

# Corporate Establishment and Structuring Relocation

## Introduction

From large multinationals to startups, many companies contemplate the potential of shifting a portion or the entirety of their operations to new geographic areas. Typically, this involves relocating within the same administrative jurisdiction, migrating to a different region, or even establishing a presence in another country. Such transitions can be accomplished by setting up a new entity or via a corporate merger.

Various financial and business considerations propel these relocations. However, it's crucial to recognize the consequences: strategies and timelines diverge based on the organization's distinctive priorities. Ultimately, across all scenarios, the pivotal elements for a successful business relocation encompass early-stage planning, clearly defined commercial objectives, and precise execution.

## Top Reasons for Relocating a Business

### Government reforms and new environmental protection policy

Government reforms and changes in policies are key drivers for business relocations. Administrative shifts, escalating land costs, and regulatory reforms aimed at constraining or encouraging investments in specific industries, such as altering the required investment amounts, permissible manufacturing lines, or technical processes, are primary factors.

China's Ministry of Environment Protection enforces a zero-tolerance policy on factories breaking environmental laws. Authorities can demand compliance with stricter standards, halt production, or mandate relocation for noncompliant businesses.

As a result, certain corporations find themselves compelled to move to areas with less stringent regulations and lower operating costs within China or the ASEAN countries.

### Dynamically diverse primary stakeholders and escalating labor costs

The actions of primary stakeholders can catalyze relocations of businesses. Changes in target markets, pivotal suppliers, or a scarcity of local talent can collectively drive businesses to move, ensuring proximity to customers, suppliers, and affordable qualified employees.

Moreover, the sharp ascent in labor expenditures within China stands as another pivotal driver for business relocations. In 2021, the average annual salary of employees in Chinese foreign-invested enterprises hit US\$ 19,533 (RMB 126,019)

### Strategic Adaptations in Corporate Planning

In the dynamic landscape of fast-paced and competitive markets, corporations must consistently review and fine-tune their strategies. Situations may arise where businesses choose to relocate, driven by factors such as scaling operations or facilitating post-merger restructuring at the group level.

### Tax Incentives

Many countries are strategically revising their tax regimes to encourage companies to shift operations and generate employment within their borders. Corporations stand to gain by establishing their business activities in these jurisdictions, leading to a reduction in their overall effective tax burden. For enterprises mindful of tax implications, this becomes a compelling motivation for relocation.

Moreover, ASEAN countries are successfully drawing the interest of investors relocating from China, driven by the "China plus one" strategy. These enterprises can capitalize on the advantages of cost-effective operations in ASEAN, complemented by the favorable tariff conditions resulting from the China-ASEAN Free Trade Agreement.

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## How can we help?

### Strategy development

- Location comparison and selection for China and ASEAN countries
- Relocation strategy advisory
- Relocation scheduling and procedures
- Cost and resource projections
- Tax incentive negotiation

### Relocation Implementation

- Relocation approvals and license updates
- De-registration and establishment
- Tax relocation
- Merger implementation

### Labor and HR Assistance

- Labor contracts, termination agreements, and preparation of legal documents
- Legal procedures for transferring or terminating employees
- Severance and compensation advisory and calculation for affected employees
- On-site announcement & negotiation support

### Other Legal and Financial Support

- Early termination of lease contract assistance
- Commercial contracts termination or transfer
- Fixed assets and intellectual property settlement
- Tax implications

## Why Dezan Shira & Associates?

Dezan Shira & Associates has significant experience advising clients on how their businesses can benefit from relocation. The practice specializes in providing practical advice to foreign companies in relation to business relocation – within China and outside. The practice has a dedicated China team that is experienced and specializes in all areas of relocation. At the same time, Dezan Shira & Associates' teams in India, Vietnam and ASEAN countries will also support the relocation from legal, tax, and HR perspective from the relocation destination. Our relocation business advisory team is able to tailor its services to a wide range of business goals. Contact us to book a consultation.

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> Corporate Establishment  
> Outbound Direct Investment

> HR and Payroll  
> Recruitment and PEO  
> Technology

> Due Diligence  
> Mergers and Acquisitions  
> Intellectual Property

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