

DOING BUSINESS GUIDE

China





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1. Why China

An aerial night view of a modern city skyline, featuring numerous illuminated skyscrapers and buildings. The scene is dominated by a tall, white, cylindrical skyscraper with a distinctive pattern of vertical lines, which stands out prominently against the dark blue night sky. Other buildings are lit up with warm yellow and white lights, creating a vibrant urban atmosphere. The city is densely packed with structures, and the overall lighting is a mix of cool blues and warm yellows.

After decades of high-speed industrial led growth, China is shifting its economic model toward higher quality, albeit slower, growth driven by technology, domestic consumption and the expanding green economy sector. It is the world's second-largest economy in absolute terms, and the world's largest in purchasing power. However, high debt, an ageing population and a property market under strain pose challenges. Australia's economic relationship and people-to-people ties with China remain strong, despite the countries' political differences, and a new generation of businesses is finding opportunities in the country.



1.1. Economy overview

Four decades of economic reform have driven widespread industrialisation and lifted hundreds of millions of Chinese people from poverty. The country's Gross National Income per capita increased more than tenfold between 2003-2023, and the World Bank now considers China an upper-middle-income nation. With a population of 1.4 billion people, China has the world's largest middle class, making it an attractive (if competitive) market for exporters. Income growth has radically changed consumption habits. As more households enter the middle class, spending on apparel, packaged foods and consumer electronics is rising.

Yet, while China's economy continues to expand, growth is moderating as the country's economic development trajectory changes. From routinely witnessing double-digit GDP growth from a low base, China is now expected to see lower growth of between 4.5 per cent to 5 per cent per year.

China's economy is moving from largely being a manufacturing and export centre to one in which growth is based on domestic consumption, innovative business models and a move up to higher value-added growth.

As China's economic trajectory changes, future growth will be driven by its rapidly developing technology and services sectors. The government's most recent five-year plan emphasises technology and sustainability-led economic development. It is investing heavily in what China calls its 'New Quality Productive Forces' including clean energy technologies, with solar and wind power capacity expanding significantly. Chinese trade in its "new three" industries – solar cells, lithium batteries and electric vehicles – grew by 30 per cent in 2023.

However, China continues to play a critical role in global manufacturing value chains. This role is evolving as multinational businesses diversify their supply chains following the COVID-19 pandemic and due to geopolitical concerns. Yet China's role in global manufacturing supply chains remains resilient.

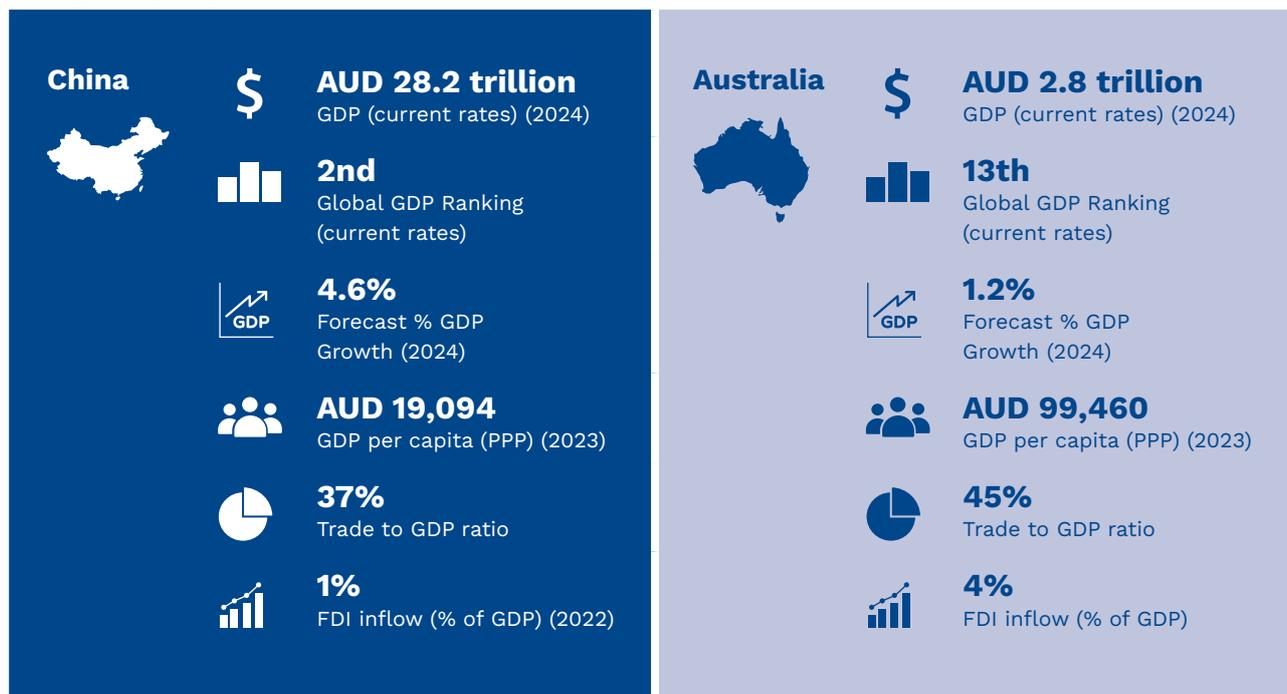
At the same time, China’s labour market – the largest in the world – is undergoing dynamic changes. A declining population, stemming from an ageing workforce and low birth rates is resulting in labour market challenges. Separately, as China moves up the technology and manufacturing value chains, there is a need for a more skilled workforce.

The China–Australia Free Trade Agreement (ChAFTA) has been in place since 2015. China and Australia are parties to the **Regional Comprehensive**

Economic Partnership, a regional free trade agreement that includes 15 countries across the Indo-Pacific region. These agreements have boosted Australia’s competitive position in the Chinese market.

This Doing Business Guide applies to mainland China only, excluding Hong Kong SAR, Macau SAR, and Taiwan ROC. For information about these markets, please see the Hong Kong SAR and Taiwan ROC Doing Business Guides.

Comparing key indicators: China and Australia



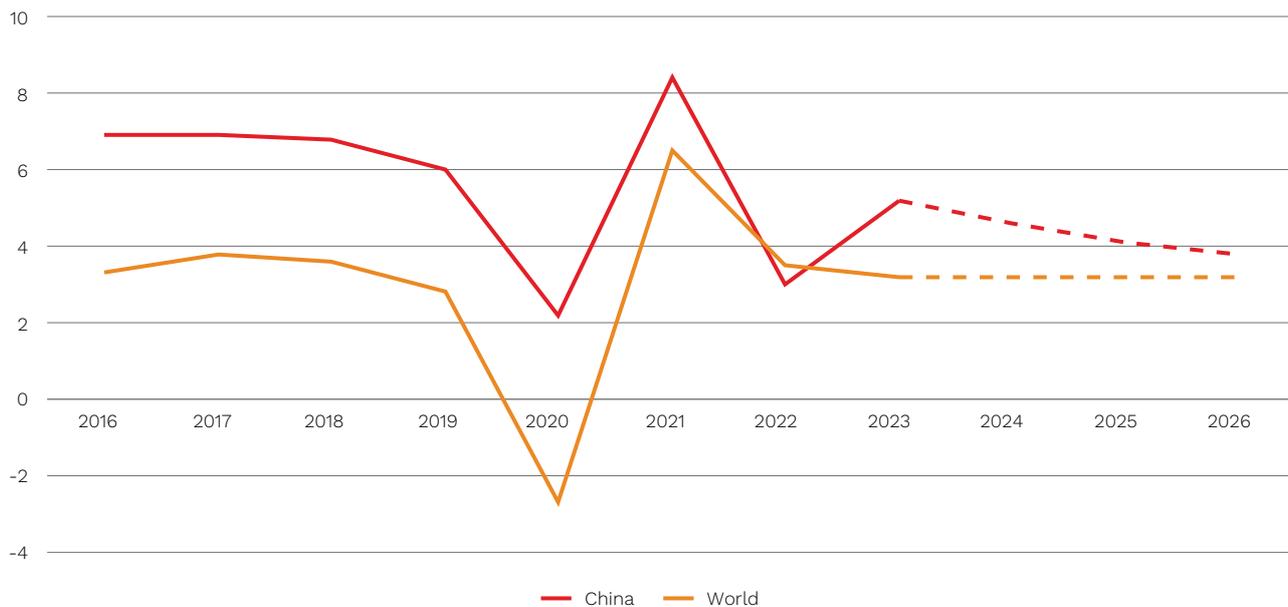
Source: IMF and World Bank

China and Australia also share strong bilateral ties underpinned by trade, community and cultural links. Despite there being differences to manage, both countries are seeking new opportunities to grow economic ties. Goods exports to China have increased 38% since 2020, and account for 37% of Australia’s overall exports in 2023. Australian goods and services exports to China were worth AUD 218.8 billion (CNY 1.03 trillion) in 2023, a 18 per cent increase year-on-year. In 2023, minerals and fuels were the largest export sector, representing 84 per cent of Australian goods exports to China. Iron ore, natural gas and crude minerals were the largest export commodities in 2023.

Australian businesses that export to China must remain aware that geopolitical issues could impact trade and investment links in the future. Performing due diligence and assuring data security will be important for Australian companies doing business in China. However, difficulties in accessing information can make performing due diligence challenging for foreign businesses. Another medium-term risk is China’s ageing population, which could slow productivity and impact the workforce. Conversely, this also makes China a potential market opportunity for Australian healthcare and complementary medicine businesses.

More information on the bilateral relationship between China and Australia is available in **Section 5.1** and from the Department of Foreign Affairs and Trade’s **China Country Brief**.

Figure 1: Real GDP Growth - China and world average (2016-2026f), %



Source: IMF





1.2. Sectoral snapshots

As Australia's largest trading partner, China is a well-established market for many Australian businesses. Australian raw materials have long been critical to China's industry-led growth model. The complementarities between the two economies mean that demand for resources, minerals and other commodities will likely remain strong. New opportunities are emerging, too. In mid-2024, China's government announced it would prioritise the stable development of the real estate sector, emerging and future industries, and increasing domestic consumption. This section provides a short overview of prospective sectors.



Food and agribusiness

China has historically been Australia's largest export market for agriculture, forestry, and fisheries. Restrictions on some Australian agricultural products, including beef, wine, barley and lobster, imposed between 2020 and 2022 saw overall agricultural exports drop. These have since picked up, returning to 2019 levels by 2023. Rising incomes in China continue to increase demand for quality food products, including fresh food and discretionary products such as wine. Australian businesses have an opportunity to cater to changing Chinese consumer preferences favouring sustainability and quality assurance. Australian agrifood produce continues to be seen as safe and high-quality. Exporters in the beef, wine, fruit and horticulture sectors can expect Chinese demand for Australian produce to increase. Austrade has identified opportunities in **grains, pulses and feed, horticulture, meat and livestock, packaged foods, seafood and aquaculture**, and **wine and beverages**.



Health and medical

China's healthcare market has grown significantly over the past decade, supported in no small measure by rapidly increasing government health spending per capita on healthcare, which increased by a factor of nine between 2005 and 2021. The government's "Healthy China 2030" initiative will further increase demand for healthcare services, including e-health solutions, hospital management systems, and training programs for healthcare providers. As China's population ages, the need for age-related medical care, aged care, mental health services and chronic disease management will increase. Australian aged-care providers are already tapping into this opportunity by forming joint ventures or partnering with local companies to develop aged-care centres and senior living communities. Complementary medicines such as health supplements are a well-established and growing market with an estimated value of AUD 7.4 billion (CNY 35 billion) in 2023. Austrade has identified opportunities in **biotech**, **health services** and **complementary medicine**.



Green economy

China aims to reach peak carbon dioxide emissions by 2030 and become carbon neutral by 2060. Meeting these targets will require spending trillions of dollars on infrastructure and technology over the coming decades. The investment boom is well underway, and clean energy is now a key driver of economic output in China. The country invested approximately AUD 1.3 trillion (CNY 6.15 trillion) in sectors related to clean energy in 2023, marking a 40 per cent year-on-year increase. China is transforming its own energy system and increasingly dominating global supply chains for key green economy products such as solar panels, batteries and electric vehicles (EVs). China produces more than half of the world's EVs, for example. Strong economic complementarities mean Australia is well placed to leverage China's clean energy transition. Minerals such as lithium and bauxite will continue to be essential for developing EVs and batteries. Australia exports 96 per cent of its lithium production to China. Austrade has identified **renewable energy** as an opportunity for Australian businesses.



Infrastructure, transportation and cities

China has identified digital, transport, social, and environmental infrastructure as key economic priorities through to 2035. The real estate sector has long driven economic growth, yet it has experienced significant volatility following the COVID-19 pandemic. Transitioning to a more stable and sustainable model is now a priority for China's government. Under the China-Australia Free Trade Agreement (ChAFTA), Australian firms can provide a wide range of construction services in China, delivered with a Chinese joint venture partner. There is an opportunity for Australian construction firms to operate with fewer restrictions within the China (Shanghai) Pilot Free Trade Zone. Austrade has identified **airport solutions**, **roads**, **rail**, **ports and logistics**, and **sustainable building solutions** as opportunities for Australian businesses.



Technology

China has a large and vibrant technology sector, which is forecast to contribute almost one-fifth of the country's GDP by 2026. The prominence of home-grown 'super-apps' such as Weibo, WeChat and TikTok (called Douyin) and e-commerce platforms such as Taobao and JD.com make China's consumer technology sector highly competitive. Chinese apps including Temu, TikTok and Shein are among the most downloaded free mobile apps in the United States, making them a key channel for reaching global markets. However, growing demand for high-quality digital products means there are compelling opportunities for Australian businesses. Australian software and financial technology (fintech) firms have successfully entered China's business-to-business technology sector. Austrade sees **digital games**, **sportstech** and **Software-as-a-service (SaaS)** as opportunities in the sector.

2. Understanding China



Entering a new market requires knowing what makes that market unique. An understanding of different business cultures and risk profiles provides a solid foundation from which to explore opportunities across the region.



2.1. Business culture

Cultural intelligence is key to achieving sustainable business outcomes. Being able to read cultural clues and respond appropriately helps develop relationships, communicate effectively and build trust. While cultural and communication norms are changing as virtual modes of engagement increase, core cultural values remain an important factor in business. Not understanding the particularities of doing business in China could lead to missed opportunities, delays and lost engagements.

Communication

In the Chinese language, communication can be indirect and heavily reliant on context, especially when a new relationship is established. In English, by contrast, people rely on the clarity of their message to communicate. This difference in style is also apparent in Chinese business culture. Chinese people may use ambiguous language and understatement to preserve harmony in their interactions. To save face,

subtle non-verbal cues such as expressions, gestures and silence may be used to express disagreement rather than an outright refusal. It is polite to adopt similar non-verbal cues. Indirect eye contact is also an indicator of respect for a more senior person. Avoid self-deprecating humour or sarcasm and maintain both physical and emotional composure.

Meetings often begin with a more formal structure than is typical in Australia. Attendees will enter a meeting and carry out introductions in order of importance or ranking. Meeting participants are expected to be greeted individually, no matter the size of the group.

Presenting and receiving business cards using both hands indicates respect in China. Rather than immediately putting business cards away, place them on the table in front of you when sitting to indicate you are considering the information. Also, consider arranging the business cards if on the table in order of the hierarchy. It is advantageous to print Australian business cards with English on one side and Chinese on the other.

Navigating culture in business – the importance of core cultural values

Core cultural values	Country	
	Australia	China
Direct communication		
Group focus		
Hierarchical approach		
Relationship focus approach		
Risk taking		

Very high	High	Medium	Low	Very low

Communicating via WeChat

WeChat, a ‘super app’ that provides instant messaging, video conferencing, file sharing, mobile payments and much more, is a critical tool for any business operating in China. Day-to-day business communication is often conducted via WeChat rather than email, and it is important to have a WeChat account. Many Western-owned messaging apps such as WhatsApp, which are commonly used for business communications in other parts of Asia, are inaccessible in China. Business contacts will commonly ask to connect with you on WeChat. Once you are connected, share a digital copy of your business card via the app.

Relationships

Building deep relationships is essential to doing business in China. Fostering connections and trust with Chinese counterparts is vital for establishing long-term business opportunities. In practice, this may take time, and negotiations may appear drawn out in contrast to faster-paced business environments. Interpersonal negotiations are favoured over swift, depersonalised contract-based negotiations. Deals may be finalised in informal settings over meals or drinks. Establishing relationships with senior representatives and demonstrating patience, rather than rushing to close a deal, will produce better outcomes in China.

Maintaining face is an important consideration for doing business in China. Losing face can result in a breakdown of relationships and unfavourable business outcomes. It is important to remain respectful and avoid loss of face. The Chinese business culture values harmony, and people are often reluctant to confront or refuse directly. A concern for social roles, respect and harmony influence communication and impact on business.

Guanxi, a term referring to a network of business or social relationships, has long been an essential element in Chinese relationships. Guanxi obliges both parties to do favours or provide connections for each other. Yet it is becoming less important among younger generations.

Hierarchy

Chinese culture emphasises hierarchy, requiring respect for elders and those in seniority in personal and professional settings. Entering and exiting a room according to hierarchical order and planning seating according to hierarchy is considered polite. Hierarchy also determines how decisions get made and often it will be the most senior person who leads the discussions. Junior employees will only speak if they are invited to by their leaders.

The importance of partnerships

Successfully navigating the Chinese business landscape often requires local talent, knowledge and expertise. Partnerships form an important model for doing business.

Building a partnership requires having relationships in place that can facilitate introductions. Introductions from Federal and State Government in-country representatives and trusted intermediaries can help Australian businesses build initial relationships and initiate first-round discussions on possible future deals.

After identifying a potential partner, it is essential to conduct due diligence. Due diligence on partners requires understanding their customers and clients, their reach across China's increasingly complex markets, support for product localisation and in-market reputation. It is essential to undertake reference checks and risk assessments before formalising local partnerships.

The strength of a local partnership brings advantages across multiple aspects of a commercial operation – from procurement and contracting to gaining credit. Importantly, a local partner can often assist with bureaucratic requirements, including company and product-specific registration processes. Austrade can help identify potential partners in China (details can be found in [Section 5.2](#)).

For a more detailed understanding of business culture, business etiquette, and building long-term and sustainable partnerships to deliver strong business outcomes, visit the [Asialink Business Academy](#).



2.2. Managing risks

While China offers opportunities for informed and well-prepared Australian businesses, doing business overseas can involve a range of new risks. These should be identified and mitigated as much as practicable – and managed carefully once business operations are established.

Risk factors in China



Economic – including the potential for government default (sovereign risk), fiscal, monetary and exchange rate risk.

What this means for your business in China

China's economy is relatively stable. Export Finance Australia considers China's overall investment risk to be low. However, heavily indebted state-owned enterprises and companies increase economy-wide risk. In response to weakness in the property sector and rising debt levels, Fitch revised China's A+ sovereign credit rating into negative territory in 2024. S&P gives China's short-term outlook an A-1 rating, with the expectation it will rise to A+ longer term.

Following a period of depreciation after the COVID-19 pandemic, China's yuan mostly recovered but remains weakened against the US dollar. China restricts currency convertibility and controls cross-border capital flows.

Potential mitigations for foreign exchange risk include forward contracts, foreign currency options and utilising foreign bank accounts and loans to manage currency inflows and outflows. Seek advice on your level of risk and potential mitigations.



Political – including the potential for political instability and restrictive government policies.

What this means for your business in China

The potential for instability is low as the Chinese Communist Party maintains control of the state and military. The Chinese Government tightly controls media and public discourse and prohibits political opposition. Localised protests occur occasionally in response to domestic issues.

Business should consider conducting political risk due diligence to understand the political exposure and affiliations of potential partners. You may also wish to explore political risk insurance as a potential mitigation.



Corruption – including the potential for bribery, embezzlement and conflicts of interest.

What this means for your business in China

China scores 42 out of 100 on Transparency International's Corruption Perceptions Index. Despite recent anti-corruption efforts, the persistence of corruption adversely impacts its business environment and poses risks for companies operating in China. Anti-corruption efforts and the digitalisation of public administration have helped to streamline and institutionalise the Chinese bureaucracy in recent years.

You should familiarise yourself with Australia's foreign corruption and bribery legislation and ensure you have a robust anti-corruption strategy before entering any foreign market. The Australian government recommends that businesses resist making facilitation payments, which are often difficult to distinguish from bribes.



Regulatory – including the potential for regulations that increase the cost of doing business, reduce the attractiveness of an investment or change the competitive landscape.

What this means for your business in China

Navigating China's evolving regulations, registration, licensing and permit systems can be challenging. Consumer goods categories are subject to frequent regulatory change making compliance time-intensive and costly. China's foreign investment regime remains restrictive. According to the Heritage Foundation's 2023 Index of Economic Freedom, China's overall score fell during the COVID-19 pandemic, with the country dropping from 'mostly unfree' to 'repressed'.

Austrade and state government trade bodies, along with trusted local partners, can help businesses understand and navigate China's complex and evolving regulatory landscape.



Intellectual property (IP) – including the potential for weak or underdeveloped IP protections and enforcement mechanisms.

What this means for your business in China

Although China has improved its intellectual property (IP) protection framework, IP infringement remains a challenge. Counterfeit and copycat products are prevalent, undercutting market prices and eroding sales. Foreign companies are subject to the Chinese Government's discretion in granting technology transfer arrangements and licensing infringement remain a concern for patent holders. The US Chamber of Commerce ranks China 24th out of 55 nations in its International IP Index.

Registration for patents, trademarks and copyrights can help mitigate IP risk. Trademarking both English and Chinese names is essential. Continual product development and brand updates can deter counterfeiting. There are also technology solutions such as RFID tags and QR codes to authenticate products.



Supply chain – including the quality of infrastructure, levels of corruption, corporate governance, supply chain visibility and timeliness.

What this means for your business in China

While supply chain resilience levels vary across China's regions, its risk rating is relatively high. China's distribution and logistics infrastructure is advanced but there are risks around environmental issues and modern slavery. China's imposition of trade impediments on a range of Australian commodities in 2020-21 demonstrated the speed at which the business operating environment can change.

Potential mitigations include supplier diversification, holding additional inventory, implementing new operating models and processes, and using Hong Kong as a hub for supply chain management. Technology is also providing improved analytics, sensors and automation.



Geopolitical – including the potential for trade relationships, security partnerships and territorial disputes to impact business activities.

What this means for your business in China

Australia and China share historic and cooperative bilateral ties, however both countries acknowledge that there are also big differences to manage. S&P Global rates US-China Strategic Competition as a global source of geopolitical risk. The IMF notes that geopolitical tensions, including the economic decoupling of China and the United States, may have an impact on global trade and investment.

Boards and leadership teams should familiarise themselves with geopolitical issues that may impact your business and, if relevant, develop plans in response to potential scenarios. You may also wish to seek external advice. Some larger businesses manage their level of exposure to China in their global portfolio.



Climate – including the potential for extreme weather events and rising sea levels to impact trade routes, supply chains and infrastructure.

What this means for your business in China

China is relatively vulnerable to climate change but also increasingly well prepared. The most severe risks to China's economy and population stem from the country's vulnerability to drought, flooding and heatwaves. These risks are likely to affect the agricultural sector and may disrupt supply chains. In response, the Chinese Government has set carbon emissions targets and adopted climate resilience strategies including the development of heat-resilient crops and better forecasting of extreme weather events.

Identifying and mitigating climate change risks—including their socioeconomic consequences—should be embedded in all elements of your strategy and operating model.

3. How to enter the market



Understanding a foreign business environment is key to a successful market entry. This chapter focuses on important considerations for businesses looking to enter China, including market entry models for exporters and investors, common business structures and adapting your product or service for the local market.



3.1. Exporting to China

China is Australia's top export market. As of 2023, Australian exports of goods and services to China made up 32.5 per cent of Australia's total exports. China is also Australia's largest trading partner, with two-way trade in goods and services cumulatively valued at AUD 326.9 billion in 2023.

Iron ore, natural gas, crude minerals dominate Australian exports, but other sectors offer promising opportunities, including food and agribusiness, healthcare, the green economy, technology and METS.

Market entry models for exporting goods and services

Choosing an appropriate market entry model is essential for businesses looking to export to China. Any choice should be informed by factors such as the overarching business strategy, target sector, and business size and maturity. Market entry models frequently evolve over time.

Market entry model

Usually suited for

Market entry model	Usually suited for
A. Direct exporting	Exporting products when more control is desired over distribution, marketing and sales
B. Agents and distributors	Exporting products when less control is desired over brand, marketing and sales
C. Daigou	Selling products to individual/retail buyers who then sell to their customers directly
D. Online sales	Selling products via e-commerce

A. Direct exporting

In direct exporting, businesses sell directly to a Chinese customer from Australia. Exporting directly to China requires a significant level of involvement in the export process, including market research, marketing, distribution, sales, product registration and approval, import-export licencing and receivables.

Businesses using this model may need to consider employing an agent or distributor to handle local product registrations, while still maintaining control over other aspects such as marketing and supply chain. Exporting directly to China requires engaging an 'importer', a company registered in China with an import and export licence to facilitate the entry and payment of goods.

Another direct export strategy is to establish a foreign-invested enterprise in China (FIE) most commonly taking the form of a wholly foreign-owned enterprise (WFOE), discussed further in 'market entry models' below.

Direct exporting has some advantages, including:

- Greater control of commercial processes, including sales
- Better margins, as middlemen are avoided
- More direct customer relationships

This approach will require businesses to engage with customers regularly to build awareness and understanding of the products they are selling on your behalf. In return, their understanding of the Chinese market can be applied to product development, pricing and marketing. Selling directly to local retailers can generally cut commissions, reduce expensive travel and create an effective conduit to market.

B. Agents and distributors

Many Australian firms doing business internationally rely on agents or distributors. The roles of agents and distributors differ, and they can vary across industry. It is therefore critical that roles and responsibilities are clearly defined early in any agreement.

Agents: Agents act as representatives of suppliers and do not take ownership of the products they sell. They are usually paid on a commission basis, which provides an incentive for them to drive sales. Being based in China, they will often represent several complementary products or services. They can be retained exclusively as the sole agent for a company's goods or services or as one of several for the exporter.

Distributors: Unlike agents, distributors buy the goods from exporters and then resell them to local retailers or directly to consumers. In some cases, a distributor may sell to other wholesalers who then on-sell to retailers or consumers. Distributors may carry complementary and competing lines and usually offer after-sales service. Their business model is to add margins to product prices. Distributor margins are generally higher than agent fees because distributors have costs associated with carrying inventory, marketing and extending credit for customers.

Choosing an agent or distributor: Whether using an agent or distributor, building a close working relationship is essential. Due diligence when selecting an agent or distributor is important. Companies should ask for trade references and seek a credit check through a professional agency. It is best to meet any potential agents or distributors in China. This gives them an opportunity to demonstrate knowledge of the market and to build a business relationship.

To navigate the complexities of the Chinese market, many Australian businesses benefit from working with invested distributors. It is important to conduct thorough due diligence before selecting a distributor. Time in market is an important consideration when choosing a distributor in China. As distributors have a high rate of closure, engaging an established distribution business reduces the risk of disruption to a business relationship. On the other hand, established distributors can lack the dynamism of younger companies.

WHEN CHOOSING AN AGENT OR DISTRIBUTOR, DO THEY...?

- ✓ Demonstrate an understanding of the products and prices of your competitors?
- ✓ Have a depth of experience in your sector and sub-sector?
- ✓ Have a depth of knowledge of the local market and sub-market?
- ✓ Demonstrate an understanding of consumer / customer trends?
- ✓ Have access to sales and / or marketing channels most relevant for your product?

C. Daigou

In China *daigou*, or “buying on behalf of”, is a channel through which an individual or an organisation buys goods in an overseas market and carries them into China for consumers there. This form of “export”, often of luxury goods, grew rapidly as incomes rose the 2000s and 2010s. *Daigou* can be a challenging export channel due to fluctuations in demand and a lack of supply chain visibility. Much of the trade conducted through *daigou* has moved online as e-commerce has boomed and stricter import tax regulations have been introduced.

D. Online sales

By early 2024, China had 1.76 billion active cellular mobile connections, a penetration rate of 123.6 per cent. Additionally, 76.4 per cent of its population is now online. China has extensive network infrastructure across the country and internet speeds that reach up to 1,000 Mbps.

China’s digital network underpins the growing popularity of online shopping. Already, more than 60 per cent of the population shops online, and 37 per cent of all retail purchasing is done via e-commerce. The country has become the world’s largest e-commerce market. It is set to grow further as rural areas are connected into the market through improved infrastructure and logistics. E-commerce in China is forecast to grow from AUD 3.2 trillion (CNY 15.13 trillion) in 2023 to AUD 5 trillion (CNY 23.65 trillion) by 2027.

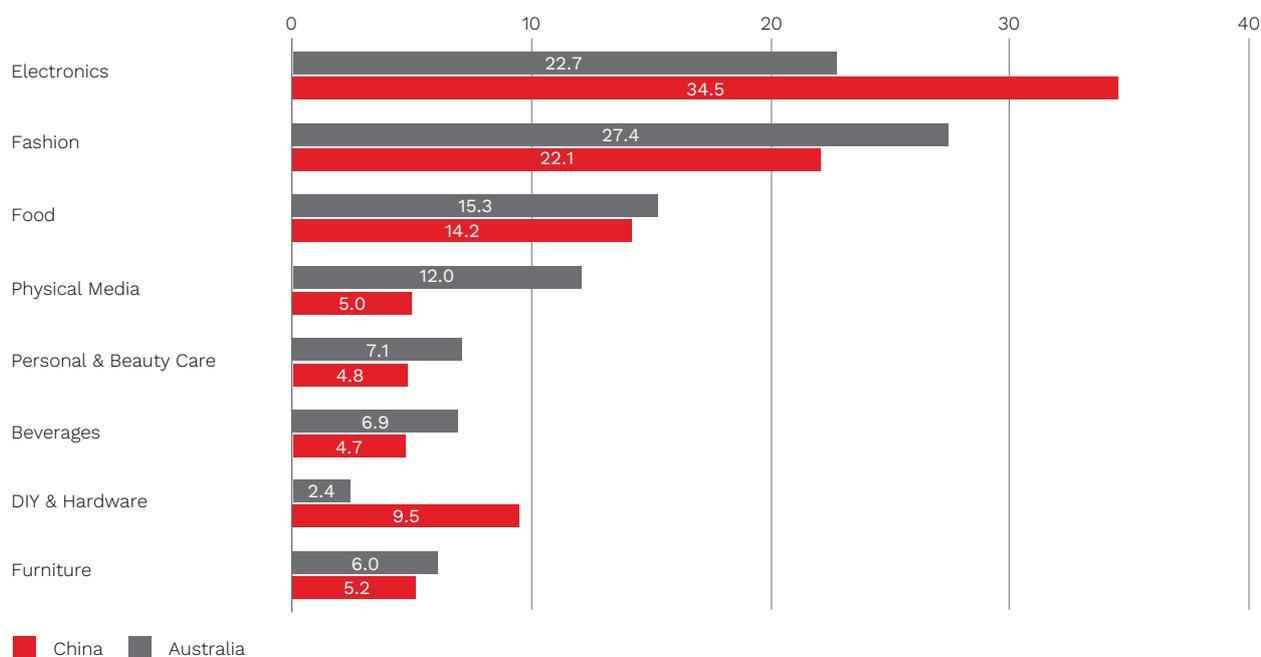
Accessing digital consumers: The number of internet users in China has grown rapidly and so has their time spent online. On an average, Chinese internet users spend an average of 5 hours 33 minutes online daily, with 80 per cent either shopping, participating in auctions or using classifieds apps.

International businesses increasingly sell products to Chinese consumers via cross-border e-commerce. In response to government policies streamlining administration and offering preferential tax treatment, Chinese cross-border e-commerce volumes grew by 15.6 per cent to reach CNY 2.38 trillion (AUD 503.2 billion) in 2023. China does not charge import tariffs and offers reduced value-added tax rates on online transactions below CNY 5,000 (AUD 1,057), or on annual transaction volumes under CNY 26,000 (AUD 5,497).

When selling directly to digital consumers in China, businesses have few administrative requirements and do not require a legal presence in the country. Additionally, Chinese e-commerce selling platforms can provide support with paperwork and customs processes.

Top products categories for online sales in China in 2023 were electronics, fashion, food, physical media, as well as personal and beauty care products. Australian businesses can expect online sales to continue growing as more Chinese people shop online for a broader variety of goods.

Figure 2: E-commerce spending on consumer goods (2023), % of total spending



Source: We Are Social

How to enter the market

Social media: By 2024 China had the world's highest proportion of social media users at 1.06 billion. The most popular social media platforms are Weixin (WeChat) with 87.3 per cent of internet users, Douyin (the sister app to TikTok) at 78.4 per cent, QQ at 59.8 per cent and Baidu Tieba with 58.8 per cent of users. Xiaohongshu, or 'Little Red Book, is known as the 'Instagram' of China. Its users are mostly women from high-tier cities.

Social media is an important marketing and sales channel for businesses to connect with both end consumers and potential distribution partners. Cross-border e-commerce sales can be explored before deciding to scale up distribution in China. 24.2 per cent of Chinese users discover new products on social media. Social commerce, which combines social media and e-commerce via livestreams and sales campaigns, is becoming increasingly popular. Between 2021 and 2023, the Chinese social commerce market grew by 40.3 per cent and is expected to continue expanding.

Search engines: Baidu is the dominant search engine in China, followed by Bing. Other key search engines, but with significantly smaller market shares, include Haosou, Sogou, Shenma and Google. A quarter of Chinese consumers use the internet to do research on products and brands.

Search engine	Market share (%)
Baidu	52.11%
Bing	31.53%
Haosou	7.21%
Sogou	4.36%
Shenma	1.88%
Google	1.83%

Figure 3: China's thriving digital economy can offer compelling opportunities for Australian businesses who learn to navigate the local ecosystem.

	Western Platforms	Chinese Platforms		Western Platforms	Chinese Platforms
Messaging			Photo Sharing		
E-Commerce			Video Entertainment		
Social Networking			Music Platforms		
Search Engine			Lifestyle/Design		
Food Delivery			Professional Networking		
Q&A Forums			Encyclopedia		
Blogging			Film & TV Reviews		

Source: China Social Media Platforms Guide, United Media Solutions.

Online sellers and marketplaces: China has multiple large online marketplaces. The market leaders are Taobao and Tmall, both owned by Alibaba, Douyin, Xiaohongshu, JD.com and Pinduoduo. Smaller players include Gome, Dianping, Suning, Moguige and Jumei.

Platform	Key product range	Estimated monthly traffic	Website
Taobao	Clothing, food and beverages, consumer electronics, infant care, health products, supplements and sports equipment	275.6 million	taobao.com
Douyin	Food and beverages, beauty, skincare, fashion and consumer electronics	231.6 million	douyin.com
Pinduoduo	Apparel, infant care, food and beverages, cosmetics, personal care, sports, fitness and automobile accessories	354.4 million	pinduoduo.com
Xiaohongshu	Fashion and beauty, healthcare, infant care, travel, food, technology and automobiles	151.5 million	xiaohongshu.com
JD	Electronics, fashion, beauty, home appliances, food, healthcare, jewellery, watches, automobile accessories, infant care and books	133.4 million	global.jd.com





3.2. Investing in China

Investment environment

In 2023, foreign investment into China stood at its lowest level in 30 years. Australian investment into China declined at an average annual rate of -7.8 per cent between 2018 and 2023, making China Australia's 13th-largest outward investment destination. The decline reflects China's slowing growth and the impact of political and trade tensions in the Pacific. In addition, foreign investors face difficulties conducting due diligence on investee companies. Some consulting firms conducting due diligence in China have been subject to increased scrutiny and raids by Chinese authorities.

The China (International) Investment Promotion Agency (CIPA) seeks to attract investment into the country and supports Chinese investment overseas. It also promotes investment in the various industrial parks and technological development zones.

THE CHINESE GOVERNMENT OFFERS A RANGE OF BUSINESS INCENTIVES TO ENCOURAGE FOREIGN INVESTMENT INTO THE COUNTRY.

- **Subsidies for foreign investment in select regions:** Guangdong's provincial government offers grants of AUD 32 million (CNY 151.3 million) to foreign invested enterprises (FIE) investing more than AUD 76.3 million (CNY 360.8 million). As well as offsetting an additional three per cent of their total investment in high-tech manufacturing.
- **Liberalisation of ownership in value-added telecommunication services:** The Ministry of Industry and Information Technology (MIIT) increased the foreign-ownership permitted in value-added telecommunication services in Beijing, Shanghai, Hainan and Shenzhen, to 100 per cent up from a 50 per cent cap. Additionally, foreign-invested telecommunication companies will be treated at par with domestic enterprises.
- **Expansion of sectors open to investment:** In 2022, China's National Development and Reform Commission (NDRC) increased the number of manufacturing activities open to foreign investors including component manufacture in autonomous driving, advanced manufacturing as well as in the energy saving and environmental protection sectors.

Investment rules and regulations

Regulatory complexity and caps on foreign ownership in some sectors make China a challenging investment market. Mandatory technology transfer requirements designed to bolster the country's self-sufficiency can be prohibitive to foreign investors.

China maintains a "negative list" restricting foreign investment in certain sectors. Investment is prohibited in tobacco wholesale, stem cell and genetic treatments as well as film and television production. Investment is permitted, but limited and subject to government approval, in automobile manufacturing, energy, banks and financial institutions, agriculture, transportation and utilities. This list is not exhaustive and foreign investment may be curtailed in other sectors as well.

China also promotes an "encouraged list" of sectors it wishes to attract greater foreign investment into, including cotton production, oil exploration, aquaculture and viticulture. Incentives for investments in these sectors include tax cuts, duty-free import of equipment and rent relief.

In recent years the government has taken steps to open new sectors to foreign investment, particularly in research, technology, green energy and power trading. In addition, the Chinese authorities aim to level the playing field between domestic and foreign invested enterprises in relation to procurement and cross-border data transfers. The Foreign Investment Law, which came into effect in 2020, streamlined the process for setting up joint ventures and establishing business entities in China.

The key government agencies that oversee FDI and related matters in China are the NDRC, the Ministry of Commerce (MOFCOM) and the State Administration for Market Regulation (SAMR).

Market entry models for investing

Choosing an appropriate market entry model is essential for businesses looking to invest in China. A business' size, sector and growth strategy will help determine which market entry model fits best. Investment models frequently evolve over time as businesses enter and expand in a market. Seek professional advice on the best structure for your business.

Market entry model	Usually suited for
A. Representative office	Exploring the market and marketing and promotion activities. Cannot conduct business that generates revenue
B. Wholly Foreign Owned Enterprise	Establishing a local business with full ownership
C. Joint venture	Establishing a specific business project with one or more Chinese partners
D. Franchising	Selling localised products or services



A. Representative office

Establishing a representative office (RO) in China can be an economical initial step for foreign companies looking to explore business opportunities in the region. ROs are easy to set up and enable foreign companies to utilise teams on the ground in China. An RO does not have independent legal status and as such, any contract signed by the RO is considered a contract signed directly with the foreign company.

ROs are restricted in the scope of activities they can undertake in China. They cannot directly engage in profit-making and are restricted to performing market research, advertising and publicity. ROs can only employ staff locally through qualified labour dispatch agencies. Although ROs do not earn revenue, they are liable to pay tax in China.

Establishing a representative office in China

Step	Procedure	Timeframe
1	To set up an RO, the overseas parent company must have already been in existence for two years	At least 2 months
2	Obtain notarised & legalised documents and requisite certificates	
3	Set up necessary accounts & chops	

B. Wholly Foreign Owned Enterprise

A Wholly Foreign Owned Enterprise (WFOE) is entirely owned by one or more foreign investors and is registered as a limited liability company. WFOEs are permitted to engage in direct business activities in China and to issue invoices in the local currency (CNY).

WFOEs are the preferred approach for companies eager to ensure their intellectual property and technology are protected as they do not require the participation of a local partner.

Establishing a WFOE in China

Step	Procedure	Timeframe
1	Choosing a Chinese business name	1-3 months
2	Preparing documentation to register the WFOE	
3	Applying for the (necessary) business licence	
4	Registering for taxes	
5	Registering with other authorities – Seals office, SAFE, Social welfare bureau and housing fund bureau for employees and customs and e-port for trading business	
6	Opening a corporate bank account	



C. Joint Venture

Foreign companies can set up a joint venture (JV) with Chinese partners. This structure is beneficial for businesses looking to invest in restricted sectors. A local Chinese partner can provide knowledge and contacts as well as help business partners to navigate China's complex regulatory environment.

JVs offer several benefits but setting them up can be a cumbersome process. While there is no compulsory minimum registered capital for a JV, changes to the Company Law in 2023 require shareholders to fulfil their capital subscription obligations within five years of a company's inception.

Establishing a JV in China

Step	Procedure	Timeframe
1	Pre-approval and name registration	5-6 months
2	Application with the Administration for Market Regulation	
3	Carving of company chops	
4	Bank account opening	
5	Tax registrations	
6	Import/export license application (if applicable)	

D. Franchising

Franchising allows business owners to retain a measure of control while harnessing the energy of franchisees to drive expansion. Franchises project a company's reputation and brand, and while it can be expensive, building a network of franchises is generally cheaper than owning and operating retail or branch offices in foreign markets.

China's large population and shift towards a consumer economy offer an attractive opportunity for franchisors. Rules and regulations around franchising have been clarified in recent years, making it an attractive approach to the Chinese market. Foreign businesses are now permitted to operate businesses without the need to create a Chinese legal entity. Franchising is a popular model for Australian brands looking to sell goods and services in China, particularly in food and beverage, retail and business services.

Franchising in China must fulfil the requirements set out by the Commercial Franchise Administration Regulations Ordinance No. 485 of 31 January 2007. A franchise must contain three elements: a) the franchisor grants operators the right to use the franchisor's resources' b) franchisees must conduct business under a uniform mode of operation; and c) franchise fees must be paid to the franchisees as per the agreement. Additionally, businesses must also adhere to the franchising regulations, namely the Commercial Franchise Record Filing Administrative Measures, Ministry of Commerce Decree No. 5 of 2011 and the Commercial Franchise Information Disclosure Administrative Measures, Decree No. 2 of 2012.

Australian businesses seeking an entry via franchising should conduct research, assess the IP legislation, conduct due diligence and seek local resources to ensure compliance and mitigate risks.

Establishing a franchise in China

Step	Procedure	Timeframe
1	File with commercial authorities within 15 days of date of execution of initial agreement with franchisee	At least 2 months
2	Public announcement on the website of Ministry of Commerce within 10 days of date of receipt	
3	Disclosure of franchising general information, terms and conditions and other information 30 days prior to signing agreement	



3.3. Go to market strategy

Success in China's large complex market requires businesses to tailor their product or service to the market. This should be based on detailed analysis of consumer trends, price consciousness, branding, marketing and advertising, and payment methods.

Five decades of growth have resulted in substantial per capita income increases for the 500 million members of China's middle class. Rapid income growth and fast-changing consumer preferences make this a dynamic market. Despite the slowing of

China's economic growth in recent years, its middle class is expected to continue expanding, facilitating spending on discretionary products and services. Rising prices have subdued consumer sentiment but demand will continue to drive spending on education, food and beverages, travel and healthcare.

In 2023, China's per capita disposable income reached AUD 8,292 (CNY 39,218), growing 6.3 per cent year-on-year. For Australian businesses looking to enter the Chinese market, understanding the behaviours, aspirations and spending patterns of this emerging consumer group is essential.

Consumer trends in 2023

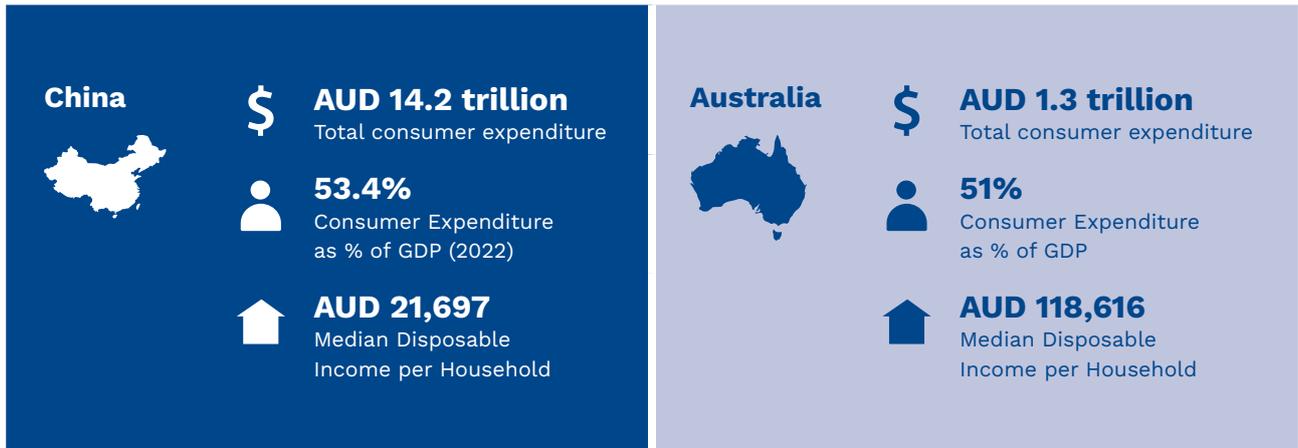
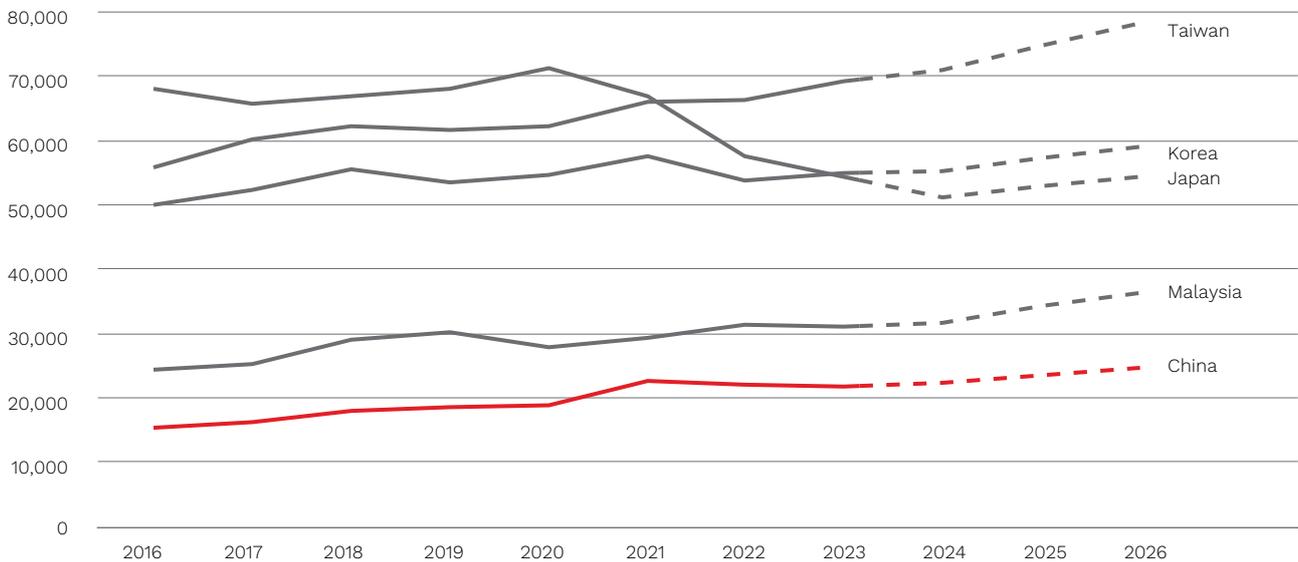


Figure 4: Median disposable income per household (2016–2026f), AUD, current prices



Source: Euromonitor International

Price consciousness

While Chinese per capita incomes increased at a rate of 4.2 per cent between 2021 and 2023, the cost of living increased by 5 per cent. More than half of Chinese consumers site concerns about rising prices.

COVID-19 heavily influenced consumption patterns in China. Despite efforts to restore consumer confidence, the country is estimated to require an additional AUD 634.3 billion (CNY 3 trillion) in public investment to restore consumption to pre-pandemic levels. However, China's consumer confidence remains higher than many advanced economies such as German, Japan and the United Kingdom.

Branding

Branding is as critical in China as in any market, and companies need to research and understand the specific tastes of consumers to achieve success. A failure to respond to changing trends and consumer preferences could result in conceding market share to local brands that respond quickly to changing consumer preferences.

Investing time in understanding consumer preferences and the evolving competitive landscape will enable Australian businesses to position their products to compete with local rivals. Although, gaining access to consumer data can be challenging in China where laws restrict the collection, storage and transfer of data.

Chinese consumers are increasingly willing to spend more on better quality products across many categories. Brand name and prestige are important in the market. Australian businesses in some sectors enjoy a branding advantage. Australian products have a strong reputation for high quality and safety standards, particularly in health, wellness and beauty. An emphasis on Australian origin can also be a marketing asset in the food and beverage and agricultural sectors.

Austrade's [Nation Brand toolkit](#) provides a range of free branding assets for businesses looking to export.

Marketing

International trade shows are popular in China. Between 2024-2025 China plans to host more than 500 trade shows in sectors such as transport and logistics, renewable energy, power, food and agribusiness and education. Trade shows, such as the China International Import Expo (CIIE), provide an effective starting point for businesses to gauge reception to their products or services and can be a useful platform for finding local partners. Australian federal and state trade agencies often organise delegations to these trade shows.

Paid online search campaigns through online platforms such as Baidu and social media services including Weibo, WeChat, Little Red Book and Douyin can be effective in China. Marketing campaigns and sales promotions during major festivals, such as the 520, China's equivalent of Valentine's Day, are a good way to reach target audiences.

Localising marketing efforts is important in China. Chinese consumers and team members in the Australian community can be a helpful source for gaining insights and refining approaches for Chinese audiences. Foreign marketing campaigns should consider local expressions and cultural references when the content is translated for Chinese audiences. False or misleading marketing is a serious issue in the country, especially in relation to health, property, safety and social media offerings. Foreign businesses are encouraged to work with trusted marketing firms and Chinese consumers in the Australian community to gain insights as well as to navigate the regulatory landscape and to develop effective strategies tailored to Chinese consumer preferences.



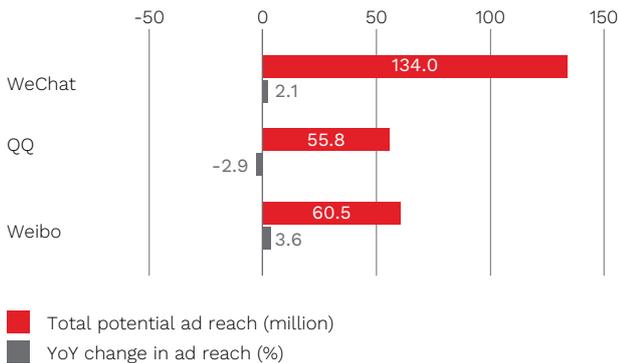
Advertising and media

China's wide internet and e-commerce penetration make digital advertising an essential business strategy. In 2023, digital advertising expenditure stood at AUD 274.9 billion (CNY 1.3 trillion), of which 30.8 per cent was dedicated to online search.

Social media and influencer marketing strategies also drive sales in China. Livestream shopping, combining live video broadcasts and real-time customer interactions, is gaining in popularity. These live-stream promotions can be hosted outside of China, often at locations that aim to grab the attention of Chinese consumers, such as popular tourist destinations and flagship retail stores. Chinese sellers are also experimenting with innovative technologies such as virtual hosts and digital avatars.

Advertising in China is subject to strict regulation, with both national and provincial governments exercising control over content. The Advertising Law prohibits online advertising to internet users without their prior consent, it also requires pop-up adverts be easily closed with one click and that unsubscribing be made easy.

Figure 5: Digital advertising audiences in China (2023)



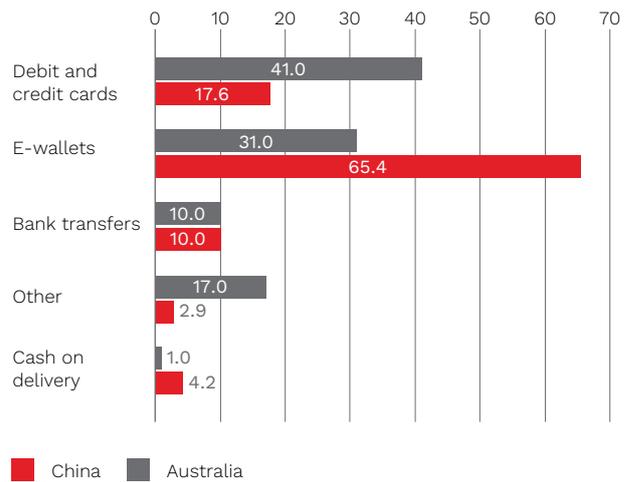
Source: We Are Social

Digital payments

Rapid digitalisation, deep mobile internet penetration, and the integration of digital payments into social networks have made China a global leader in digital payments. In 2023, the value of electronic payment transactions was AUD 717.89 trillion (CNY 3395.27 trillion). Today, the country is largely cashless, with more than 80 per cent of daily consumer transactions conducted via mobile platforms. Most payments are made by tapping smartphones or scanning QR codes. The payment market is dominated by Alipay, We Chat Pay and UnionPay.

China is piloting the use of the e-CNY, or 'digital yuan', a central bank digital currency. Uptake has been rapid. In the first six months of 2023 the digital currency saw 950 million transactions totalling AUD 380.6 billion (CNY 1.8 trillion). China is also developing a multi-central bank digital currency program to facilitate real-time, cheap, secure and efficient cross-border payments and settlements.

Figure 6: Payment methods for B2C e-commerce (2023), %



Source: We Are Social

3.4. Developing your market entry strategy

A well-considered market entry strategy should take a systematic approach that supports long-term success. This section summarises the factors businesses should consider when formulating an approach to the Chinese market into a series of key questions.

Asialink Business provides advisory services and capability training programs to help organisations understand and access opportunities in Asian markets. Should you have questions about any aspect of your China market entry strategy, please [contact us](#). Austrade has several offices in China that provide services and support to Australian businesses with an interest in China (details can be found in [Section 5.2](#)).

CALIBRATING AMBITION



- What is your company's aspiration for the market?
- What are the challenges and risks you will need to mitigate?

CONSUMERS



- What is the current or potential demand for your product or service in China?
- Who are the primary customers / consumers for your product or service in the market?
- How will you tailor your product or service to local preferences?

COMPETITORS



- Who are your competitors in the market, and what is their offering?
- How does your product or service compare to competitors on price?

SALES, BRAND AND MARKETING



- What is your unique value proposition for the market?
- What is the ideal mix of marketing and sales channels to reach your target customers?
- Is your marketing strategy aligned with your identified consumer base and value proposition?

MODE OF ENTRY



- What is the right market entry model for your business?
- What are the specific geographies you should target?

DELIVERY PARTNERS



- Does your team have the right mix of skills and expertise to support your market entry?
- What partnerships will contribute to your business' success in the market?
- What external advice do you need to commission?

OPERATING MODEL



- What changes do you need to make to your business across areas such as operations, HR, finance and IT?

4. Business practicalities



Australian businesses need to be aware of business practicalities when operating in China. The information in this chapter presents an overview of the main areas that need to be considered – including regulations, customs duties, taxation and accounting, employment law and banking.



4.1. Laws and regulations

Land and property rights

All land in China is owned by the Chinese Government or farmers' collectives. Long-term land leases can only be issued by the government to businesses or individuals, including foreigners. However, these are subject to restrictions and complicated processes.

Although foreigners cannot own land in China, Australian businesses can gain land use rights through wholly foreign-owned enterprises or joint ventures. But rules can change at short notice. Foreign investors have found their land use rights revoked in the past to facilitate government projects.

To ensure compliance and mitigate risks, Australian investors must perform thorough due diligence with respect to property leasing in China.

Cybersecurity

China's cybersecurity and information technology initiatives are governed by the Cybersecurity Administration of China (CAC). The CAC is responsible for drafting policies, making legal standards and strategies to ensure the authenticity and security of all infrastructure pertaining to information. Additionally, there are industry-specific bodies that oversee compliance with Chinese cybersecurity laws. These include the Ministry of Industry and Information Technology, which regulates the IT and industrial sectors and the People's Bank of China, which oversees cybersecurity in the financial sector.

China's Cybersecurity Law protect critical information infrastructure, data and individual privacy. The law requires companies, including foreign enterprises, to store personal information or data generated in China domestically. Companies that fail to comply can face business suspension, license revocation or penalties of up to CNY 1 million (AUD 211,439).

Australian companies looking to enter China must navigate stringent data protection regulations, and potentially invest in local data centres to ensure compliance with China’s cybersecurity standards.

Intellectual property (IP)

China is party to several international IP treaties, namely the Paris Convention, Berne Convention, Nice Agreement, Hague Agreement, WIPO Convention, the Madrid Protocol, the Patent Cooperation Treaty and the Marrakesh VIP Treaty.

The China National Intellectual Property Administration (CNIPA) oversees approval for patents, trademarks, geographical indications and layout designs of integrated circuits, while the State Administration for Market Regulation (SAMR) manages their enforcement. Despite the regulations in place, IP rules are not always adhered to in China.

Domestic IP registration is necessary to protect IP in China. Because China uses the “first-to-file” principle, Australian companies introducing innovative products into the market should prioritise registering their IP rights in China at the earliest opportunity. Organisations are encouraged to be vigilant and take steps to protect against IP theft and address infringements swiftly.

Protection	Detail	Duration
Patents	Only registered patents are valid and protected. China grants invention patents, utility model patents and design patents. Design patents give legal rights to its owner in terms of the shape, design, pattern or its combination of a product.	Invention: 20 years from application date Utility model: 10 years from application date Design: 15 years from application date
Copyright	A copyright is administered and enforced by the copyright administration department under the State Council along with its local branches. Copyright of a work belongs to its author who has the right to authorise another person to use the copyright after a mutual agreement.	Indefinite period
Trademarks	Trademarks are legally protected and their holders have exclusive rights on their use. Trademarks are required to be registered with the China National Intellectual Property Administration (CNIPA).	10 years
Geographical Indications (GI)	Provides assurance to consumers that a product comes from a specific region and has certain qualities or reputation attributable to that region. Foreign enterprises must furnish proof that the GI enjoys legal protection in its own country.	10 years

Violation of IP and enforcement options:
Businesses seeking to enforce their IP rights in China have several options depending on the type of dispute. IP recourse can be filed through administrative, civil or criminal enforcement. Businesses can also approach China Customs to seize and destroy goods that infringe on their IP rights. IP disputes in China are heard by the Peoples’ Courts, as well as the country’s four specialised IP Courts and IP tribunals.

Businesses should ensure they maintain all documents regarding their IP rights and consult expert IP counsel in China. Businesses can also consult [IP Australia](#) for advice.

4.2. Customs duties

Import duties and tariffs

China has been a World Trade Organization member since 2001. It imposes Most-Favoured-Nation (MFN) import tariffs on goods and services from other WTO members. These rates vary by product. In 2023, the simple average MFN tariff rate for imports was 7.5 per cent, 14 per cent for agricultural products and 6.4 per cent for non-agricultural products. In 2024, China reduced import duties on goods such as medical products, critical equipment, resources and some agricultural products.

Australian exports to China qualify for preferential rates under the China-Australia Free Trade Agreement (ChAFTA) and the Regional Comprehensive Economic Partnership (RCEP). ChAFTA benefits Australian agricultural goods exporters through the reduction, or elimination, of tariffs on seafood, lamb, horticulture, dairy, beef, wine and wool. Similarly, by 2029, almost all resources, energy and manufacturing exports to China will enter the country duty-free.

Registration with the China Import Food Enterprise Registration (CIFER) system is mandatory for Australian businesses exporting food products to China. The General Administration of Customs of the People's Republic of China (GACC) oversees CIFER and Chinese authorities evaluate every application.

To find the tariff rate for specific goods from Australia, visit the Department of Foreign Affairs and Trade's FTA portal at fta.portal.dfat.gov.au and DFAT's [guide on using ChAFTA](#) for technical market access information for agricultural products.

Calculations and payments

China follows the WTO Valuation Agreement on imported goods. Import duty is calculated by multiplying the imported good's dutiable value by the corresponding import duty rate. The dutiable value of imported goods is typically based on the cost, insurance and freight level under the International Commercial Terms. Import duty in China is charged based on customs valuation of the goods.

Other taxes and charges

VAT is applied to all imports into China, at a standard rate of 13 per cent for most goods, and a reduced rate of 9 per cent for necessities such as agricultural products and utilities.

China also imposes a consumption tax on imports considered harmful such as tobacco or alcohol, automobiles and luxury goods including jewellery and cosmetics products.

All duties and taxes are paid on goods valued at more than CNY 300 (AUD 63).

The payment of customs duty, import VAT and consumption tax can be exempted in the case of raw material imports on the part of the raw materials that are re-exported after processing.

Export duties

In 2024, China imposed export tariffs on 107 products. Of these, interim duty rates are applicable to most, which means the duty is lower on these products than the usual tariffs levied on their exports.

Import and export regulations

China uses an automatic import licensing system to regulate imports for mechanical and electronic products. Importers of these products must obtain an Automatic Import Licence from the Ministry of Commerce (MOFCOM) before completing customs procedures.

China prohibits the import of arms, counterfeit currencies, harmful media, poisons, illicit drugs, diseased animals and plants, local currency and harmful food items. It also restricts the import of commodities related to the processing trade, including used garments, licentious publications, industrial waste and junk.

In most cases, when exporting to China, the importer puts together the documents required to import goods. The documents required vary by product, but typically include a commercial invoice, bill of lading, shipping list, packing list, customs declaration, insurance policy and sales contract. Some products also require import quota certificates, import licenses, inspection certificates or safety licenses.

More information on import and export regulations can be found at english.customs.gov.cn.





4.3. Taxation

The State Taxation Administration (STA) is responsible for tax collection and enforcement of state revenue laws in China. Its functions include drafting tax laws and regulations, formulating tax and economic policies as well as tax collection. China is taking steps to make its tax system more transparent for businesses.

This section provides an overview of the taxes Australian businesses must consider while operating in China. Not all applicable taxes are covered in this guide and the information provided is of a general nature. Businesses should seek professional tax advice for understanding the taxes specific to their activities.

Table 1: Overview of China's taxes for businesses

Tax	Tax rate (%)
Corporate income tax (CIT)	5-25%
Capital gains tax	20%
Value-added tax (VAT)	6-13%
Withholding	
Dividends	15%
Interest	10%
Royalties	10%
Other taxes	
Real estate tax	1.2%
Land appreciation tax	30-60%
Stamp tax	0.005-0.1%
Deed tax	3-5%
Urban construction and maintenance tax	7% (urban areas) 5% (county areas) 1% (other areas)
Educational surtax	3%
Local educational surtax	2%
Motor vehicle acquisition tax	10%
Cultural business development levy	3%

Corporate Income Tax (CIT)

Under the CIT law, the standard tax rate in China is 25 per cent for both resident as well as non-resident companies if they generate income within China. CIT is settled annually but typically paid quarterly.

However, there are exceptions and companies engaged in certain activities qualify for lower rates. For example, a reduced CIT rate of 15 per cent can be enjoyed by new and high-tech enterprises as well as pollution control and prevention firms.. Key software and integrated circuit design companies are charged 10 per cent CIT after a five-year CIT exemption. Technology-advanced service enterprises can benefit from a 15 per cent CIT rate as well. Meanwhile, small enterprises with an annual taxable income below CNY 3 million (AUD 634,317) pay only 5 per cent CIT to the end of 2027.

Personal income tax

Residents in China are subject to individual income tax (IIT) on their worldwide income, while non-residents are taxed only on income generated in China. Individuals who have resided in China for 183 days or more in a year are considered Chinese tax residents. However, according to a rule change in 2024, a non-resident pays tax on their Chinese income if they have been outside of the country for 183 days each year for the past six years, or if they have left China for more than 30 days in a single trip.

China employs a progressive tax system and assesses income on a monthly basis. The highest tax rate payable for residents and non-residents is 45 per cent. For both residents and non-residents, a deduction is permitted, see the table below.

Australia has a double taxation agreement (DTA) with China. Individuals are advised to seek advice from a professional with knowledge of tax law in China and Australia to ensure compliance with the DTA.

The tax payable by residents is calculated using the following formula:

(Annual taxable income x Tax rate) - Quick deduction

Individual tax rates – Employment income (for residents)

Annual taxable income	Tax rate (%)	Quick deduction
CNY 0 (AUD 0) to CNY 36,000 (AUD 7,612)	3%	0
Over CNY 36,000 (AUD 7,612) to CNY 144,000 (AUD 30,447)	10%	CNY 2,520 (AUD 533)
Over CNY 144,000 (AUD 30,447) to CNY 300,000 (AUD 63,432)	20%	CNY 16,920 (AUD 3,578)
Over CNY 300,000 (AUD 63,432) to CNY 420,000 (AUD 88,804)	25%	CNY 31,920 (AUD 6,749)
Over CNY 420,000 (AUD 88,804) to CNY 660,000 (AUD 139,550)	30%	CNY 52,920 (AUD 11,189)
Over CNY 660,000 (AUD 139,550) to 960,000 (AUD 202,981)	35%	CNY 85,920 (AUD 18,167)
Over 960,000 (AUD 202,981)	45%	CNY 181,920 (AUD 38,465)



The tax payable by non-residents is calculated using the following formula:

(Monthly taxable income x Tax rate) - Quick deduction

Individual tax rates – Employment income (for non-residents)

Monthly taxable income	Tax rate (%)	Quick deduction
CNY 0 (AUD 0) to CNY 3,000 (AUD 634)	3%	0
Over CNY 3,000 (AUD 634) to CNY 12,000 (AUD 2,537)	10%	CNY 210 (AUD 44)
Over CNY 12,000 (AUD 2,537) to CNY 25,000 (AUD 5,286)	20%	CNY 1,410 (AUD 298)
Over CNY 25,000 (AUD 5,286) to 35,000 (AUD 7,400)	25%	CNY 2,660 (AUD 562)
Over CNY 35,000 (AUD 7,400) to CNY 55,000 (AUD 11,629)	30%	CNY 4,410 (AUD 932)
Over CNY 55,000 (AUD 11,629) to CNY 80,000 (AUD 16,915)	35%	CNY 7,160 (AUD 1,514)
Over CNY 80,000 (AUD 16,915)	45%	CNY 15,160 (AUD 3,205)

Individuals who earn an income from privately-owned businesses, sole proprietorship enterprises or partnerships are usually subject to IIT at progressive rates ranging from 5 to 35 per cent.

Individual tax rates – Business income from privately-owned businesses, sole proprietorship enterprises or partnerships

Annual taxable income	Tax rate (%)
CNY 0 (AUD 0) to CNY 30,000 (AUD 6,343)	5%
Over CNY 30,000 (AUD 6,343) to CNY 90,000 (AUD 19,030)	10%
Over CNY 90,000 (AUD 19,030) to CNY 300,000 (AUD 63,432)	20%
Over CNY 300,000 (AUD 63,432) to CNY 500,000 (AUD 105,720)	30%
Over CNY 500,000 (AUD 105,720)	35%

China also imposes a flat IIT rate of 20 per cent on other kinds of income including incidental income, interest income, dividends, capital gains and rental income.

Indirect taxes

Value Added Tax: VAT applies to businesses and individuals involved in the sale of services, intangible assets or immovable property within China. VAT rates range from 6 to 13 per cent on the newly created value throughout various stages of production, distribution and services, targeting the added value of a product.

Consumption Tax: Organisations and individuals that manufacture, subcontract or import certain goods into mainland China pay a consumption tax. The consumption tax rates are calculated based on the value of the transaction. These goods include tobacco, alcohol, cosmetics, precious jewellery and stones, firecrackers, processed oil, automobile tires, motorcycles, motor vehicles, golf equipment and facilities, luxury watches, yachts, disposable wooden chopsticks and wooden flooring.



4.4. Audit and accountancy

Auditing and accountancy play a vital role in enhancing transparency and accountability in a business, especially one engaged in a foreign market. It increases business performance by identifying risks and highlighting areas for improvement.

Accounting standards

China's accounting rules are known as the Chinese Accounting Standards (CAS). While the CAS has moved toward aligning with the International Financial Reporting Standards (IFRS), differences in implementation and interpretation remain. CAS comprises the Accounting Standards for Business Enterprises (ASBEs), which most foreign enterprises also follow, and the Accounting Standards for Small Business Enterprises (ASSBEs).

In ledgers and financial reports, the CNY is the base currency. Companies that use other currencies in business can use those foreign currencies as the functional currency, but will need to present their financial reports in the local currency. Similarly, all accounting records must be maintained in Chinese.

Australian businesses operations in China should review the differences between the two jurisdictions to ensure their records are compliant with both countries' accounting requirements.

Statutory audits

In China, all foreign-invested enterprises must prepare complete annual statements for an annual statutory audit. These audits are conducted by Certified Public

Accountants (CPAs) registered in China. The CPAs follow the Chinese Independent Auditing Standards (CIAS) set by the Chinese Institute of Certified Public Accountants (CICPA) in performing the statutory audit. For accounting purposes, there are no major differences between the accounting standards for domestic and foreign enterprises.

Overseas repatriation of profits and dividends is permitted once audited financial statements have been filed and tax liabilities settled.

Books and records

In China, all financial reports and ledgers must be maintained in RMB (CNY). Accounting records must be maintained in Chinese, but foreign companies have the option to use a combination of Chinese and another language for their records.

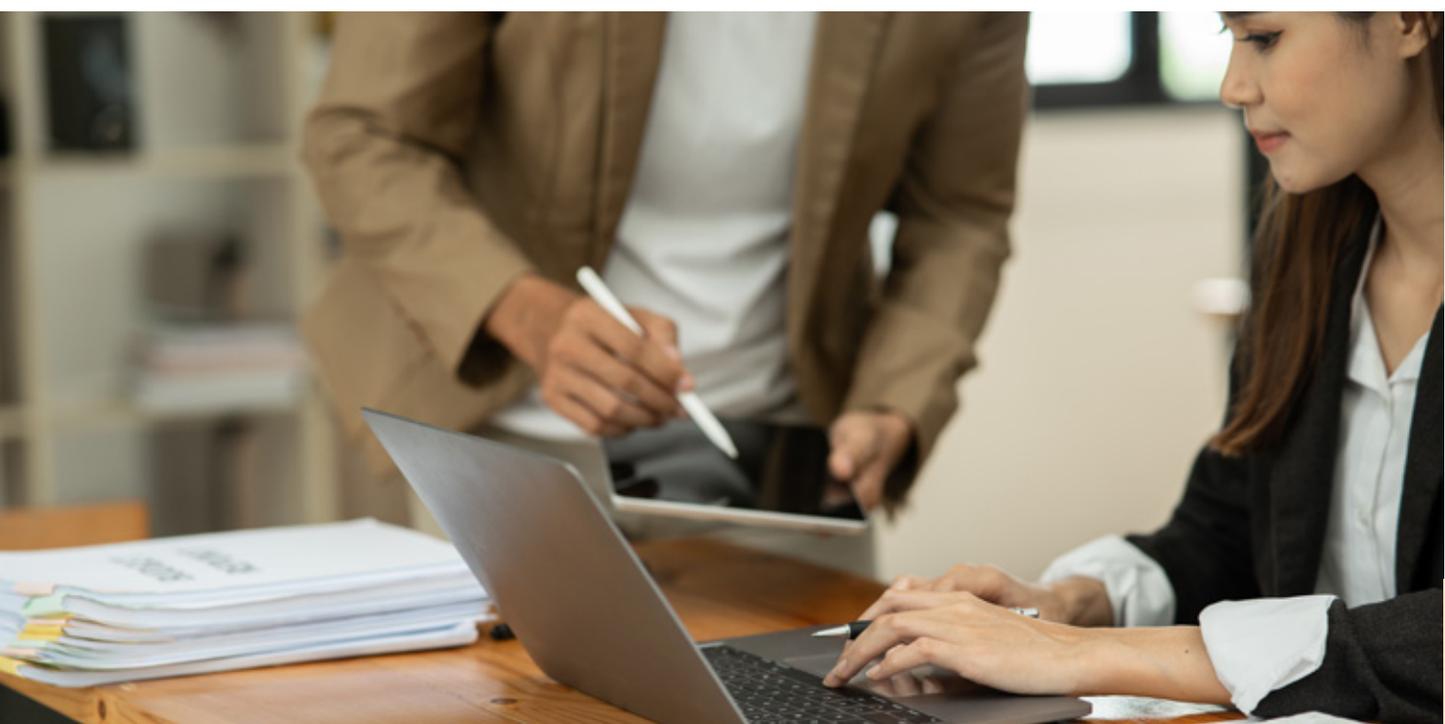
The fiscal year in China runs from January 1 to December 31, and annual corporate income tax must be filed by 31 May. Businesses in China must preserve their books and records for at least 10 years.

Quality control

The Accounting Regulatory Department, which is part of the Ministry of Finance of China, sets accounting standards for businesses in China.

While foreign companies can reconcile their CIT up to May 31 every year, compliance investigations by the tax bureau could continue until the end of the year.

There are no members from China in the International Forum of Independent Audit Regulators (IFIAR).



4.5. Employing workers

Doing business in China will often require employing local and foreign workers. Understanding China's labour market regulations, recruitment methods and country-specific management styles is crucial to building and supporting an effective team.

Labour market

Skill level: China has 200 million skilled workers, of whom 60 million are considered highly skilled. In 2023, China's labour force participation rate was 75.9 per cent, and unemployment remains relatively constant at 5 per cent. Youth unemployment declined from 21.3 per cent in mid-2023 to 14.2 per cent in May 2024, but remains a policy concern. China's labour market suffers a mismatch as with employers struggling to recruit skilled workers while many young graduates are unable to find jobs.

To increase the skill level across its population, the country is investing in modern vocational training systems, as well as science, technology, engineering and mathematics education to pivot toward high-tech industrial growth.

Forced labour and the prevalence of unsafe working conditions remains a concern in China. Workers often work long hours at very low wages and have little or no recourse to voice their concerns.

Employment contracts: The Contract Law (2008) and the Labor Law (1994) govern laws around employment in China. Employment contracts must be provided to employees within one month of hiring and be written in Chinese.

There are three types of labour contracts in China:

Contract type	Type of work	Contract period
Fixed-term contract	Full-time or part-time work	Fixed length of time
Non-fixed term contract	Permanent employment	Indefinite
Job contract	Specific task or project-based	Until the task is complete

Minimum wage: The minimum wage system in China is governed by the Provisions on Minimum Wage regulations and differs by province. Monthly minimum wage is applied to full-time employees, while hourly minimum wage is applied to non-full-time employees. Minimum wages exclude benefits such as overtime payments and other allowances.

Table 2: Minimum wages across Chinese provinces

Province	Monthly minimum wage (in AUD)	Hourly minimum wage (in AUD)
Anhui	435.6	4.4
Beijing	511.7	5.6
Chongqing	444.0	4.4
Fujian	429.2	4.4
Gansu	427.1	4.4
Guangdong	499.0	4.7
Guangxi	420.8	4.2
Guizhou	399.6	4.1
Hainan	425.0	3.8
Hebei	465.2	4.7
Heilongjiang	439.8	4.0
Henan	444.0	4.4
Hubei	467.3	4.7
Hunan	408.1	4.0
Inner Mongolia	418.6	4.4
Jiangsu	526.5	5.1
Jiangxi	422.9	4.2
Jilin	397.5	4.0
Liaoning	444.0	4.4
Ningxia	433.5	4.2
Qinghai	397.5	3.8
Shaanxi	456.7	4.4
Shandong	465.2	4.7
Shanghai	568.8	5.1
Shanxi	418.6	4.5
Sichuan	444.0	4.7
Tianjin	490.5	5.2
Tibet	444.0	4.2
Xinjiang	401.7	4.0
Yunnan	420.8	4.0
Zhejiang	526.5	5.1

Note: towns and cities have varying minimum wages, the figures provided indicate the highest minimum wage in the province.

Human resources and employment law: Several laws govern employment relationships in China – Labour Law, Employment Contract Law, Implementing Regulations and the Social Security Law. Australian businesses need to adhere to provincial or municipal level rules, regulations and practices when doing business in China. Foreign businesses need to be mindful that regulations regarding wages, working hours and leave provisions vary by province.

Working hours: A standard working week consists of no more than 44 hours with 8-hour shifts per day.

Holidays: Statutory paid annual leave is regulated through the Regulations on Paid Annual Leave of Employees. Employees in China are also entitled to additional leave such as rest days, public holidays and maternity and paternity leave. It is customary for employees to receive 13th month pay before Chinese New Year.

Years of service	Days of leave
Less than one year	No leave
1-10 years	5
10-20 years	10
Over 20 years	15

Overtime: China's Labour Law governs the framework related to overtime payments for employees. Employees have the right to safeguard their entitlements regarding overtime payments. Any employee working for more than 8 hours per day or 40 hours per week is entitled to overtime payments, calculated using the following formula:

Type of overtime	Overtime pay calculation
Overtime pay for working days	Monthly basic salary/21.75 ÷ 8 hours × overtime hours × 150%
Overtime pay for rest days	Monthly basic salary/21.75 ÷ 8 hours × overtime hours × 200%
Overtime pay for public holidays	Monthly basic salary/21.75 ÷ 8 hours × overtime hours × 300%

Sick leave: Employers decide the number of days of sick leave employees will be allowed. Specific types of sick leaves with recuperation periods are subject to regulations. Employees can receive between 60 per cent to 100 per cent of their regular wages when on sick leave. For those who have been in employment for less than five years with their current company and employed for less than 10 years overall, a minimum of three months of sick leave is permitted. Meanwhile, employees who have more than 20 years of work experience, with 15 years at their current employer are entitled to unlimited paid sick leave. Employers are legally bound to pay a part of an employee's salary during the recuperation period.

Social, health and unemployment insurance

contributions: China's social security system features several types of insurance managed at the regional level. Premiums paid to the social insurance system are collected by tax authorities. It is mandatory for employers to register new employees for social insurance contribution within 30 days of their appointment. Foreign employees from countries with social insurance exemption agreements with China are eligible for exemptions, although Australia is not one of these countries.

Social security contributions are determined by calculating the average income of an employee in the previous year, multiplied by the type of social insurance being paid. There are six types of social insurance:

- Pension insurance
- Unemployment insurance
- Medical insurance
- Work-related injury insurance
- Maternity insurance
- Housing fund

The share of contribution rates paid by employers and employees are listed below:

Type of contribution	Employee	Employer
Pension	8% of base salary	16% of base salary
Unemployment insurance	0.5%	Between 0.5% to 1%
Medical insurance	2%	10%
Work-related injury insurance	Not required to pay	Between 0.5% to 2% of employees' payment base figure
Maternity insurance	Not required to pay	Between 0.5% to 1% of employees' payment base figure
Housing fund Designed to generate savings for workers to purchase houses	Between 5% to 12% of employees' payment base figure	Between 5% to 12% of employees' payment base figure

Ending employment: Rules regarding employee termination are governed by the Chinese Labour Contract Law. Employers are required to provide notice periods before terminating an employee.

Length of service	Notice period
During the probation period	Not required to give notice period but termination should be on admissible grounds
Upon completion of probation period	30 days
Upon completion of fixed-term contract	Not required

Employees experiencing occupational injury or disease, on maternity leave, under treatment for non-work-related injury or illness, and employees less than five years away from their retirement cannot be terminated by employers.

Severance pay: When terminating an employee on mutual grounds or upon bankruptcy or upon mass layoffs, employers are required to make severance payments. Severance pay is calculated based on the average monthly salary and the years of service an employee has worked with the company.

Length of service	Severance pay
Less than 6 months	Half month's salary
More than 6 months, but less than 1 year	One month's salary
More than 1 year	Average monthly salary x years of service

Recruiting staff

Online advertising: Advertising in national job portals, utilising social media and professional networks are effective ways to access talent in China, and many companies recruit online to increase the likelihood of getting skilled workers. Major job portals include:

- **Zhaopin** – Wide market reach with substantial database of users.
- **51Job** – Provides access to a large user base and a variety of recruitment services.
- **Liepin** – Leverages AI and data analytics for higher-level recruitment.
- **Boss Zhipin** – Among the largest recruitment platforms with a substantial database of users.
- **WeChat** – Wide user base providing recruitment services.

Executive search: For a more tailored search, particularly for senior executives or individuals with technical skills, a recruitment or executive search firm can prove helpful. International firms such as Michael Page, Korn Ferry, Antal International and Hays Specialist Recruitment have offices in China, among others.

Work permits: An employer and employee must fulfil several criteria to qualify for a Chinese work permit. Foreign workers can be recruited for necessary roles where domestic workers are unable to meet requirements. Employees must meet employment eligibility and should be above the legal age to work and possess the required skills.

Work permits are categorised into three categories – A, B and C. Among the three, visa for the “A” category applicants are approved faster than others. Types of Chinese visas accorded to foreign workers are:

Visa type	Who is it for
Z Visa	For workers planning to stay for more than 6 months
J1/2 Visa	For foreign journalists wishing to stay for a specific duration
M Visa	For business owners to stay between 30 to 60 days



4.6. Banking in China

A foreign-invested enterprise (FIE) in China must have at least two bank accounts. One is a basic RMB account for daily business operations and is the only account from which CNY cash transactions can be made. The other is a foreign currency capital account, which is used to receive funds from outside the country. Permission to open a foreign currency capital account is required from the State Administration of Foreign Exchange (SAFE).

Other types of foreign currency accounts that can be set up are settlement accounts, foreign debt special accounts and temporary capital accounts.

For non-resident companies in China, opening a bank account is strictly regulated. An account must be opened in person and requires significant documentation, the company's and its legal representative's official stamp and approval from State Administration of Foreign Exchange (SAFE). Foreign companies can open NRA (Non-Resident Account) CNY accounts with Chinese banks or NRA CNH accounts with overseas banks without approval of People's Bank of China (PBOC). Companies need to provide evidence of business registration in China such as a business license, tax registration certificates, articles of association, a list of directors' names, proof of business address or a bank authorisation letter. Additional documents may be required depending on the bank.

Table 3: Financial institutions in China

Type of institution	Details
Policy banks	There are two policy banks, the Agricultural Development Bank of China which supports the agricultural sector, rural areas and farmers; and the Export-Import Bank of China that supports foreign trade and investment.
Commercial banks	Commercial banks in China provide services including: <ul style="list-style-type: none"> • Receiving deposits • Extending short- and medium-term loans • Domestic and international settlement • Discounting bills • Issuing financial bonds • Issuing and underwriting government bonds • Inter-bank call money business • Agent in foreign exchange transactions
Urban commercial banks	These banks were originally set up as urban credit cooperatives. They cater to both individuals as well as enterprises, providing services including deposits, loans, account settlements, trade finance, foreign exchange deposits and settlement, cross-border remittances, syndicated loans, underwriting of debt finance instruments and others.
Rural commercial banks	These banks focus on the agricultural sector and rural economic development. They cater to both individuals as well as enterprises. They offer mid-market commercial banking solutions and services like credit cards, mortgages, personal loans, investment products, business lending and accounts, investment and trade finance, foreign exchange and others.
Foreign-owned banks	Foreign banks in China can either operate as a wholly-foreign owned bank or a joint venture bank. Approval is required from the China Banking Regulatory Commission to operate as domestic banks. They provide a complete suite of commercial banking services to enterprises.



Australian banks in China

ANZ, Commonwealth Bank of Australia and National Australia Bank have branches and representative offices in China. Services include institutional banking, retail banking and foreign currency services for individuals, companies and institutional clients.

Foreign exchange controls

China's foreign exchange regime is regulated and managed by SAFE and the central bank. Exchange rates are decided as per the "managed float system."

China has a strict foreign exchange control regime and a closed capital account. Companies must adhere to foreign exchange guidelines to move money into or out of the country, including approval from SAFE. The system is being liberalised gradually as the government trials looser controls in free trade zones and in economic nodes such as the Greater Bay Area. Chinese regulators are also considering the relaxation of foreign exchange rules for foreign companies, such as allowing cross-border lending in the local currency and cross-border sweep of local and foreign currencies.

The repatriation of profits out of China is complex. It can be done by paying dividends to shareholders provided the company has conducted an annual external audit, has paid all taxes and maintains a minimum of 50 per cent of the company's registered capital as after-tax profits. Alternatively, profits can be transferred as expenses or royalties to an overseas parent company, but these transfers are inspected thoroughly in China.

Australian businesses should engage regularly with their local banking partner in China to stay abreast of changes in the foreign exchange regime.



5. Appendices

A nighttime photograph of a modern city skyline. In the foreground, a tall glass skyscraper is illuminated from within, reflecting the city lights. A multi-lane highway runs through the middle ground, with long-exposure light trails from cars creating a sense of motion. In the background, several other skyscrapers are lit up against a dark blue twilight sky. The overall scene is a vibrant, high-angle view of a bustling urban environment.

Understanding the relationship between economics, politics and government can give businesses an edge when entering a new market. This chapter provides general information on political and legal structures, relevant government agencies, key economic zones and the bilateral relationship with Australia.



5.1. Country information

Politics and government

China is a one-party state, ruled by the Chinese Communist Party (CCP) since 1949. The party consists of 99 million members dominating every part of China's political system. China is divided into 34 administrative divisions, consisting of 23 provinces, four municipalities, five autonomous regions and two special administrative regions.

Xi Jinping is the president of China and the general secretary of the CPC. He is one of seven members of the Politburo Standing Committee, whose members are the most senior in government. The Politburo has 17 other members in addition to those on the Standing Committee. They sit above the National People's Congress, which has about 3,000 delegates.

Additionally, an informal body in the political system, colloquially referred to as the “party elders” has traditionally exerted considerable influence over the political process in China, although that influence has waned over the past decade. Political processes in China remain opaque.

Legal system

China's legal system is also run by the Communist Party. It is comprised of seven categories – civil and commercial, administrative, economic, social and criminal laws, and the law on lawsuit and non-lawsuit procedures. These categories are then divided between state laws, administrative regulations and local statutes.

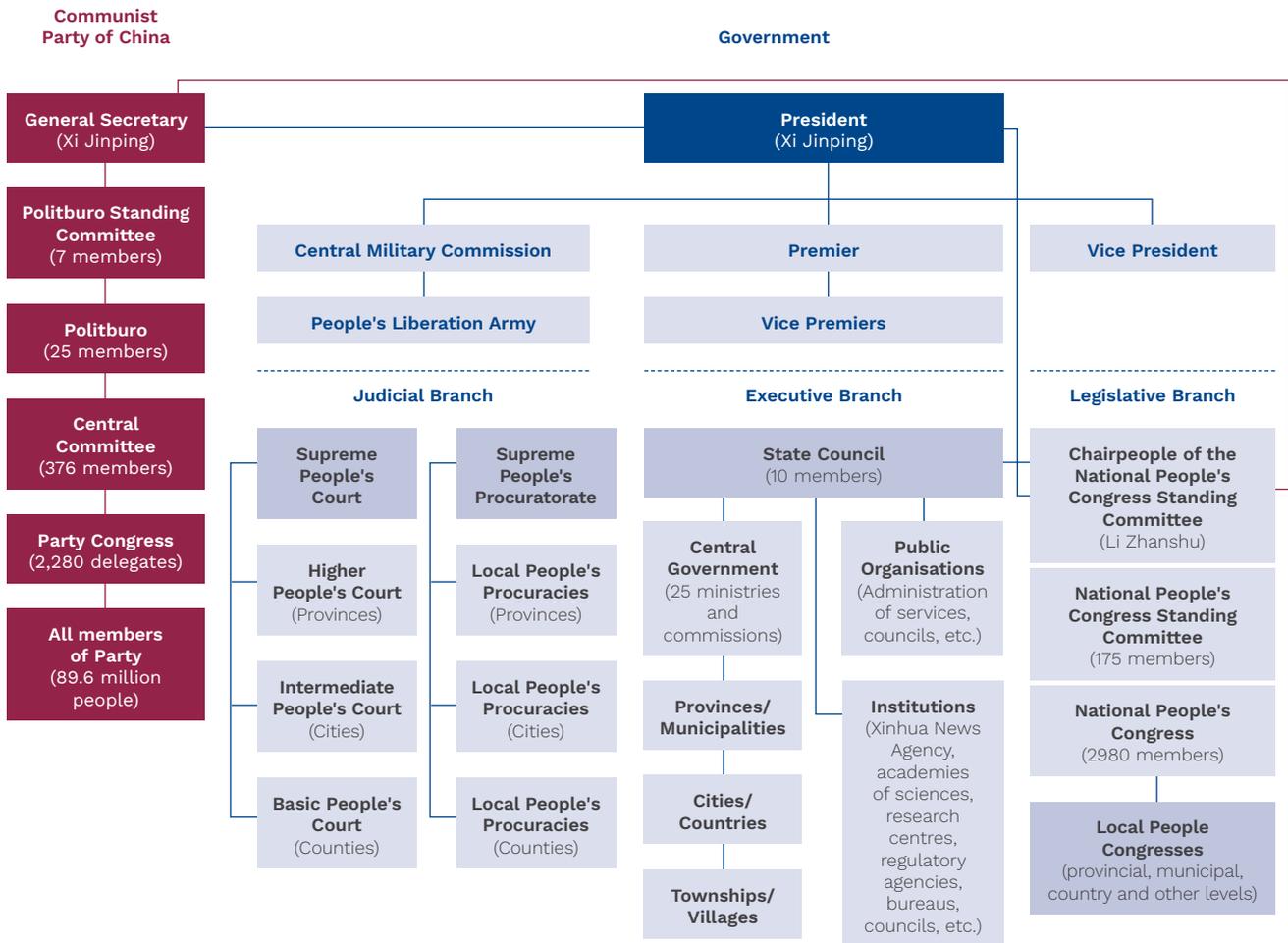
The judicial system is comprised of three branches: the courts, prosecuting authorities and public security. The National People's Congress exercises authority over the three branches and the legal system lacks judicial independence.

The country's unified court system has four levels: the Supreme People's Court (SPC) and three levels of local courts (high, intermediate and basic). The SPC is the top court in the country and has the final authority to pass legally binding decisions; it is also a supervising organ of trial systems at all levels.

The court has three permanent divisions: civil, criminal and economic. Other divisions are created when required. Within the civil division, there are sub-divisions. The 4th Civil division deals with all cases concerning foreign law and parties.

China's courts are controlled by the Communist Party, and this reflects in the country's unusually high conviction rate of 99.9 per cent, indicating that the judicial system is not fair.

China's Government and Judicial Structure



Key government agencies

Key government agencies and industry associations will need to be consulted throughout the process of setting up a business in China. Some of these agencies can also be useful for providing advice and initiating contacts.

The main agencies and their areas of authority relating to foreign businesses are:

Government agency	Responsibilities
Ministry of Commerce	Regulates policies on domestic and foreign trade, consumer protection, market competition and economic affairs.
The People's Bank of China	Central bank responsible for macroeconomic management and regulating financial institutions.
State Taxation Administration	Regulatory and administrative authority of the country's tax system.
China Securities Regulatory Commission	Oversees the country's securities, futures and fund markets.
State Administration for Market Regulation	Authority responsible for supervision and management of market order to promote fair competition.
General Administration of Customs	Monitors and regulates the imports and exports of consumer products and bulk commodities.
National Financial Regulatory Administration	Regulates and supervises the banking and insurance sectors of the financial services industry.
National Development and Reform Commission	Formulates policies for economic and social development and is the de facto state planning commission.
Ministry of Human Resources and Social Security	Formulates policies and regulations for the labour market and manages the national security system.



Key economic areas

Much of China's economic growth is driven by a handful of urban clusters where economic activity is concentrated. These clusters are expected to continue providing opportunities for growth for Australian (and other) businesses:

Jing-Jin-Ji: The economic cluster comprises Beijing, Hebei province and the city of Tianjin. The cluster has a population of more than 100 million and accounts for a GDP of AUD 2.2 trillion (CNY 10.4 trillion) in 2023. It is a key talent hub and key industries are power equipment, network security, biopharmaceuticals and integrated circuits. The region also aims to develop capabilities in artificial intelligence, robots, aerospace technology and intelligent electric vehicles.

Yangtze River Delta: This economic cluster encompasses Jiangsu, Shanghai municipality, Zhejiang and Anhui provinces. The region has a population of 163.3 million and accounted for AUD 6.3 trillion (CNY 30 trillion) or nearly a quarter of the country's GDP. The area is a major automobile production base and supports the technology industry with a range of engineering centres, national laboratories and universities. Cities in the Yangtze River Delta have a concentration of technological research and development, an innovative culture assisting high tech industries. The region's technological prowess and focus on green energy opens up opportunities for Australian businesses in the education sector, medical technology, renewable energy and electric vehicles.

Guangdong-Hong Kong-Macao Greater Bay Area (Pearl River Delta): This economic cluster comprises Hong Kong and Macao, and nine municipalities: Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing. The region has a combined population of more than 86 million and represents more than 10 per cent of China's GDP at AUD 2.96 trillion (CNY 14 trillion) in 2023. It is both a technology and innovation hub, and a leading trade and logistics hub, which also opens opportunities in areas like smart infrastructure and smart logistics. The Greater Bay Area presents opportunities for Australian businesses in areas including technology, manufacturing and professional services.

Chengdu-Chongqing City Cluster: The economic cluster comprises Chengdu, 14 Sichuan cities and 27 districts in Chongqing. The region has a population of 98 million and a GDP of AUD 1.7 trillion (CNY 8.2 trillion) in 2023. Energy production is a major activity in this cluster with a focus on hydroelectric power and natural gas. The region has a strategic location with a strong logistical network via road, rail and sea for movement of goods offering opportunities for international trade. Being a major supply chain hub, the region can attract Australian businesses to setup in the region. The cluster also presents opportunities for Australian businesses in energy sector.

Shandong Peninsula: The cluster covers the key area around Bohai sea and all sea areas of Qingdao, Dongying, Yantai, Weifang, Weihai, Rizhao and Shandong and land areas of Zhanhua and Wudi in Binzhou City. The key focus of the region is on the development of a marine industrial system, technological innovations and conservation of the marine environment. Australian business can tap into the region's focus on marine biological pharmacy, seafood aquaculture and core marine industrial products.

Yangtze River Middle Reaches City Cluster: This cluster is set up around the three cities of Wuhan, Changsha and Nanchang, and 28 other cities in the provinces of Hubei, Hunan and Jiangxi. Located in central China, this cluster is one of China's largest in terms of population and contribution to GDP.

Central Plains urban agglomeration: The cluster is in central and western China and comprises 30 cities in the provinces of Shaanxi, Shandong, Henan, Shanxi and Anhui. The region had a population of 45.5 million and accounts for 3.06 per cent of the economy's GDP as of 2021.

Guanzhong Plain urban cluster: The cluster comprises 11 cities and the provinces of Gansu, Shaanxi and Shanxi. The region had a population of 40.4 million and a regional GDP of AUD 0.5 trillion (CNY 2.4 trillion) as of 2021.

China-Australia bilateral relationship

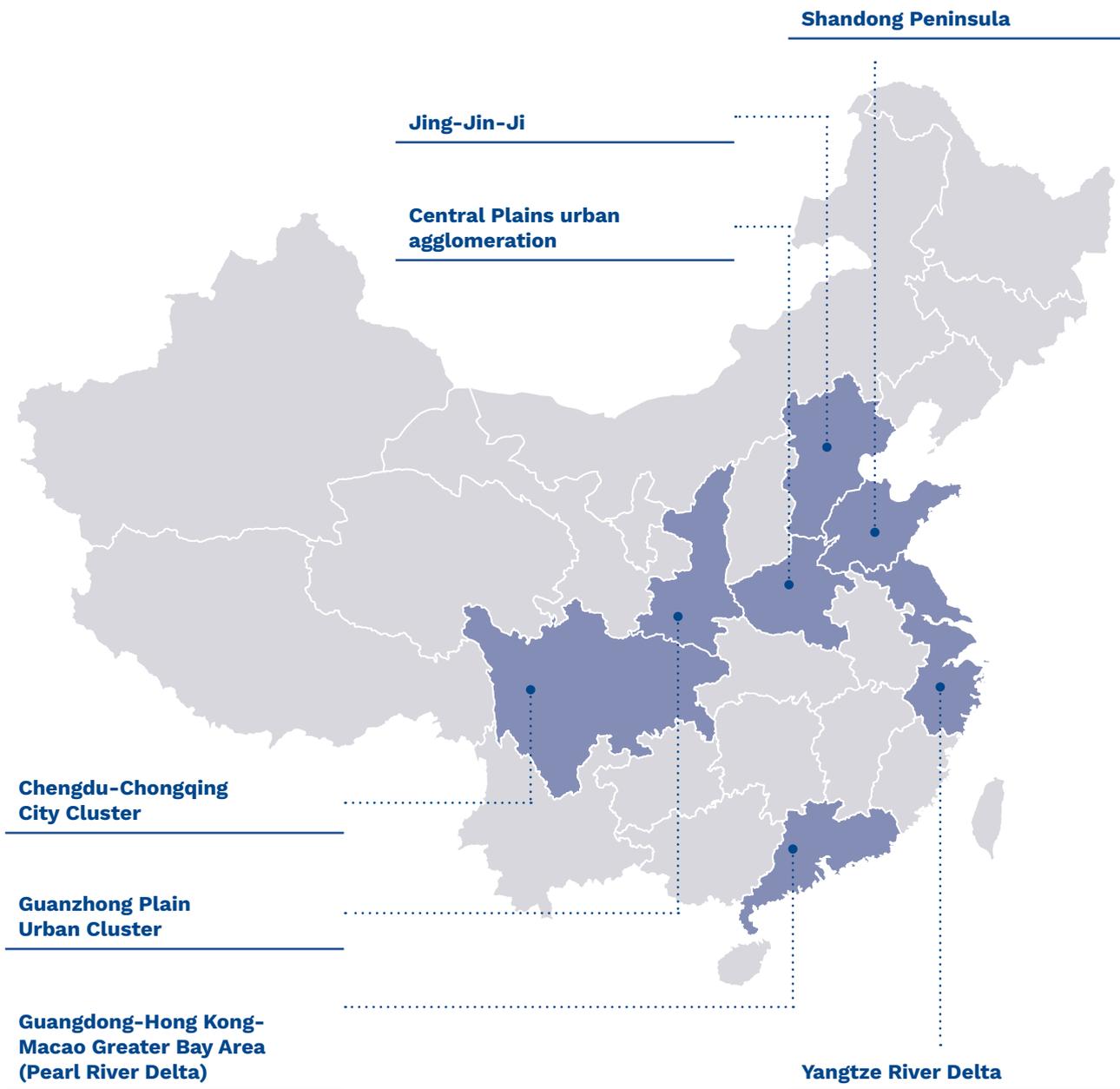
Australia and China established diplomatic relations in 1972. It is a relationship based on shared economic and trade interests and strong cultural links. While there have been political differences to manage in recent years, economic ties have generally remained strong and China continues to be Australia's most important trading partner. Two-way trade between the two countries grew by 9.2 per cent in 2023 and accounted for 27 per cent of Australia's global trade in goods and services in 2023.

The long-term trend has been one of growing economic engagement between the two countries, and several Chinese trade impediments that had impacted Australian exports to China since 2020 have been removed.

The China-Australia Free Trade Agreement (ChAFTA) came into force in December 2015 deepening trade and investment ties between the two countries. The two countries are also both party to the Regional Comprehensive Economic Partnership (RCEP), an FTA between 15 Asian economies.

Each year, Australia and China hold high level meetings with representatives from government, academia and industry to develop shared interests in agriculture, trade and tourism, defence, education and climate change.

Further information on the bilateral relationship between the two countries is available from [DFAT](#).



5.2. Useful contacts and support resources

Government organisations

Australian Department of Foreign Affairs and Trade (DFAT)

DFAT manages Australia's international network, including in China. Australia has an Embassy in **Beijing**, and Consulate-Generals in **Shanghai**, **Guangzhou**, **Chengdu**, **Shenyang** and **Hong Kong**.

Australian Trade and Investment Commission (Austrade)

Austrade is the Australian Government agency responsible for facilitating international trade and investment. Austrade can provide advice on the market, potential in-market partners and export marketing services. Austrade has offices in Beijing, Chengdu, Guangzhou, Hong Kong, Shanghai and Shenzhen.

Export Finance Australia (EFA)

EFA provides information, support and export finance solutions to Australian businesses looking to expand overseas.

State government agencies

Many state government agencies have representatives or offices in China, including **New South Wales**, **Queensland**, **South Australia**, **Tasmania**, **Victoria**, **Western Australia**.

Business and industry associations

AustCham China

The Australian Chamber of Commerce in China represents and promotes Australian businesses operating in China. AustCham coordinates a regular program of business seminars, networking and social functions for the business community in China.

The Australia China Business Council

The Australia China Business Council promotes bilateral trade and investment opportunities between Australia and China. In addition to networking and cultural awareness programs, it offers a B2B supply chain consultancy service for Australian businesses looking to enter China.

Export Council of Australia

The Export Council of Australia is the peak industry body for the Australian export community.

Programs and support

Go Global Toolkit

Information, tools and support to grow your business globally through a range of digital for every stage of the export journey.

Export Market Development Grants (EMDG)

Austrade seeks to help small to medium Australian enterprises grow their exports in international markets through their EMDG grant program.

Industry Growth Program

The Industry Growth Program supports innovative SMEs undertaking commercialisation or growth projects in the National Reconstruction Fund priority areas.

APEC Business Travel Card

The Asia Pacific Economic Cooperation (APEC) Business Travel Card scheme can facilitate travel entry processes for short-term business travel in APEC economies. Information on eligibility and application processes can be found at the

Australian Department of Home Affairs.

State or territory government trade and investment agencies may also run programs and provide support to businesses looking to expand into international markets. Please consult your relevant state or territory agency for more information.



5.3. References

A select list of sources used in the development of this publication are included below.

Asia Law Network
 Asian Development Bank
 Association of Banks in Singapore
 Australian Department of Foreign Affairs and Trade
 Australian Institute of International Affairs
 Australian Trade and Investment Commission (Austrade)
 Boston Consulting Group
 Dezan Shira and Associates
 DBS
 Economist Intelligence Unit
 Euromonitor
 Export Finance Australia
 EY
 Freedom House
 FitchRatings
 Google
 Heritage Foundation
 HSBC
 IMF
 International Comparative Legal Guide
 International Energy Agency
 International Federation of Accountants
 International Forum of Independent Audit Regulators
 KPMG
 McKinsey & Company
 Ministry of Commerce, China
 Ministry of Ecology and Environment, People's Republic of China
 PWC
 Tech in Asia
 The Heritage Foundation
 Transparency International
 S&P Global
 State Administration of Foreign Exchange (SAFE), People's Republic of China
 United Nations Council of Trade and Development
 US Chamber of Commerce
 US Department of State
 US International Trade Administration
 China Government (various sources)
 Transparency International
 We Are Social
 World Bank

5.4. A note on currency

All money amounts are in Australian dollars unless otherwise indicated.

Exchange rate used is the historical rate for the previous twelve months.

AUD 1 = USD 0.6552

AUD 1 = CNY 4.7295

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