sewage services**

**Time to complete:** 49 days

**Cost to complete:** no charge

**Agency:** Municipal Water Bureau

**Comment:**

#### **Procedure 36 Request and receive connection to telephone**

**Time to complete:** 14 days

**Cost to complete:** CNY 200

**Agency:** Shanghai Telecom Co., Ltd.

**Comment:** The charge may vary between CNY 140 and CNY 310.

#### **Procedure 37 Register building with Real Estate Registry**

**Time to complete:** 30 days

**Cost to complete:** CNY 550

**Agency:** Real Estate Registry

**Comment:**

The warehouse considered here should fall into the category of nonresidential real property, in which case the registry procedure will take 20 days from receipt of the application. The cost is calculated according to the actual property value. In this case, considering the assumption that the value exceeds 1 million, the registry fee rate should be 0.03%, or about CNY 384. Before selling the building, the property must be registered and the certificate obtained.

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

### Some reform outcomes

*Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.*

*Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.*

### What does the Registering Property indicator measure?

**Registering Property:** transfer of property between 2 local companies

Rankings are based on 3 subindicators

### Procedures to legally transfer title on immovable property (number)

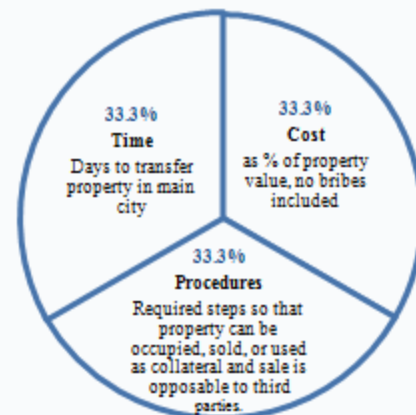
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

### Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



### Case Study Assumptions

#### The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

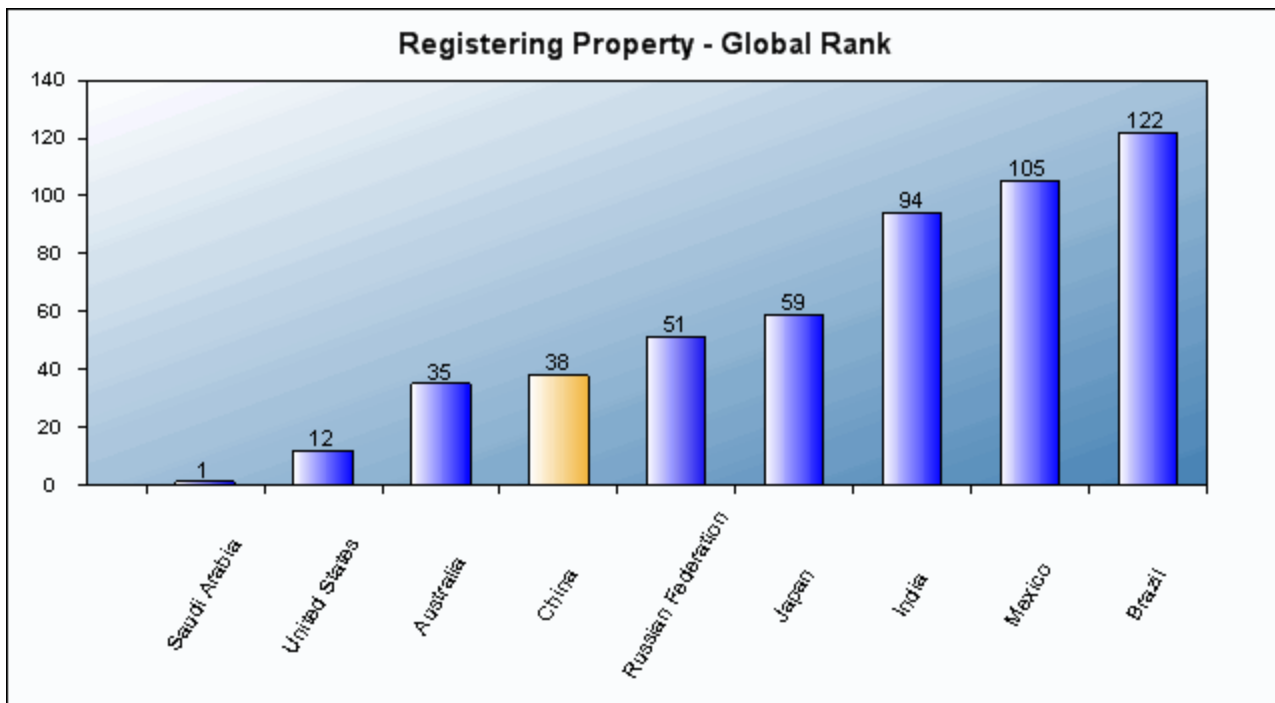
#### The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

# 1. Benchmarking Registering Property Regulations:

China is ranked 38 overall for Registering Property.

Ranking of China in Registering Property - Compared to good practice and selected economies:





The following table shows Registering Property data for China compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia</b>			0.0

<i>Selected Economy</i>			
<b>China</b>	<b>4</b>	<b>29</b>	<b>3.6</b>

<i>Comparator Economies</i>			
<b>Australia</b>	5	5	5.0
<b>Brazil</b>	14	42	2.7
<b>India</b>	5	44	7.4
<b>Japan</b>	6	14	5.5
<b>Mexico</b>	5	74	5.2
<b>Russian Federation</b>	6	43	0.1
<b>United States</b>	4	12	0.5

\* The following economies are also good practice economies for :

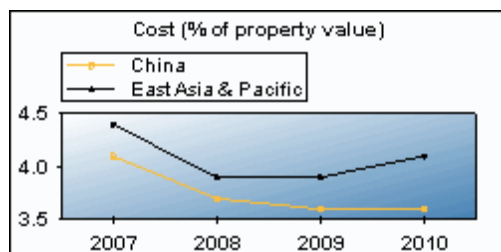
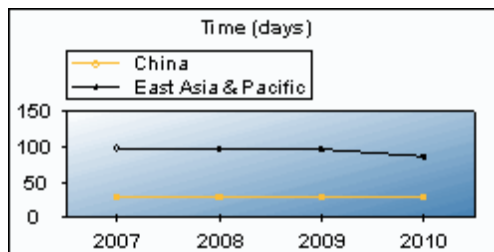
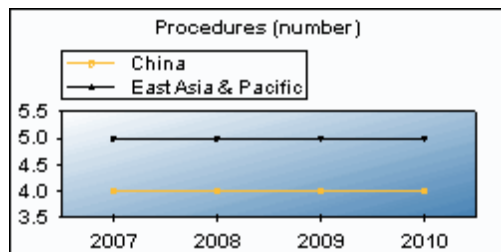
**Procedures (number): United Arab Emirates**

**Time (days): Saudi Arabia, Thailand, United Arab Emirates**

## 2. Historical data: Registering Property in China

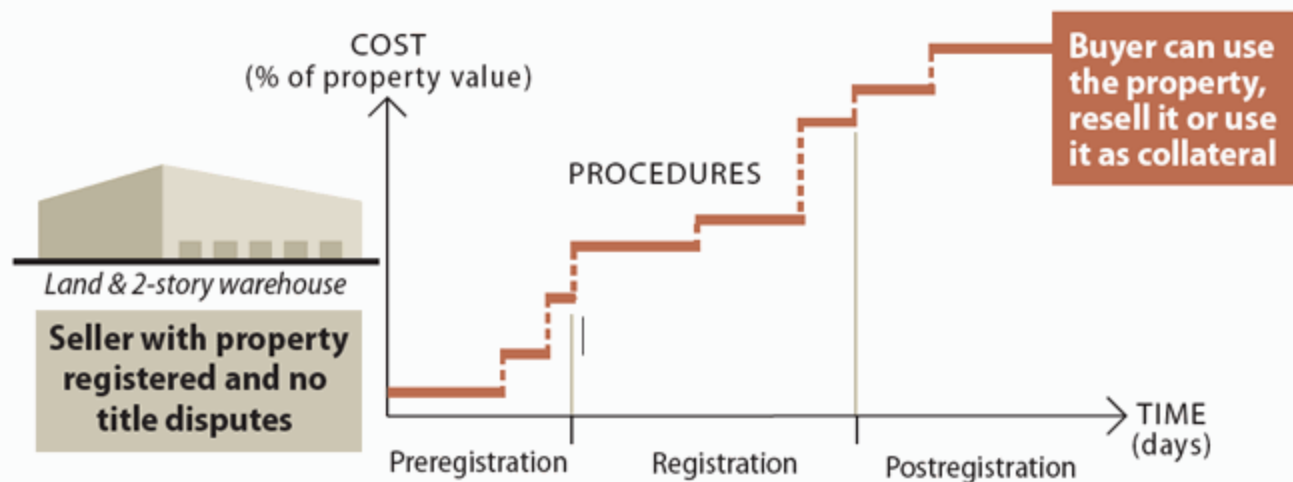
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	34	38
Procedures (number)	4	4	4	4
Time (days)	29	29	29	29
Cost (% of property value)	4.1	3.7	3.6	3.6

## 3. The following graphs illustrate the Registering Property sub indicators in China over the past 4 years:



## Registering Property in China

**What are the time, cost and number of procedures required to transfer a property between 2 local companies?**



This topic examines the steps, time, and cost involved in registering property in China.

### STANDARDIZED PROPERTY

Property Value: 1,267,774.17

City: Shanghai

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Parties obtain application and notifications sheet, and pay fees	1 day	Deed tax: 3% of property value to be paid by the buyer Stamp duty: 0.05% of property value paid each by buyer and seller (total 0.1%)
2	Parties file the application at the House and Land Resources Administration Centre	up to 20 business days	no cost
3	Parties pay registration fee	1 day	CNY 550 + 0.5% transaction handling fee
4	Parties pick up new title certificate	1 day	no cost

## Registering Property Details - China

### Procedure 1 Parties obtain application and notifications sheet, and pay fees

<b>Time to complete:</b>	1 day
<b>Cost to complete:</b>	Deed tax: 3% of property value to be paid by the buyer Stamp duty: 0.05% of property value paid each by buyer and seller (total 0.1%)
<b>Agency:</b>	House and Land Resources Administration Center
<b>Comment:</b>	The parties visit the House and Land Resources Administration Centre to pick up an application and a notification sheet that gives instructions on how to proceed. The parties fill the application on the spot, impose their company seals on it, and present it to pay the applicable taxes at the Finance Window. Some property registry offices in Shanghai do not collect stamp duty from companies. In such a case, both the seller and the buyer will have to pay stamp duty to the tax authorities with jurisdiction over them.

### Procedure 2 Parties file the application at the House and Land Resources Administration Centre

<b>Time to complete:</b>	up to 20 business days
<b>Cost to complete:</b>	no cost
<b>Agency:</b>	House and Land Resources Administration Center
<b>Comment:</b>	<p>Private ownership of land is not permitted in China; all land is subject to either State ownership or collective ownership. However, a private party is entitled to obtain the right to use the land. Regarding the State-owned land, there are two types of land use rights, the “granted land use right” and the “allocated land use right”. The difference is that the granted land use right is limited in time against payment, whereas the allocated land use right is usually given for free with no time limit, but for specific purposes only. A private party also may transfer to another private party the granted land use right. The allocated land use right cannot be commercially transferable before being converted into granted land use right.</p> <p>In this case, the land is used for commercial purposes. Usually land for commercial use is owned by the State, and the relevant land use right is the State-owned land use right. As to the term of the land use right in this case the buyer, who will use the land for commercial purposes, will only get 40 years as the initial term (as maximum unless it extends the granted land use rights at the end of the 40 year period by paying to the State the additional land price) minus the period from the granting date from the State to the date of the transfer to ABC. If the land is zoned for industrial use or warehousing use rather than for commercial use, the maximum land tenure should be 50 years.</p> <p>There is a standard form sale and purchase agreement formulated by government authorities and is required to be used in practice. The contents of the standard form agreement may be revised or supplemented by way of a supplemental agreement attached to the standard form agreement as appendix. The sale and purchase agreement needs to be printed at designated printers. Such printers are only available at licensed real estate brokers and the property registry offices.</p> <p>Property Ownership Certificate and Land Use Right Certificate are combined into one certificate in Shanghai, which is called "Real Estate Title Certificate".</p> <p>The documentation shall include: The seller and the buyer should submit one original real estate sales and purchase contract</p>

(duly signed) and a writing representation of the seller and buyer regarding the title transfer. There is no standard form of the contract (except for newly constructed commercial residential properties) nor the participation of a lawyer/notary is required.

The seller should submit the below documents:

- (i) The original copy of the Property Ownership Certificate and Land Use Right Certificate "Real Estate Title Certificate" (already in possession of the seller);
- (ii) The original copy of the Business License or Organization Code Certificate;
- (iii) The original copy of the Board resolution approving the sales of the real estate;
- (iv) District Branch-dedicated Form for proof of legal representative's authority, and photocopy of the identification card (or passport) of the legal representative; and
- (v) Photocopy of the identification card of the individual authorized to handle the actual procedures, and the original copy of Power of Attorney.

The buyer should submit the below documents:

- (i) Real Estate Ownership Registration Form;
- (ii) The original copy of the Business License or Organization Code Certificate;
- (iii) The original copy of the Board resolution approving the purchase of the real estate;
- (iv) District Branch-dedicated Form for proof of legal representative's authority, and photocopy of the identification card (or passport) of the legal representative; And
- (v) Photocopy of the identification card of the individual authorized to handle the actual procedures, and the original copy of Power of Attorney.

### Procedure 3 Parties pay registration fee

**Time to complete:** 1 day

**Cost to complete:** CNY 550 + 0.5% transaction handling fee

**Agency:** House and Land Resources Administration Center

**Comment:** The registration fee is paid at a separate window from that where one picks up the new title certificate. The Ministry of Finance and State Development and Reform Commission issued a notice, effective from May 1st 2008, to standardize the registration fees for real estate property. The registration fee is set at CNY 80 for one piece of residential housing and CNY 550 for one piece of non-residential building. The registration fee is decided by piece, not value of the property.

The transaction handling fee of 0.5% of the transaction price shall be paid by the buyer, together with registration fees, according to No.hfdj[1996]744 Notice from Shanghai Building and Land Administration Bureau dated Sep 17,1996. The handling fee is mandatory and is made at the same time when the registration fee is paid. The payment is received by the The House and Land Resources Administration Center

### Procedure 4 Parties pick up new title certificate

**Time to complete:** 1 day

**Cost to complete:** no cost

**Agency:** House and Land Resources Administration Center

**Comment:** After paying the registration fee, along with the receipt, the buyer obtains the new Real Estate Title Certificate. In Shanghai the former Property Ownership Certificate and the Land Use Right Certificate have been combined into one certificate, the Real Estate Title Certificate. The title transfer procedure will be complete upon the issuance of the new Real Estate Title Certificate.



Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

**Some reform outcomes**

*After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).*

*In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.*

**What do the Getting Credit indicators measure?**

**Strength of legal rights index (0–10)**

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

**Depth of credit information index (0–6)**

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

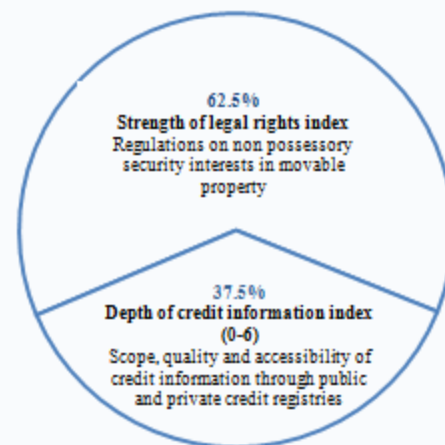
**Public credit registry coverage (% of adults)**

- Number of individuals and firms listed in public credit registry as percentage of a adult population

**Private credit bureau coverage (% of adults)**

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

**Getting Credit: collateral rules and credit information**



*Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.*

**Case Study Assumptions (applying to the Legal Rights Index only)**

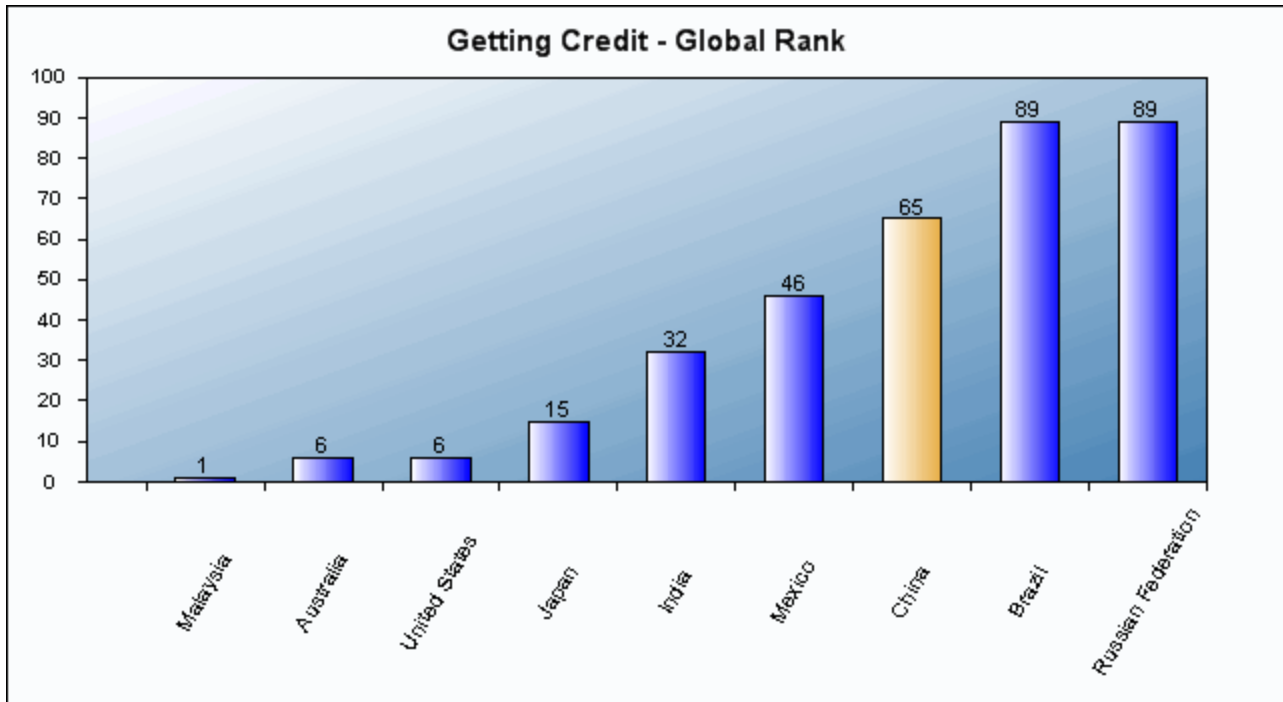
**The Debtor**

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

# 1. Benchmarking Getting Credit Regulations:

China is ranked 65 overall for Getting Credit.

Ranking of China in Getting Credit - Compared to good practice and selected economies:





The following table shows Getting Credit data for China compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>New Zealand*</b>				100.0
<b>Portugal</b>			67.1	
<b>Singapore*</b>	10			
<b>United Kingdom</b>		6		

<i>Selected Economy</i>				
<b>China</b>	<b>6</b>	<b>4</b>	<b>63.9</b>	<b>0.0</b>

<i>Comparator Economies</i>				
<b>Australia</b>	9	5	0.0	100.0
<b>Brazil</b>	3	5	26.9	53.5
<b>India</b>	8	4	0.0	10.0
<b>Japan</b>	7	6	0.0	76.1
<b>Mexico</b>	5	6	0.0	71.6
<b>Russian Federation</b>	3	5	0.0	14.4
<b>United States</b>	8	6	0.0	100.0

\* The following economies are also good practice economies for :

**Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia**

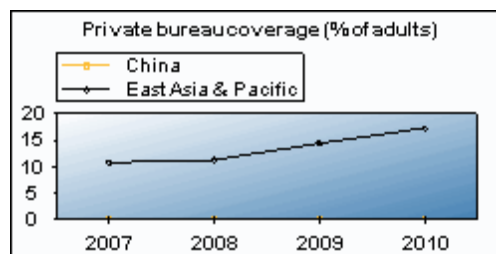
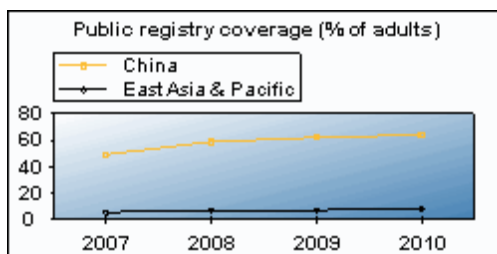
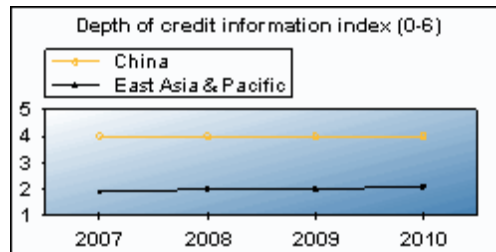
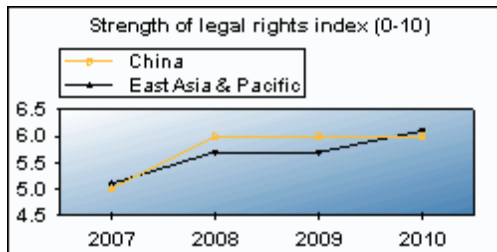
**Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

**27 countries have the highest credit information index.**

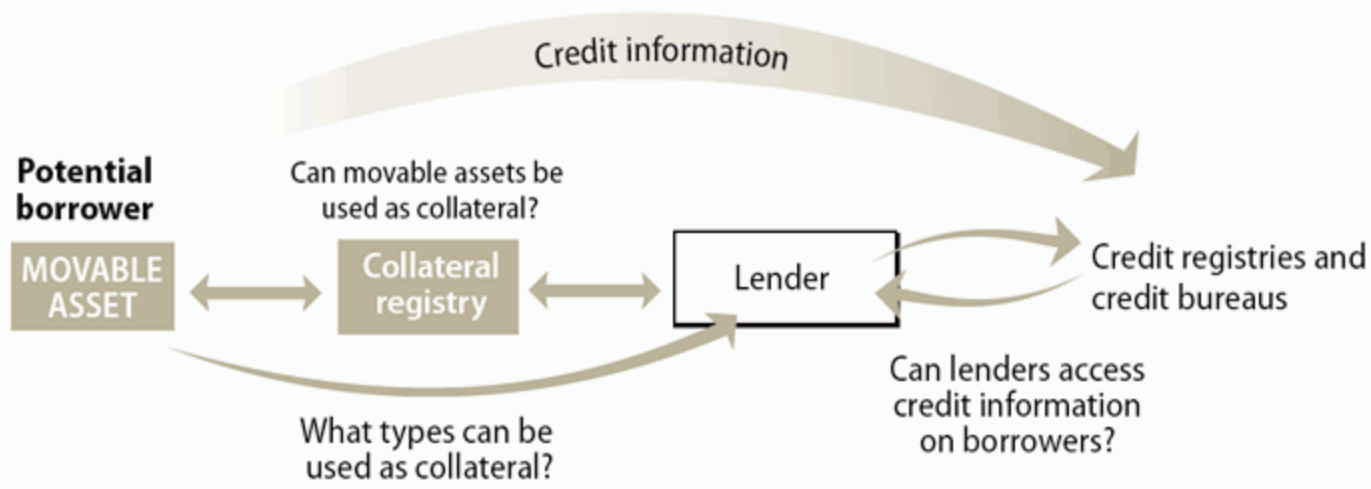
## 2. Historical data: Getting Credit in China

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	61	65
Strength of legal rights index (0-10)	5	6	6	6
Depth of credit information index (0-6)	4	4	4	4
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0
Public registry coverage (% of adults)	49.2	58.8	62.1	63.9

3. The following graphs illustrate the Getting Credit sub indicators in China over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?  
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in China.

Getting Credit Indicators (2010)			Indicator
<b>Private bureau coverage (% of adults)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>4</b>
Are data on both firms and individuals distributed?	No	Yes	1
Are both positive and negative data distributed?	No	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	Yes	1
Is data on all loans below 1% of income per capita distributed?	No	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
<b>Coverage</b>	0.0	63.9	
<b>Number of individuals</b>	0	660,000,000	
<b>Number of firms</b>	0	15,759,000	

**Strength of legal rights index (0-10)****6**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?

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Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?

---

Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?

---

May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?

---

Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?

---

Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?

---

Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?

---

Do secured creditors have absolute priority to their collateral in bankruptcy procedures?

---

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

---

Does the law authorize parties to agree on out of court enforcement?

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Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

### Some reform outcomes

*In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).*

*After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.*

### What do the Protecting Investors indicators measure?

#### Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

#### Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

#### Ease of shareholder suits index (0–10)

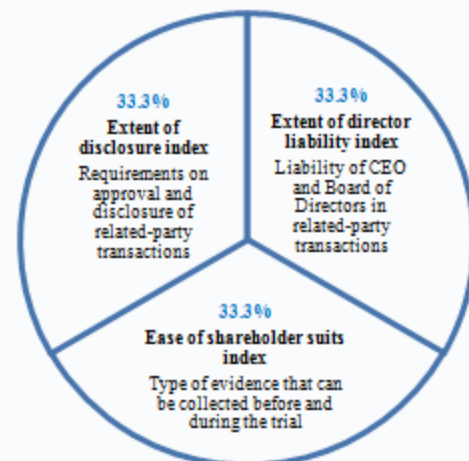
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

#### Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

**Protecting Investors:** minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



### Case Study Assumptions

#### The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders),
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

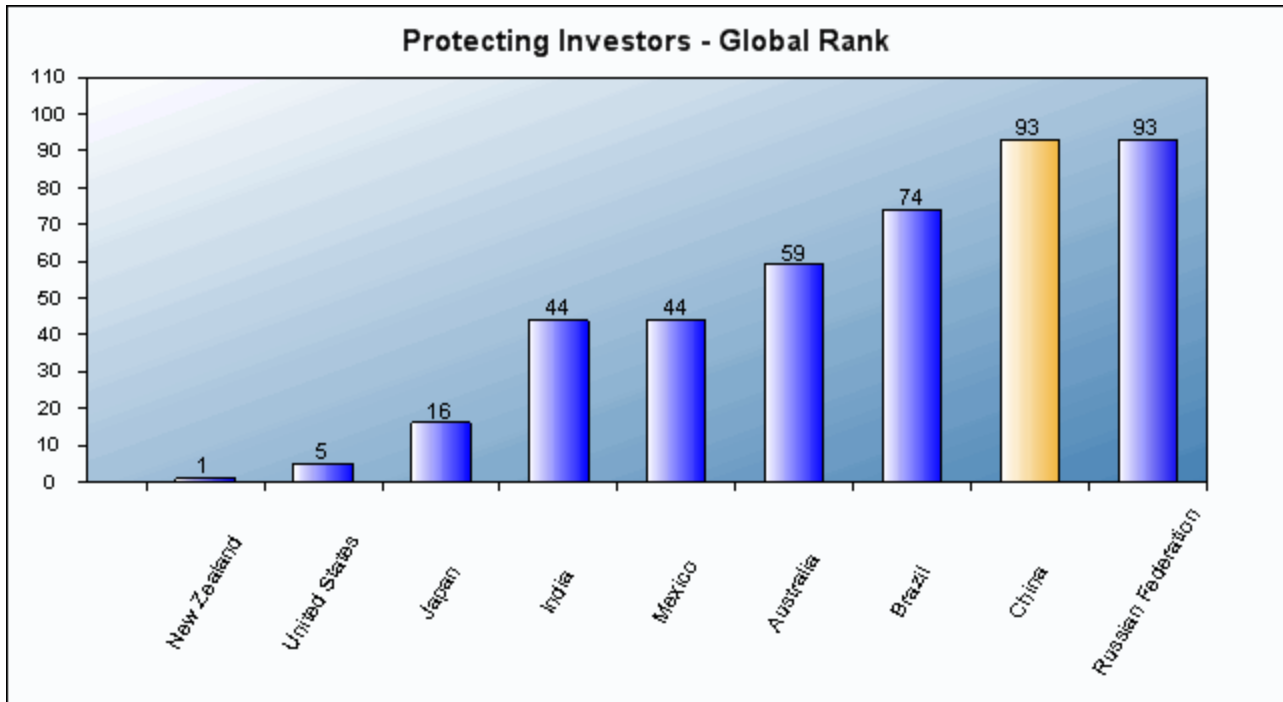
#### The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

# 1. Benchmarking Protecting Investors Regulations:

China is ranked 93 overall for Protecting Investors.

Ranking of China in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for China compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of investor protection index (0-10)</b>
<b>New Zealand</b>	9.7

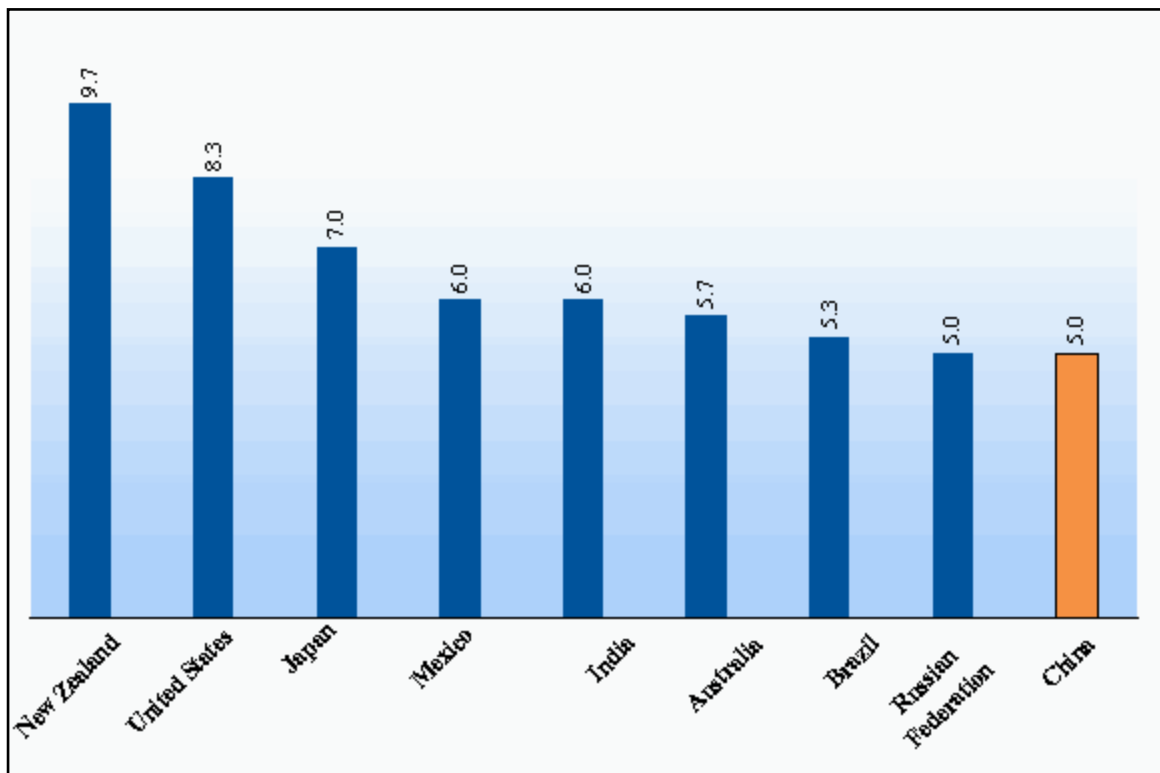
<i>Selected Economy</i>	
<b>China</b>	<b>5.0</b>

<i>Comparator Economies</i>	
<b>Australia</b>	5.7
<b>Brazil</b>	5.3
<b>India</b>	6.0
<b>Japan</b>	7.0
<b>Mexico</b>	6.0
<b>Russian Federation</b>	5.0
<b>United States</b>	8.3

## 2. Historical data: Protecting Investors in China

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	92	93
Strength of investor protection index (0-10)	5.0	5.0	5.0	5.0

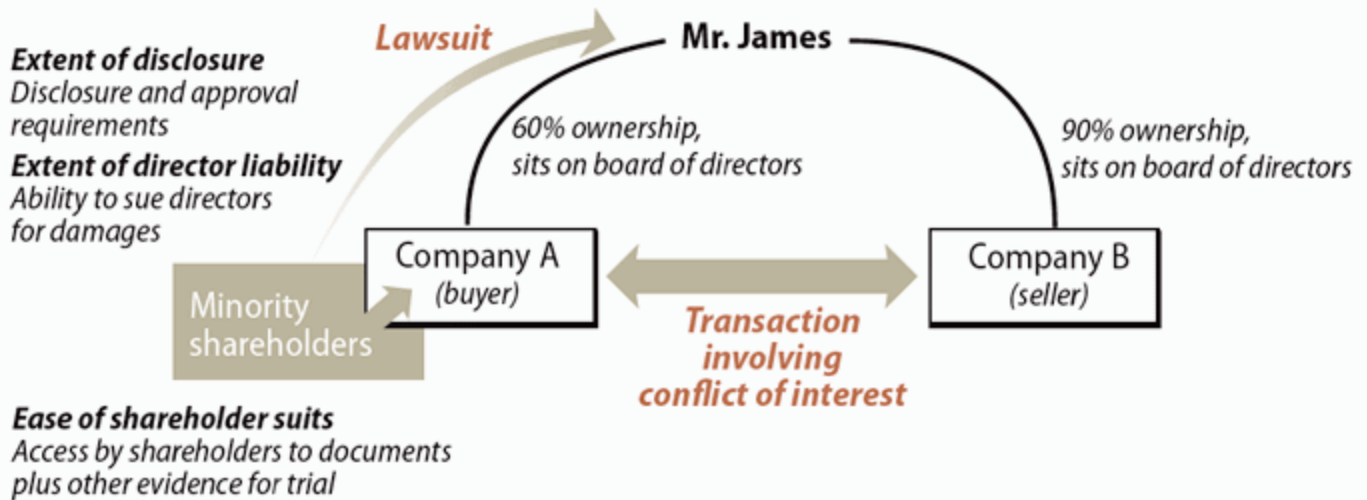
3. The following graph illustrates the Protecting Investors index in China compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.



### How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in China.

Protecting Investors Data (2010)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>10</b>
What corporate body provides legally sufficient approval for the transaction?	3
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	2
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	2
Whether an external body must review the terms of the transaction before it takes place?	1
<b>Extent of director liability index (0-10)</b>	<b>1</b>
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
<b>Ease of shareholder suits index (0-10)</b>	<b>4</b>
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	0
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
<b>Strength of investor protection index (0-10)</b>	<b>5.0</b>

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

### Some reform outcomes

*Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.*

*Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.*

### What do the Paying taxes indicators measure?

**Tax payments for a manufacturing company in 2009**  
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

**Time required to comply with 3 major taxes** (hours per year)

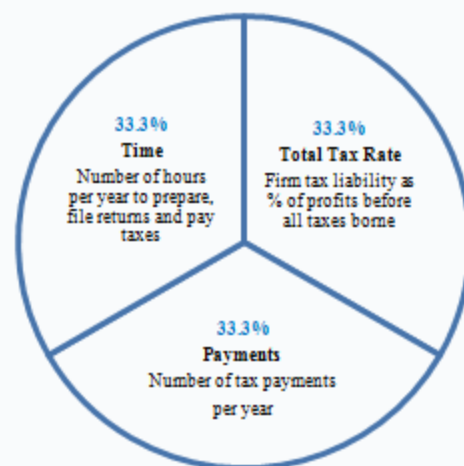
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

**Total tax rate** (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

**Paying Taxes:** tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



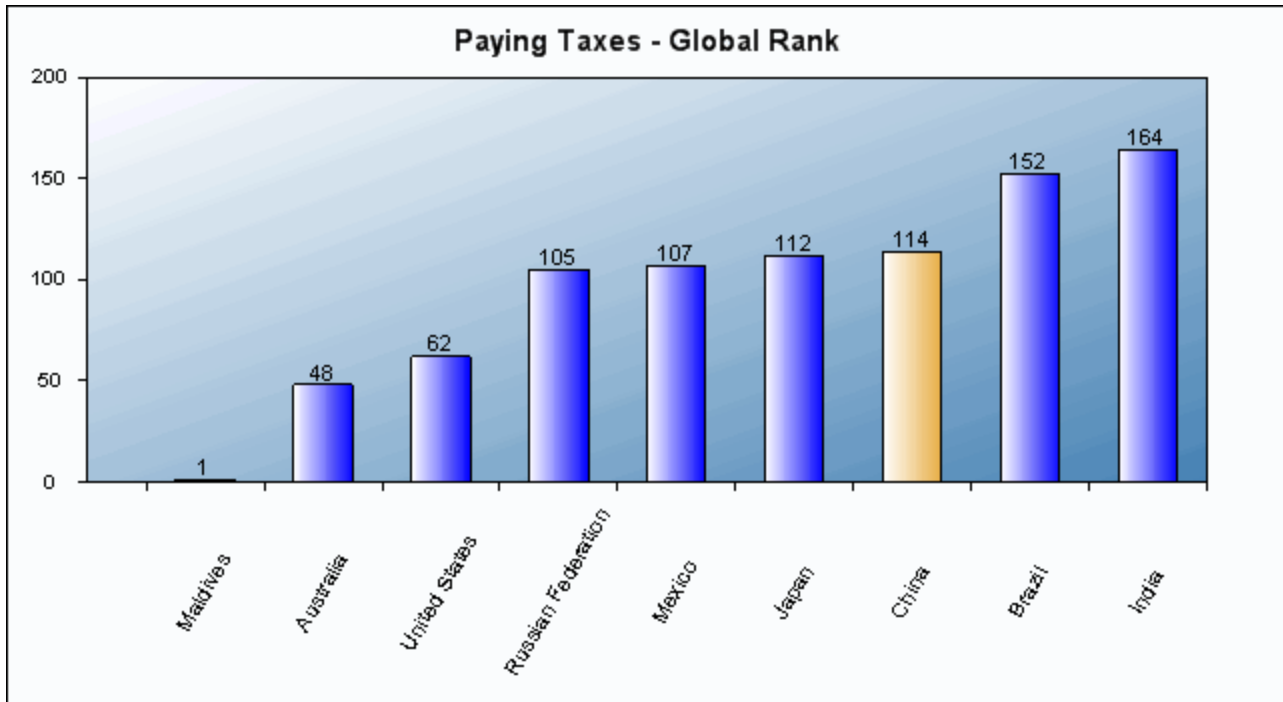
### Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

## 1. Benchmarking Paying Taxes Regulations:

China is ranked 114 overall for Paying Taxes.

Ranking of China in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for China compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Total tax rate (% profit)</b>
<b>Maldives*</b>	3	0	
<b>Timor-Leste</b>			0.2

<i>Selected Economy</i>			
<b>China</b>	<b>7</b>	<b>398</b>	<b>63.5</b>

<i>Comparator Economies</i>			
<b>Australia</b>	11	109	47.9
<b>Brazil</b>	10	2600	69.0
<b>India</b>	56	258	63.3
<b>Japan</b>	14	355	48.6
<b>Mexico</b>	6	404	50.5
<b>Russian Federation</b>	11	320	46.5
<b>United States</b>	11	187	46.8

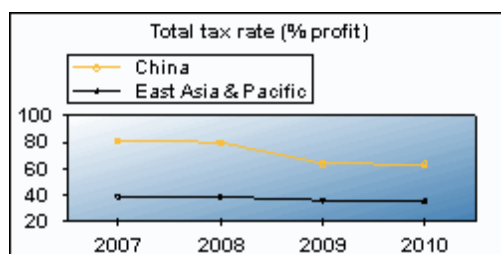
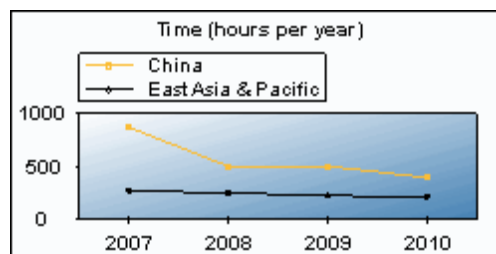
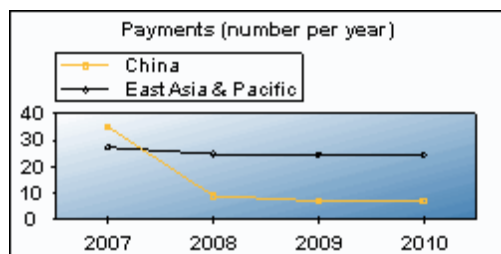
\* The following economies are also good practice economies for :

**Payments (number per year): Qatar**

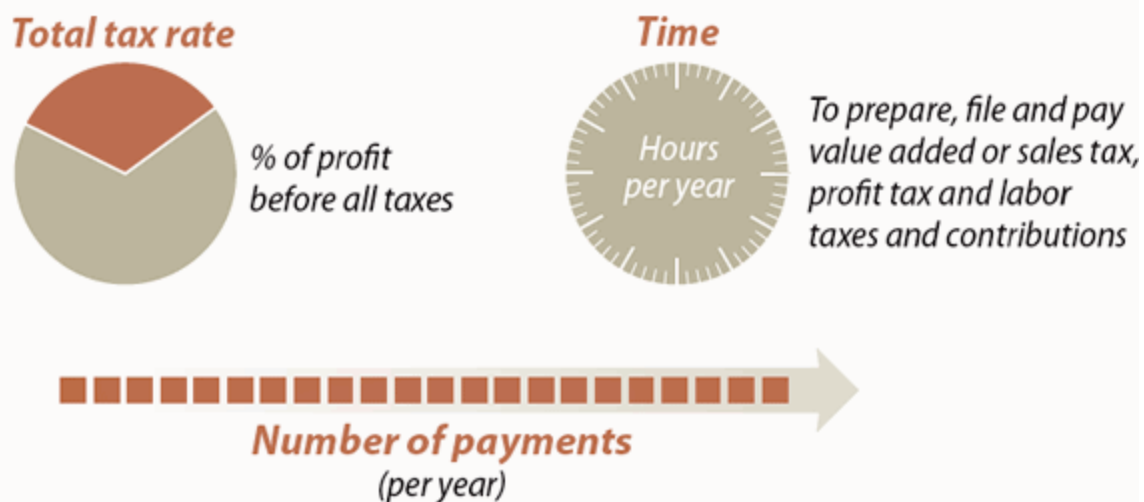
## 2. Historical data: Paying Taxes in China

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	124	114
Total tax rate (% profit)	81.2	79.9	63.8	63.5
Payments (number per year)	35	9	7	7
Time (hours per year)	872	504	504	398

## 3. The following graphs illustrate the Paying Taxes sub indicators in China over the past 4 years:



### What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in China, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	1	online filing	132	17.0%	value added		
Land use tax	1	online filing		CNY 6 per square meter	land area	0.40	
Levies for construction and Maintenance of River projects	0	paid jointly		1.0%	VAT and business tax	0.50	
Business tax	1			5.0%	capital gain	0.50	
Real estate tax	1			1.2%	80% building value	0.90	
Stamp duty	1	online filing		0.0%	transactions	1.00	
Education surcharge	0	paid jointly		3.0%	VAT	1.50	
Urban maintenance tax	0	paid jointly		7.0%	VAT	3.50	
Corporate income tax	1	online filing	74	20.0%	taxable profit	5.50	

Social security/housing fund contributions	1	online filing	192	44.0%	gross salaries	49.60
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<b>Totals</b>	<b>7</b>		<b>398</b>			<b>63.5</b>
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Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

#### Some reform outcomes

*In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.*

*In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.*

#### What do the Trading Across Borders indicators measure?

**Trading Across Borders:** exporting and importing by ocean transport

Rankings are based on 3 subindicators

#### Documents required to export and import (number)

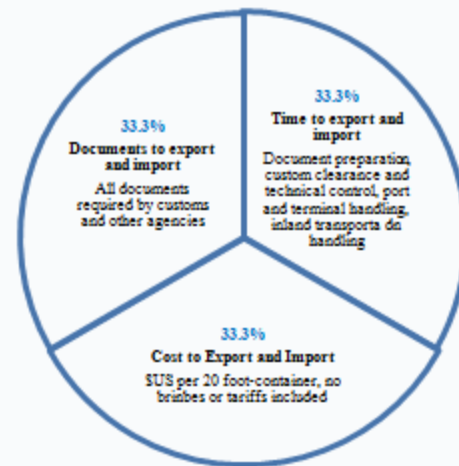
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

#### Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



#### Case Study Assumptions

##### The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

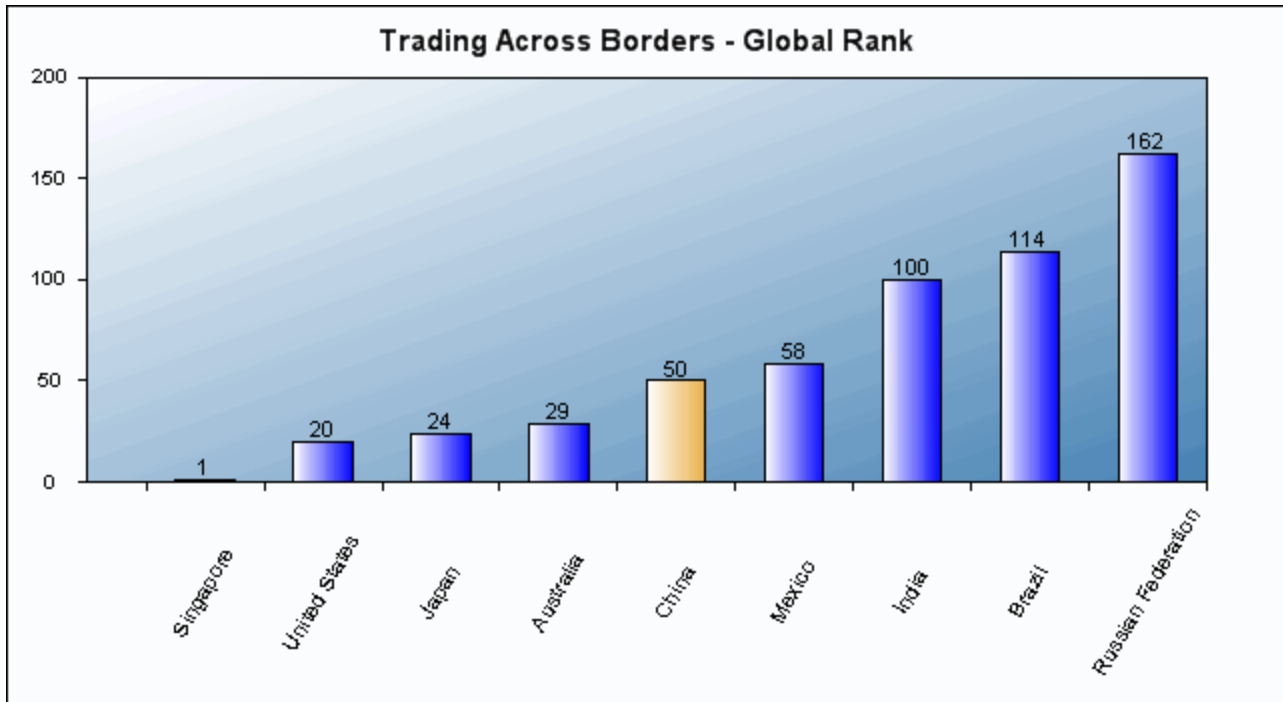
##### The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

# 1. Benchmarking Trading Across Borders Regulations:

China is ranked 50 overall for Trading Across Borders.

Ranking of China in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for China compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Documents to export (number)</b>	<b>Time to export (days)</b>	<b>Cost to export (US\$ per container)</b>	<b>Documents to import (number)</b>	<b>Time to import (days)</b>	<b>Cost to import (US\$ per container)</b>
<b>Denmark*</b>		5				
<b>France</b>	2			2		
<b>Malaysia</b>			450			
<b>Singapore</b>					4	439

<i>Selected Economy</i>						
<b>China</b>	<b>7</b>	<b>21</b>	<b>500</b>	<b>5</b>	<b>24</b>	<b>545</b>

<i>Comparator Economies</i>						
<b>Australia</b>	6	9	1060	5	8	1119
<b>Brazil</b>	8	13	1790	7	17	1730
<b>India</b>	8	17	1055	9	20	1025
<b>Japan</b>	4	10	1010	5	11	1060
<b>Mexico</b>	5	12	1420	4	12	1880
<b>Russian Federation</b>	8	36	1850	13	36	1850
<b>United States</b>	4	6	1050	5	5	1315

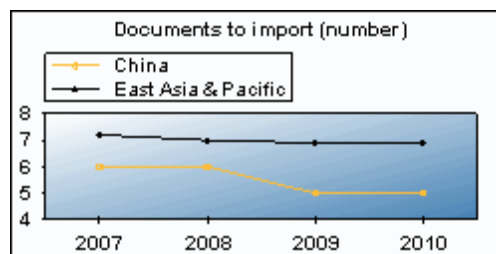
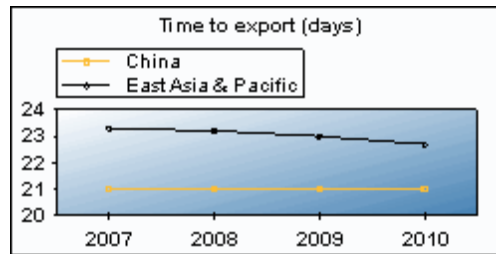
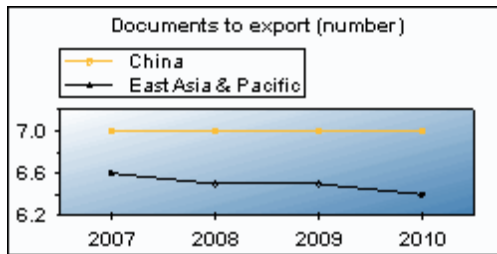
\* The following economies are also good practice economies for :

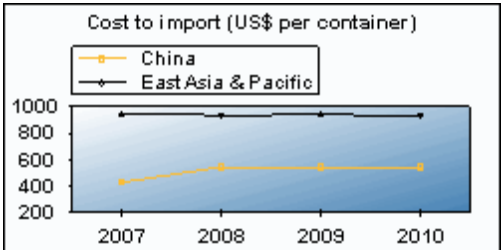
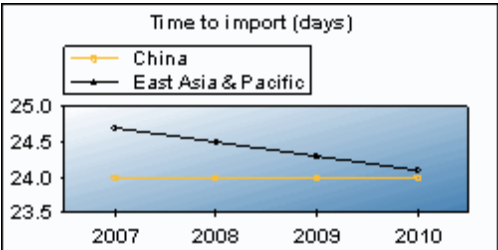
**Time to export (days): Estonia**

## 2. Historical data: Trading Across Borders in China

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	47	50
Cost to export (US\$ per container)	390	460	500	500
Cost to import (US\$ per container)	430	545	545	545
Documents to export (number)	7	7	7	7
Documents to import (number)	6	6	5	5
Time to export (days)	21	21	21	21
Time to import (days)	24	24	24	24

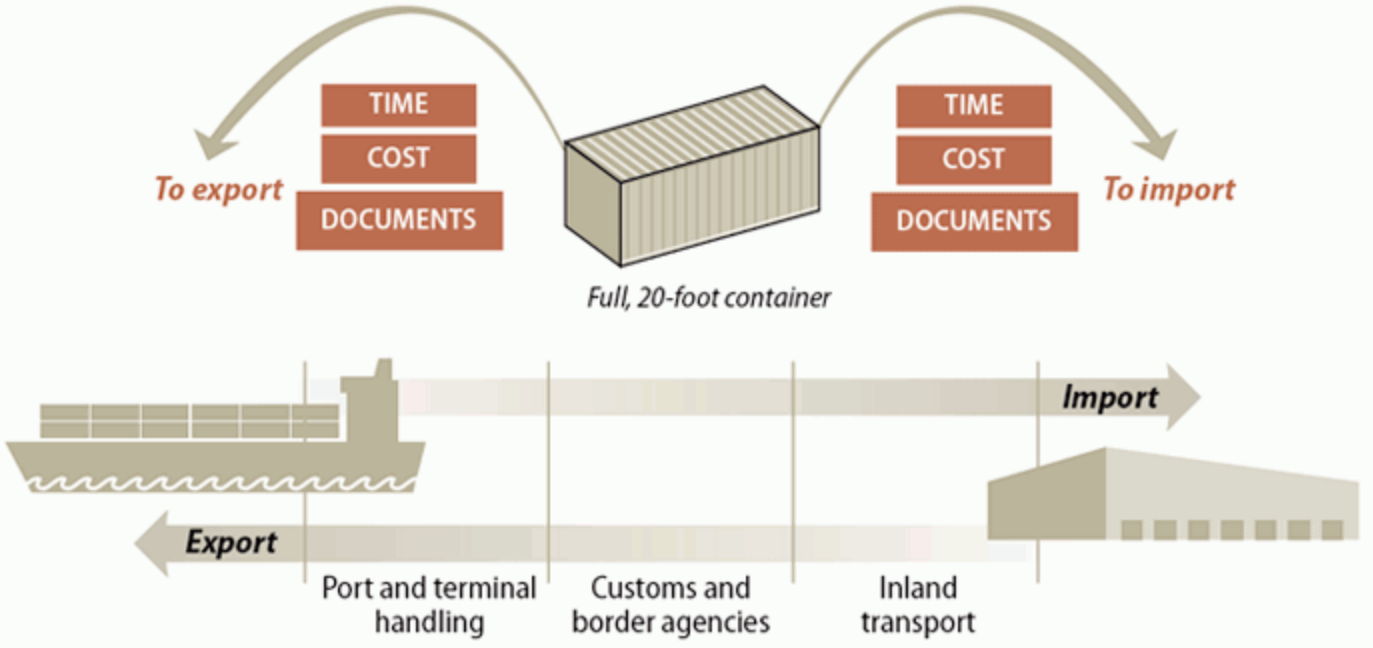
### 3. The following graphs illustrate the Trading Across Borders sub indicators in China over the past 4 years:





**Trading Across Borders in China**

**How much time, how many documents and what cost to export and import across borders by ocean transport?**



These tables list the procedures necessary to import and export a standardized cargo of goods in China. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	14	250
Customs clearance and technical control	2	70
Ports and terminal handling	3	85
Inland transportation and handling	2	95
Totals	21	500

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	15	260
Customs clearance and technical control	4	70
Ports and terminal handling	3	80
Inland transportation and handling	2	135
Totals	24	545

**Documents for Export and Import**

**Export**

- Bill of lading
- Cargo release order
- Certificate of origin
- Commercial invoice
- Customs export declaration
- Packing list
- Terminal handling receipts

**Import**

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs import declaration
- Packing list

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

#### Some reform outcomes

*In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.*

*In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.*

#### What do the Enforcing Contracts indicators measure?

**Enforcing Contracts:** resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

#### Procedures to enforce a contract (number)

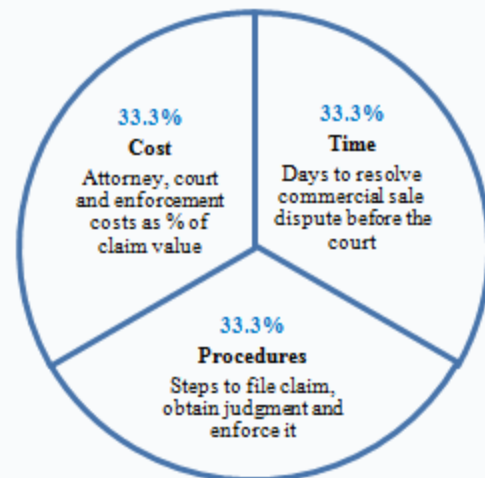
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

#### Time required to complete procedures (calendar days)

- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

#### Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs



#### Case Study Assumptions

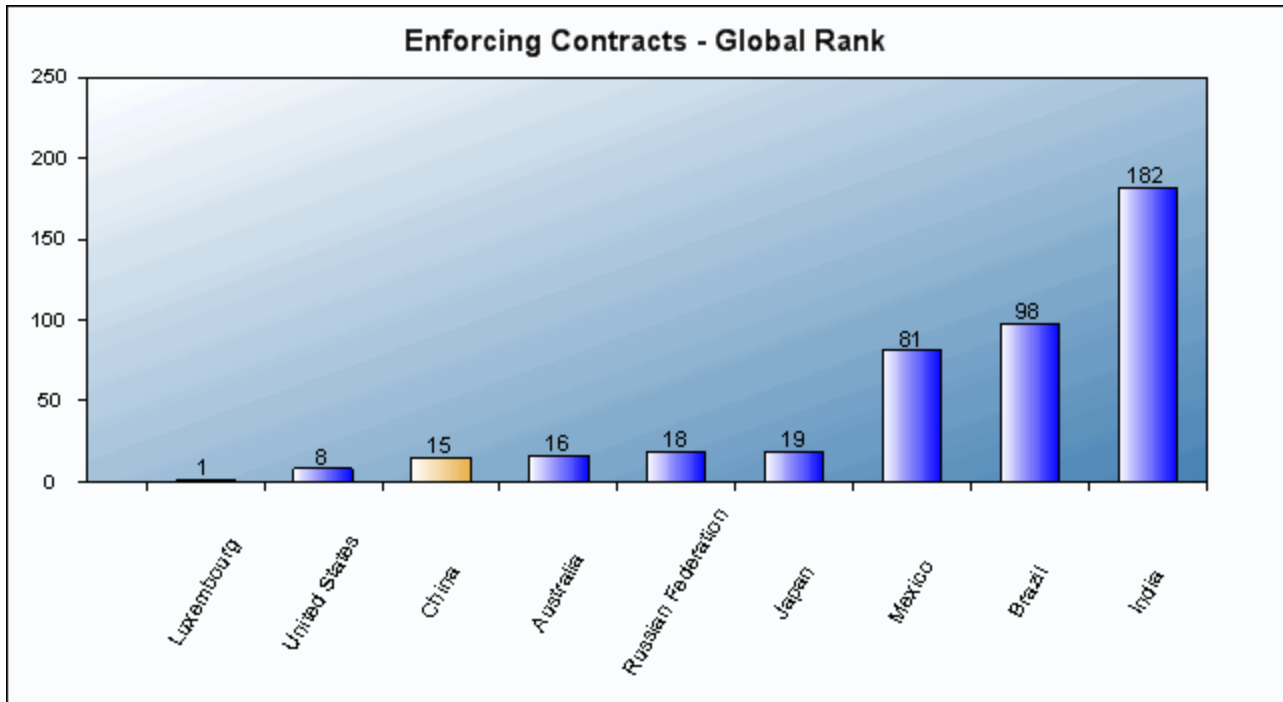
- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.



## 1. Benchmarking Enforcing Contracts Regulations:

China is ranked 15 overall for Enforcing Contracts.

Ranking of China in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for China compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		150	

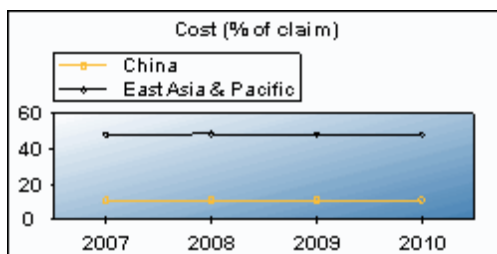
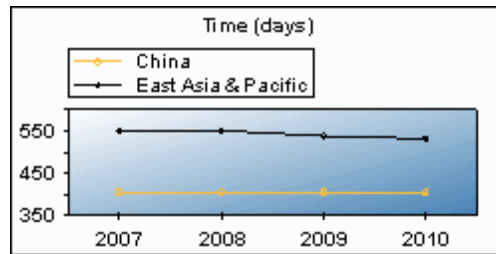
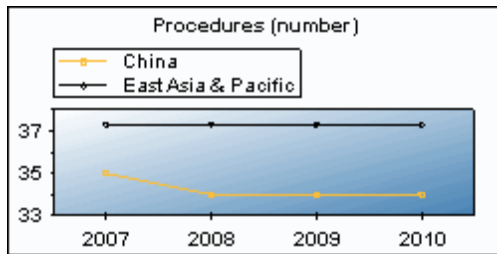
<i>Selected Economy</i>			
<b>China</b>	<b>34</b>	<b>406</b>	<b>11.1</b>

<i>Comparator Economies</i>			
<b>Australia</b>	28	395	20.7
<b>Brazil</b>	45	616	16.5
<b>India</b>	46	1420	39.6
<b>Japan</b>	30	360	22.7
<b>Mexico</b>	38	415	32.0
<b>Russian Federation</b>	37	281	13.4
<b>United States</b>	32	300	14.4

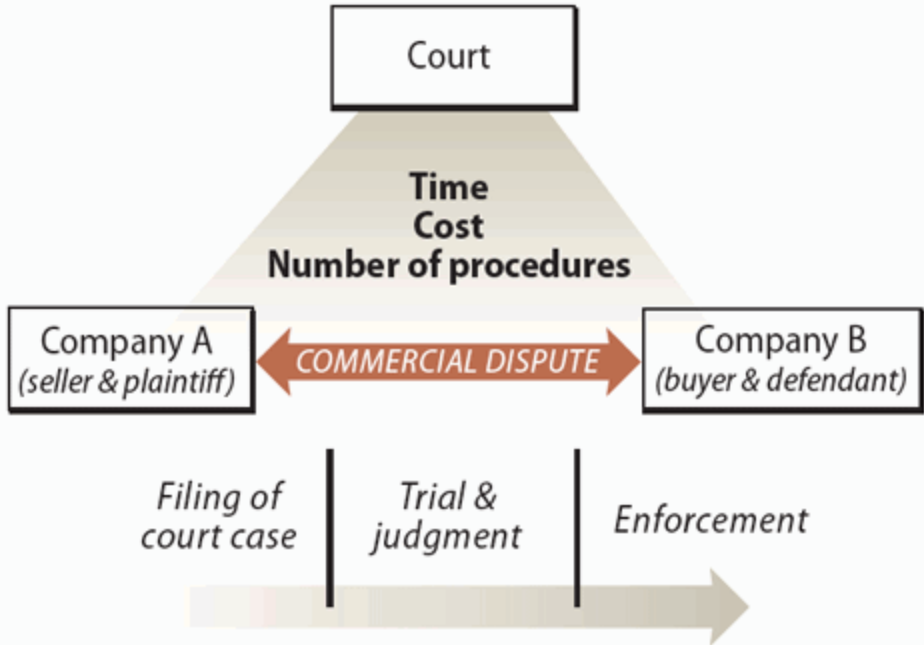
## 2. Historical data: Enforcing Contracts in China

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	15	15
Procedures (number)	35	34	34	34
Time (days)	406	406	406	406
Cost (% of claim)	11.1	11.1	11.1	11.1

3. The following graphs illustrate the Enforcing Contracts sub indicators in China over the past 4 years:



**What are the time, cost and number of procedures to resolve a commercial dispute through the courts?**



This topic looks at the efficiency of contract enforcement in China.

Nature of Procedure (2010)	Indicator
Procedures (number)	34
Time (days)	406
Filing and service	21.0
Trial and judgment	195.0
Enforcement of judgment	190.0
Cost (% of claim)*	11.10
Attorney cost (% of claim)	3.6
Court cost (% of claim)	6.3
Enforcement Cost (% of claim)	1.2

**Court information:** Shanghai District People's Court (上海市区人民法院)

\* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

### Some reform outcomes

*A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.*

*Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.*

### What does the Closing a Business indicator measure?

**Closing a Business:** insolvency proceedings against local company

#### Time required to recover debt (years)

- Measured in calendar years
- Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

#### Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



### *Case Study Assumptions*

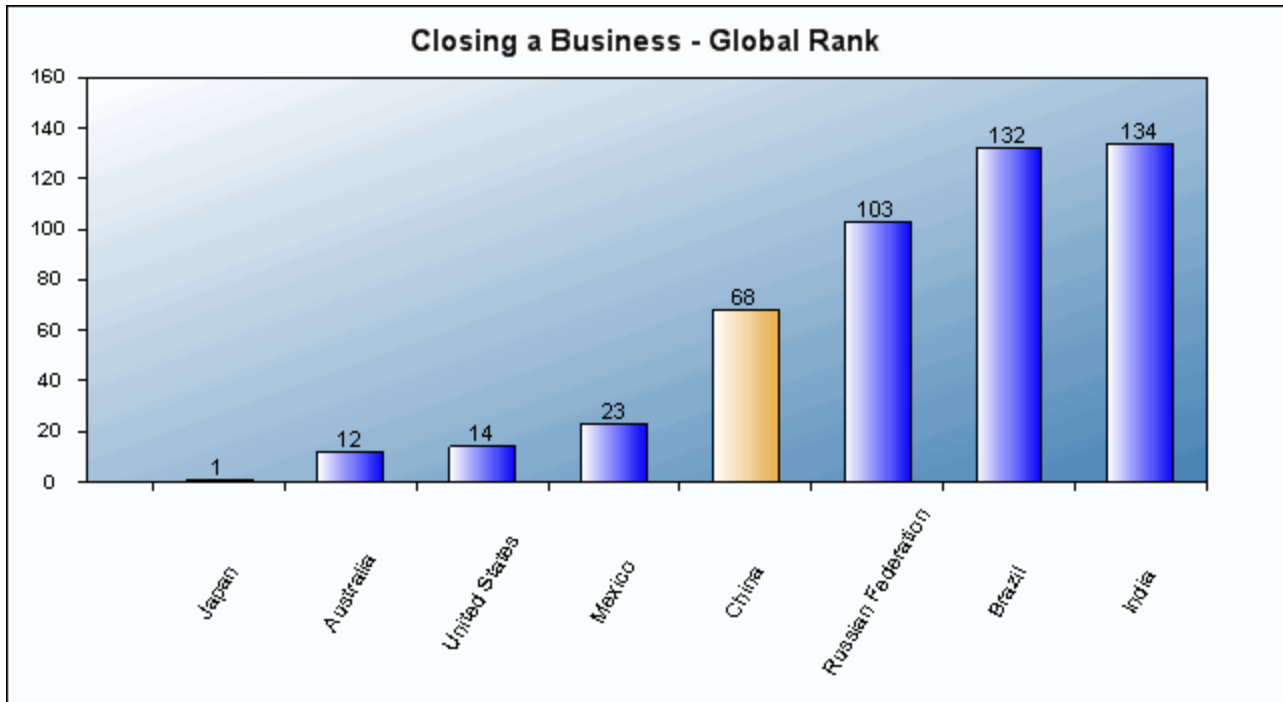
#### The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

## 1. Benchmarking Closing Business Regulations:

China is ranked 68 overall for Closing a Business.

Ranking of China in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for China compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Recovery rate (cents on the dollar)</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
<b>Ireland</b>		0.4	
<b>Japan</b>	92.7		
<b>Singapore*</b>			1

<i>Selected Economy</i>			
<b>China</b>	<b>36.4</b>	<b>1.7</b>	<b>22</b>

<i>Comparator Economies</i>			
<b>Australia</b>	81.8	1.0	8
<b>Brazil</b>	17.1	4.0	12
<b>India</b>	16.3	7.0	9
<b>Japan</b>	92.7	0.6	4
<b>Mexico</b>	66.7	1.8	18
<b>Russian Federation</b>	25.3	3.8	9
<b>United States</b>	81.5	1.5	7

\* The following economies are also good practice economies for :

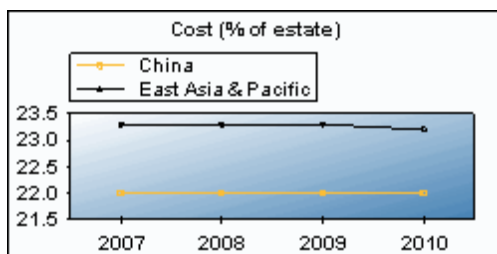
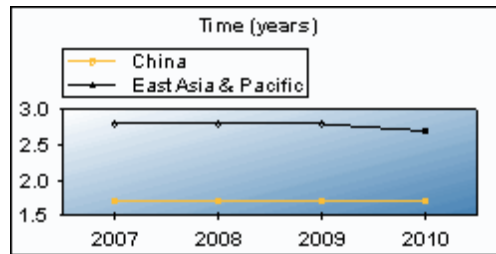
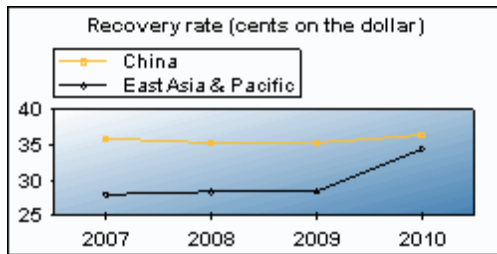
**Cost (% of estate): Colombia, Kuwait, Norway**



## 2. Historical data: Closing Business in China

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	66	68
Time (years)	1.7	1.7	1.7	1.7
Cost (% of estate)	22	22	22	22
Recovery rate (cents on the dollar)	35.9	35.3	35.3	36.4

3. The following graphs illustrate the Closing Business sub indicators in China over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . \* Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

## The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓	✓				
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓					✓	✓			

✓ Positive Change  
 ✗ Negative Change

\* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

## Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

<b>Brazil</b>	Brazil eased business start-up by further enhancing the electronic synchronization between federal and state tax authorities.
<b>Brunei Darussalam</b>	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
<b>Cape Verde</b>	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
<b>China</b>	China's new corporate income tax law unified the tax regimes for domestic and foreign enterprises and clarified the calculation of taxable income for corporate income tax purposes.
<b>Grenada</b>	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
<b>Hungary</b>	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
<b>India</b>	India eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version. India reduced the administrative burden of paying taxes by abolishing the fringe benefit tax and improving electronic payment.
<b>Japan</b>	Japan made it easier to deal with insolvency by establishing a new entity, the Enterprise Turnaround Initiative Corporation, to support the revitalization of companies suffering from excessive debt but professionally managed.
<b>Kazakhstan</b>	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
<b>Mexico</b>	Mexico launched an online one-stop shop for initiating business registration. Mexico improved construction permitting by merging and streamlining procedures related to zoning and utilities. Mexico increased taxes on companies by raising several tax rates, including the corporate income tax and the rate on cash deposits. At the same time, the administrative burden was reduced slightly with more options for online payment and increased use of accounting software.
<b>Peru</b>	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
<b>Russian Federation</b>	Russia eased construction permitting by implementing a single window for all procedures related to land use. Russia introduced a series of legislative measures in 2009 to improve creditor rights and the insolvency system.

<b>Rwanda</b>	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
<b>Tajikistan</b>	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.
<b>United States</b>	In the United States the introduction of a new tax on payroll increased taxes on companies operating within the New York City metropolitan commuter transportation district.
<b>Vietnam</b>	Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.
<b>Zambia</b>	Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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