UK Higher Education Institutions in China
An introduction to Chinese taxes and the options for operating vehicles
British University Finance Directors Group (BUFDG)
Grant Thornton UK LLP

For further information please contact:

Duncan Levesley
Grant Thornton UK LLP
China Britain Services Group
Email: Duncan.Levesley@uk.gt.com
Phone: +44 (0)207 728 3239
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Introduction

The breadth and depth of academic and commercial opportunities for British universities in China is vast. However, the differences between China and the UK in terms of the business environment, regulation and culture can present a range of challenges. Chinese taxes can be significant, the application of legislation can vary, and the risk of non-compliance can be substantial, so project leaders need to properly understand the issues that will affect their plans. By providing an introduction to the various types of Chinese entities and major taxes, as well as some thoughts on local business culture (collated from the views and experiences of our clients, including UK higher education institutions), this report is designed to enable British universities to enter discussions with Chinese counterparts and professional advisers with a reasonable level of background knowledge. The report is primarily aimed at members of institutions’ tax teams and other finance personnel who will need to understand the issues involved in operating in China, as well as other non-finance specialists involved in the implementation or management of projects in China.

This report deals with the general issues that universities are likely to need to address, and also directs the reader to further sources of information and assistance. However, in practice, the individual circumstances of each project will be unique, and it is our expectation that universities will require professional assistance in organising their Chinese tax affairs and liaising with the Chinese tax authorities.

Duncan Levesley is based in the UK for Grant Thornton’s China Britain Services Group. Duncan has been working with China for over 10 years, and is available to provide further information on operating in the region. He can be contacted on +44 (0)207 728 3239 or duncan.levesley@uk.gt.com.

In the coming months, Grant Thornton will release a series of further briefing reports regarding the issues for Higher Education Institutions operating in China, which will be made available through BUFDG.

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Overview

China is, of course, a large and diverse country, and its relatively concise tax law can be interpreted and applied in different ways by different regional authorities.

This variability can be amplified by wholesale changes taking place in China’s tax regime in parallel with the country’s economic emergence. While many of the Chinese taxes you will encounter in your institution’s Chinese activities will be broadly similar to UK equivalents, there are some fundamental differences in application. As a result, local understanding and even a process of discussion with the relevant tax authorities can be required to determine how these taxes will apply to your specific activities in your particular region of operation. Local support is likely to be needed in managing tax compliance in an unfamiliar regime and a foreign language.

Additionally, the way your activities are taxed will be dependent on the specifics of your operating model, the terms of your collaboration agreements and financial agreements with your partner institution, and the way they are interpreted by the relevant tax authorities. Final confirmation will only follow their review of final signed versions of these documents, meaning at the point of signing you may not have certainty over the tax treatment and associated cost that will apply to your activities, although preliminary discussions and professional analysis can give an expected position. This lack of certainty, and the potentially large costs involved, make tax, and which party bears the risk of variance in tax costs, important issues for joint teaching projects. Beyond this, ongoing documentation requirements for tax compliance will require planning to ensure they do not become overwhelmingly burdensome.

Operating models for your Chinese activities will also be familiar; including representative offices, joint ventures, permanent establishments and Chinese subsidiary companies, but again the picture is made more complex by limits to the permitted scope of each.

There is a strict regulatory regime to deal with in China. Education is a restricted area of activity and the Ministry of Education exercises close control over the sector. Licences and approvals are often required and adherence to formal procedure and documentation requirements can be administratively onerous. Planning and preparation will ease the burden considerably.
Types of activities

The type of activity you wish to undertake in China will broadly dictate the operating vehicle you use and the tax treatment that follows.

Common activities that universities may be considering are as follows:

1. **Local marketing and recruitment**
   A team based in China marketing your university and recruiting Chinese international students directly to the UK institution.

2. **Collaborative delivery of education in China in partnership with a Chinese university**
   This would encompass the less formal joint teaching projects where courses are delivered and degrees awarded in the name of the Chinese university only. Your institution may contribute to the course design and/or send teaching staff to the country to deliver some of the course content.

3. **Establishing a formal joint school or programme in partnership with a Chinese university**
   A series of course offerings where degrees are jointly awarded in the names of both your university and the Chinese partner institution. Design and delivery will be collaborative in nature, perhaps including a distinctly branded joint school, though this joint school may nevertheless legally remain a part of the Chinese university. Since degrees are jointly awarded, your institution’s quality assurance requirements will be higher than for a less formal collaboration.

4. **Establishing a foreign campus of your university in China**
   A foreign campus awarding degrees solely in the name of your institution, based on your design of course structure and content and typically with heavy involvement from your UK teaching staff. According to China’s current foreign investment regulations, this can only be done through a joint venture.

5. **Delivery of non-educational activities such as consultancy services or commercial research in China**
   While educational courses are controlled by China’s Ministry of Education, placing restrictions on what a UK institution may be able to do without the involvement of a Chinese partner, other activities, for example engaging with Chinese businesses for delivery of training or performing research, can often be undertaken by a university more independently.
Operating vehicles and methods for delivery

The appropriate operating vehicle for undertaking your activities will depend on the specifics of your plans, the functions that need to be fulfilled, and the amount of time that will be spent in China. The main forms of operating model are:

Direct interaction with no permanent local presence

For shorter activities that do not entail a long-term presence in China and no Chinese employees, it is possible that there will be no need to create a formal presence in China. Such activities should be outside Enterprise Income Tax and Individual Income Tax, however Business Tax/VAT and withholding taxes may apply (see tax section below). This scenario would only be applicable if the Chinese activities do not trigger a permanent establishment (discussed below).

China-Britain Business Council Launchpad

‘Launchpad’ is a quick and simple start-up service under which Chinese staff are employed by the China-Britain Business Council in their offices across the country. This allows a foreign institution to defer many of the administrative requirements of establishing its own presence in the country, but there are restrictions on the activities that can be undertaken on behalf of a UK institution through the Launchpad service, so careful attention is required depending on the functions to be carried out.

For more information see: www.cbhc.org/services/launchpad
Operating vehicles and methods for delivery

Permanent establishment

There are strict rules governing what activities overseas organisations can undertake in China without forming a taxable presence. If the permitted scope is breached, a 'permanent establishment' is created and the UK university will thus need to pay tax in China. While Chinese regulations require a permanent establishment to be registered, it is not a formal separate entity.

Under the UK-China Double Tax Treaty a permanent establishment can be created in China in a number of ways, including having a fixed place of business, by having dependent agents in the country (other than independent agents acting in the normal course of their business, such as most independent student recruitment agents), or by furnishing services for a total of more than 183 days in a 12 month period. The number of days test is cumulative, based on total days when you have any staff members present in the country for the activity, so in practice, joint teaching programmes which involve significant amounts of staff time in China create a real risk of forming a permanent establishment.

If a permanent establishment is created there are registration and administrative requirements, and, of course, tax obligations. Chinese Enterprise Income Tax will be due on the profits attributed to the permanent establishment. This can be calculated in a number of ways depending on the data that is available. In some circumstances taxable profits will have to be assessed as a deemed profit margin based on costs. It should also be noted that if operating through a permanent establishment, UK staff may be liable for individual income taxes as soon as they start working in China.

Once a permanent establishment is created, careful consideration should be given as to whether a formal entity should be established to deal with your Chinese activities. The appropriate decision will depend on your specific fact pattern and the administrative challenges and taxes you face should be taken into account (including whether double taxation relief is available in the UK). In addition, due to the heavy regulation of the education sector in China, you will also need to consider whether a subsidiary would be permitted to provide any planned educational services.
Operating vehicles and methods for delivery

Chinese representative office

A representative office registered in China is limited to liaison, market research, exhibition or promotion, and is not allowed to undertake income generating activities. For universities, the use of a representative office can help manage the risk of creating a permanent establishment. However, the scope of operations will need careful attention as the authorities are taking an increasingly strict line on what representative offices are allowed to do, and in some circumstances can view marketing and student recruitment as non-permissible. Universities will need to seek further guidance regarding their precise activities if they are considering operating through a representative office.

The representative office must be registered in a specific location and its staff are generally not permitted to work in other parts of the country except on short term business travel. If an organisation wishes to expand its activities into different regions it must therefore establish new representative offices in each location. The registration requirements are relatively onerous and time consuming, making them quite inflexible to use in practice. In regions where activities are being discontinued representative offices should be formally closed, which can be an arduous and costly process.

Representative offices can employ up to four expatriates, and while there is no formal limit on the number of Chinese employees, large numbers of staff can increase the risk of the unit’s status being challenged by the Chinese authorities. Staff are usually registered through a payroll services company who will perform payroll administration and Chinese employment tax compliance.

Although representative offices cannot generate income, they are usually taxed on a deemed profit basis, whereby a deemed profit margin will be applied to total expenses and the assumed ‘profit’ will be taxed at the Enterprise Income Tax rate of 25%. This practice can make representative offices inefficient from a tax perspective.

Historically many institutions have used representative offices for Chinese recruitment activities. Where this is the case, consideration should be given as to whether such activities would be better undertaken by a subsidiary.
Operating vehicles and methods for delivery

A subsidiary, termed in China a Wholly Foreign Owned Enterprise (WFOE), can generate its own income, and offers a more flexible platform for activities. It is extremely difficult for overseas organisations to form not-for-profit entities, so the WFOE will be regarded as a taxable trading company.

It can take 3-6 months to set up a WFOE, slightly longer than a representative office. The most important stage in the process is acquiring your business licence, which will define a scope of permitted activities. Advice should be taken when drafting this as it can be difficult in practice to change later and the company will be expected to operate within the scope approved by the Chinese authorities. Planning for flexibility around possible future activities can therefore avoid problems later on. Foreign investment in the education sector is heavily regulated, so certain activities will require additional regulatory approval or may be prohibited. In most circumstances a WFOE is not permitted to directly provide education, although it may provide some related services such as consulting.

There are also a range of compliance requirements including tax registrations and regular filings, the preparation and filing of annual accounts compliant with Chinese GAAP (Chinese companies must have a 31 December year-end) and an audit (regardless of the company’s size). A government regulated invoicing system is used to issue ‘fapiao’ invoices which are required for VAT claims and tax deductions. It should also be noted that it can take over a year to liquidate WFOE.

The strategy for funding a WFOE also needs attention. Registered capital will need to be agreed with local authorities. While this can be used for working capital, it is difficult to extract from the company at a later date. Increasing share capital is time consuming (it can often take 2-3 months), so care is required to calculate and agree an appropriate figure at the outset. There are also limits on the level of group debt to equity, for example, intercompany debt is limited to 30% of the total investment if this is USD 3 million or less. As such, intercompany loans can only be used to fund cash flow shortfalls to a limited extent. One strategy is to structure a subsidiary’s activities so that it supplies services to group companies for arm’s length consideration can prevent cashflow difficulties and the accumulation of trading losses.

Due to capital requirements, fixed costs, and the administrative challenges in setting up (and indeed closing down) a subsidiary, WFOEs tend to reflect an on-going commitment to Chinese activities.
Operating vehicles and methods for delivery

Joint ventures

There are broadly two forms of joint venture – equity and contractual. Equity joint ventures involve the incorporation of a company with both parties as shareholders. This can be effected by either directly setting up a mainland Chinese joint venture company, or by incorporating a joint venture in Hong Kong, which then has a 100% owned WFOE in China to undertake operations on the ground. The Hong Kong route can sometimes offer extra flexibility due to the territory's corporate law and tax system. However, if the joint venture is mandated due to regulatory considerations, the company usually needs to be a Chinese entity. The Chinese entity will be subject to Enterprise Income Tax and VAT/Business Tax, and compliance requirements are similar to a WFOE. Capital contributions (both in cash and in kind) need detailed agreement, as do the arrangements for operational control and the method for sharing revenues.

A contractual joint venture entails operating as two distinct entities under the terms of a contract. However, the contractual joint venture can still be taxed as if it were a separate entity and at the same time create a permanent establishment (i.e. a taxable presence) in China for the UK institution (see above).

Many joint education projects involve the formation of a Sino-foreign cooperative educational institution. This is a form of contractual joint venture and it is a taxable entity, subject to Enterprise Income Tax and VAT/Business Tax, although in practice there may be exemptions available to the joint venture (if not its UK participant) for certain qualifying income, such as educational income.
Chinese taxes

There are a range of taxes that will affect operations in China, and due to the combination of direct corporation tax, indirect taxes and withholding taxes, China can be a relatively high tax jurisdiction.

While the main categories of tax appear broadly familiar, there are, inevitably, fundamental differences to their UK equivalents. We provide here an outline to enable the reader to discuss these taxes with some degree of awareness and a broad understanding of how they may be relevant to particular types of operations. However, depending on the nature of activities, we anticipate that professional advice and perhaps negotiation with the regional tax authorities will be necessary to determine your tax position with certainty.

Enterprise Income Tax

Enterprise Income Tax is China’s equivalent of UK Corporation Tax and is charged on profits at a flat rate of 25% - either on actual profits where the correct form of accounting records are kept or on deemed profits where they are not. To apply an actual profits basis, ‘fapiao’ format financial records must be kept, which should be viable for a WFOE but may not be realistic for a permanent establishment or representative office. In the latter cases, a deemed profit margin will be calculated at a rate of between 15% and 50% of total income or costs, which is then taxed at 25%. Assuming a 15% margin is used, the effective tax rate is thus 3.75% of income/costs. The applicable rate will be determined by the tax authorities following review of the final signed contractual documents underpinning your activities such as joint teaching agreements and supporting financial agreements. This makes it impossible to gain absolute certainty around your tax costs before signing these agreements with your Chinese partners, but the regional authorities should be receptive to preliminary discussions (in Chinese) to provide some level of guidance.

…The applicable rate will be determined by the tax authorities following review of the final signed contractual documents…

Since Enterprise Income Tax is charged when a permanent establishment is created, it may well apply to UK universities with joint school arrangements, and potentially Chinese recruitment activities, but may not apply to other transnational teaching activities, depending on the amount of time spent in the country.
Chinese taxes

Withholding taxes

Withholding taxes can be charged on gross cross-border payments for royalties, interest and dividends. Where due, the Chinese party remitting money out of the country will be expected to retain the appropriate tax and pass it to the Chinese authorities. In many circumstances, the Chinese bank will not remit funds until proof is produced that appropriate taxes have been withheld.

The domestic rates of withholding taxes are 10% on each category of income, although the UK-China Double Taxation Treaty reduces the rate in many circumstances. Withholding taxes on royalties can be reduced to 6% if they are for the use of, or the right to use, industrial, commercial, or scientific equipment. Qualifying companies will face withholding tax of 5% on dividends.

Services, in general terms, should not face withholding tax under the treaty, although if a permanent establishment is created the profit attributable is subject to Enterprise Income Tax at 25%, with the deemed profit method often used to establish the level of profit.

Where withholding taxes are suffered, attention should be given to whether double taxation relief is available in the UK.

As these taxes are on gross payments, where due, amounts can be significant. In addition, Chinese parties can often be prudent and withhold if there is any doubt. They may also be eligible to receive a small commission as withholding agent. As such, we recommend taking advice regarding specific cross-border transactions to ensure that only the appropriate amounts are being withheld.

Business Tax and VAT

China is currently undergoing a phased transition from 5% Business Tax on sales of services (under which input tax cannot be recovered) to 6% VAT (where, as per other VAT regimes, input VAT recovery may be possible). Local surtaxes (which vary by location) are also added as a percentage of the indirect tax on services. VAT is also charged on goods at a standard rate of 17%.

Currently, supplies of education services still fall under the Business Tax regime, though these may soon be brought into the VAT system. Meanwhile, many consulting services are subject to VAT already. The approach in China to identifying the place of supply of services differs to the UK, which can in some circumstances lead to sales taxes being payable in both countries. There is also a 'small rate VAT payer' regime for some businesses with less than RMB 5 million of income (circa £500k). These companies charge VAT at 3%, but can't claim a VAT credit.

Subject to the tax authorities’ approval, some forms of educational income may be exempt from indirect tax depending on the specific nature of the services or goods provided.
Chinese taxes

Individual Income Tax

China's main employment tax, Individual Income Tax, is charged at a progressive rate based on salary bands from 3% to 45% of salary. Broadly, Individual Income Tax will apply to all Chinese employees and to UK university employees for the time they spend in China to perform work for a permanent establishment, or if no permanent establishment exists, if they will spend more than 183 days in a 12 month period in the country on working visits.

Collection of documentation supporting staff arrival and departure dates will be very important and potentially onerous. You should expect your tax authority to require copies of passport pages (including those showing entry to and exit from China), visa documents and employment contracts for your academics.

In the interests of alleviating academic staff of the administrative burden, the university can register to file for Individual Income Tax on behalf of its staff or use a tax adviser to do this for them, and can pay the tax liabilities that arise. Arrangements or procedures should be put in place for collation of the supporting documents that will be required.

Double tax relief may be available in the UK, granted against individuals’ PAYE liabilities, for the lower of Chinese Individual Income Tax paid or the UK PAYE that would arise on the gross earnings taxable in China. In the interests of efficient administration that doesn’t burden (and so disincentivise) participating UK academics, claims can be processed directly through payroll by an employer, with an annual income tax return showing the final position, under an Appendix 5 agreement with HMRC. In particular circumstances, other arrangements such as a Section 690 agreement may also be useful to avoid double taxation; the most appropriate method will depend on the specifics of the staff members’ movements and the university’s internal processes.

China’s social security system now also applies to non-Chinese nationals with work permits, although providing visiting professors do not require work permits for their time in China it should not be mandatory to participate. The application of these rules can vary in practice, so advice should be sought on whether activities will create a social security liability.

### Individual Income Tax Rates

<table>
<thead>
<tr>
<th>Gross monthly salary (Renminbi)</th>
<th>Marginal tax rate</th>
<th>Monthly salary – top of band* (GBP)</th>
<th>Annual salary – top of band (GBP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1,500</td>
<td>3%</td>
<td>160</td>
<td>1,900</td>
</tr>
<tr>
<td>1,500 to 4,500</td>
<td>10%</td>
<td>475</td>
<td>5,700</td>
</tr>
<tr>
<td>4,500 to 9,000</td>
<td>20%</td>
<td>950</td>
<td>11,400</td>
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<tr>
<td>9,000 to 35,000</td>
<td>25%</td>
<td>3,700</td>
<td>44,000</td>
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<td>35,000 to 55,000</td>
<td>30%</td>
<td>5,800</td>
<td>69,500</td>
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<tr>
<td>55,000 to 80,000</td>
<td>35%</td>
<td>8,400</td>
<td>101,000</td>
</tr>
<tr>
<td>Over 80,000</td>
<td>45%</td>
<td>Over 8,400</td>
<td>Over 101,000</td>
</tr>
</tbody>
</table>

*Calculated using the approximate exchange rate at 1 October 15 of £ 1 : CNY 9.5
Chinese taxes

Administration of Chinese taxes

Interpretation and application of China’s tax legislation can vary between regions, and discussions with the relevant tax authorities will be necessary. Administration of taxes is split between the ‘State Tax’ hierarchy for Enterprise Income Tax and VAT, and the ‘Local Tax’ hierarchy for Individual Income Tax and Business Tax.

The bodies in each hierarchy are as follows:

- State Administration of Taxation (national level)
- Provincial level authorities
- City level authorities
- District level authorities

To confirm the tax treatment of a range of activities it is sometimes necessary for your advisers to liaise with a number of relevant tax offices. The district level authorities in each hierarchy are likely to be the offices immediately involved in administering your tax affairs, while the city level still has overriding authority and should typically also be consulted.

Administration of cross-border payments

China still operates capital controls, and payments of more than US$ 50,000 must go through an administrative approval process. Written confirmation must be obtained from the tax authorities that all Chinese tax liabilities relating to the payment have been settled and this together with copies of contracts and other supporting documentation must be submitted to the bank that will make the payment in order to satisfy the foreign exchange authorities’ protocol. This makes the process onerous and time consuming and delays can be common.
Chinese business culture & practical etiquette

The following guidance reflects the experiences and opinions we have collected from organisations, including UK universities, who have already undertaken projects in China.

Building relationships (or ‘guanxi’) is a very important aspect of doing business in China and this applies to your interactions with partner institutions, government bodies, agents and intermediaries, amongst others.

The principle also extends to engaging in discussions with the tax authorities yourself (even if via your in-country tax advisers) rather than relying on a partner institution to take care of communications. The reason is that in the future you may need to rely on the relationship you have built with the tax authorities if you undertake activities distinct from your joint teaching project, if your relationship with your partner runs into difficulties or if you otherwise have to engage with the authorities independently of your partner institution.

A fluent Chinese-speaker on your project team can be invaluable in facilitating communication with Chinese organisations and as noted, Chinese professional services firms can fulfil relationship-building needs when liaising with the tax authorities on your behalf.

Business practice in China typically places less importance on contracts than we do in the UK (the view being that a good business relationship will work without a comprehensive contract whilst a bad one cannot be saved even by the most rigorous contractual terms). However, it is recommended to insist on a full and thorough contract regardless in order to establish appropriate legal protection (and indeed your institution’s leadership is likely to insist on it).

Similarly, Chinese management accounting practices are more straightforward than in the UK and even basic apportionment of overhead costs (let alone full TRAC) may be new to a partner institution’s finance team. Again, this would be unlikely to persuade your institution’s leadership to neglect to perform full costing, but it should at least be possible to make allowances for a partner institution’s difficulties in applying the same manner of costing methodology.
Chinese business culture & practical etiquette

Project financial negotiations

Negotiations occur much more frequently in daily life in China – for example, prices are routinely bartered and haggled both with market traders and in bricks-and-mortar shops – and in consequence the Chinese are typically much more accustomed to the process than we in the UK.

A client recounts asking a China-born friend to explain the approach people in China take to negotiating. He reports expecting simple advice such as to take an inflexible attitude or to know your price and stick to it, but being told:

You might tell them someone else has offered you a certain price, you can make it up if it sounds reasonable, but if you go too low he’ll just say ‘Fine, go and buy it from them.’

On the other hand if he’s selling something special that you can’t get anywhere else, and he knows it, he’s going to be harder to bargain down and you’ll probably have to pay a higher percentage of what he’s asking.

You should also look at how much stock he’s got left. If he’s struggling to sell, or if he’s nearly sold out and may be looking to finish for the day, you might try to bargain him lower.

Moving to walk away, especially early on, can be very effective, but if he really doesn’t like your price he’ll just let you go.

One thing my Mum used to do – there’s a superstition where we used to live that whether you make your first attempted sale of the day will determine whether you have a good day’s trading or a bad one. So she used to do her shopping very early, negotiate hard, and would remind people ‘You don’t want to lose your first sale of the day.’

You start by looking at your position and that of the seller. If you’re buying something you can get elsewhere then you and the seller both know you’re in a strong position and can take them down a long way.
Chinese business culture & practical etiquette

Project financial negotiations

In business negotiations it is suggested that UK parties are often in too great a rush to reach an agreement, for example when visiting the country, aiming to close an agreement before their return flight.

A Chinese party may use this time pressure to their advantage to demand terms the UK party would not otherwise have agreed to.

In joint projects where a UK university is seeking only to recover its costs of participation there may be little scope for negotiations (perhaps only around whether particular overhead costs are recharged). It may be helpful to politely communicate this lack of flexibility to your partner institution, particularly if they appear to be allowing recruitment cycle deadlines to draw near before engaging in discussion of specific financial terms.

However, if there is an intention to make a surplus on a project it may not be possible to avoid the negotiating process.

A potential point of contention is which party should take the financial risk around Chinese tax costs. Those taxes which are subject to discussion are likely to legally be the tax liabilities of your institution and so, understandably, your Chinese partner may take the position that any risk around the final amounts payable should sit with your institution.

On the other hand, since the cost of taxes will be determined by the decisions of the Chinese tax authorities and is not within the UK University’s power to control, the financial risk may be more fairly attributed to the collective joint venture vehicle as a whole. As the Chinese party will usually act as the withholding agent, ‘gross up’ clauses in contracts can help ensure that your institution receives the amount you are expecting. If this matter may take time to resolve it is best to raise the point early in negotiations.

As noted in the tax section of this guide, the Chinese tax authorities will not finally confirm your tax treatment until they have reviewed your final signed finance agreement, meaning you must agree financial terms with your partner before you have certainty as to what the tax cost will be.

(The dynamic policy and legislative environment in China also creates some degree of risk that the tax treatment may change in the future.)

This uncertainty, combined with the potentially large sums involved, may make tax an important factor in project planning and costing.
Chinese business culture & practical etiquette

Meeting etiquette

It is likely that at some point you will have a face to face meeting with your Chinese counterparts.

Enclosed is a summary briefing on Chinese business etiquette, which is suitable for quickly briefing other (non-tax specialist) attendees if required. Some additional points are noted here.

The exchange of business cards is an important custom in China, which should reflect the respect you wish to show to your counterparts. It is advisable to ensure that you have business cards with you for this purpose, which should ideally be contained in a smart business card holder or ready in a neat pile on the table at the meeting venue. It should be a well-received gesture if you are able to prepare bilingual business cards bearing a Chinese translation of your details on one side, but this is not strictly necessary. Cards should be held with two hands when giving and receiving and when you receive theirs you should spend a moment reading its text before placing it in a card holder or on the table where you can refer to it. You should not write on the card you receive, but may make neat notes on your own card.

Another gesture you might consider is to learn to speak some Mandarin, which is the country’s official language and is likely to be spoken well by your Chinese counterparts. This can range from a polite ‘ni hao’ on introduction to a slightly more expansive effort. Even a faltering display will often impress, if only for the effort you’ve made.

At your meeting, especially if taking place in the UK, you may be presented with small gifts from your partner institution. In China it is common practice to bring some form of gift whenever visiting someone (even a friend for a casual visit), although the host is not necessarily expected to reciprocate in kind.

You may already be aware that the Chinese use their surname first then their forename, although the order is sometimes reversed for the benefit of Westerners and the forename may be substituted for an anglicised name. It is common in China to refer to people by their rank or professional title, such as Professor or Deputy Director.

It is normal to shake hands upon introduction, although people may nod or bow instead. On introduction to a group of people the group may applaud you. It is polite to smile and applaud back.

In body language, it is best to avoid pointing with a single finger (especially at people) and an open hand should be used instead. Similarly it is best not to sit with the soles of one’s feet facing people (for example when crossing your legs). It is also considered vulgar to blow one’s nose and return the tissue to one’s pocket.

However, you are allowed to be British and should be forgiven for your cultural differences!
Chinese business culture & practical etiquette

Use of translators

Not everyone you meet will be confident doing business in English and your team should arrange your own translator for meetings, whether a native speaker in your project team or someone brought in on an ad hoc basis.

To ensure your translator can be effective (and especially for translators brought in from outside the project team), it is worthwhile to have a preparatory discussion before the meeting to ensure they understand the background to the meeting, what you’re trying to achieve or the thoughts and ideas you want to convey, and to ensure they are familiar with any specific terminology or jargon you expect to use.

Also important is a post-meeting debrief: Much that is communicated in a Chinese meeting will not be stated overtly or will be expressed in a less literal way than in English-language discussions, making it necessary to read between the lines of what is said. For example, an apparent ‘yes’ could mean a ‘no’, ‘maybe’, or even ‘yes’, depending on the way it is conveyed. A debriefing allows you to ask your translator to explain everything that was not said overtly and to confirm your understanding of what was conveyed or agreed.

Bribery

The UK Bribery Act 2010 makes clear that UK organisations must take a zero-tolerance approach to bribery. A university should set a clear tone from the top of the organisation and take reasonable measures to ensure bribery does not take place in its name. Even bribery attempted by third parties on your behalf that your institution did not know about can be caught by the Act.

It is important to establish a clear understanding with your Chinese partners of this perspective. The matter may be particularly important with student recruitment agents operating in the country. Ensure all parties are clear on the definition of what a bribe is and the stance that bribery is unacceptable to your institution. Consider including clauses in staff and agents’ contracts mandating adherence to your bribery policy.
Meeting etiquette summary

For use as a reference sheet and quick briefing note for other meeting attendees

Business introductions

- **Chinese** use their surname first, then their forename, although the order is sometimes reversed for the benefit of Westerners and the forename may be substituted for an anglicised name. It is common in China to refer to people by their rank or professional title, such as Professor or Deputy Director.

- It is normal to shake hands upon introduction, although people may nod or bow instead. On introduction to a group of people, the group may applaud you. It is polite to smile and applaud back.

- The exchange of business cards at an introduction is an important custom in China, which should reflect the respect you wish to show to your counterparts. It is advisable to ensure that you have business cards with you for this purpose, which should ideally be contained in a smart business card holder or be ready in a neat pile on the table at the meeting venue. You may wish to prepare bilingual business cards bearing a Chinese translation of your details on one side, but this is not essential.

- Cards should be held with two hands when giving and receiving and when you receive theirs you should spend a moment reading its text, before placing it in a card holder or on the table where you can refer to it. You should not write on the card you receive, but may make neat notes on the face of your own card.

- In China it is common practice to bring some form of gift whenever going to visit someone, but the host is not necessarily expected to reciprocate in kind.
Meeting etiquette summary

For use as a reference sheet and quick briefing note for other meeting attendees

Body language

- One should avoid pointing with a single finger (especially at people) and an open hand should be used instead.

- It is best not to sit with the soles of one’s feet facing people (for example when crossing your legs).

- It can be considered vulgar to blow one’s nose and return the tissue to one’s pocket.

- However, if you slip up you should be forgiven for your cultural differences!
Further resources

**UK Higher Education International Recruitment Research Papers**

**HEFCE**

- Global demand for English higher education (April 2014)
  [www.hefce.ac.uk/pubs/year/2014/201408a/](http://www.hefce.ac.uk/pubs/year/2014/201408a/)

- Global demand for English higher education: Latest shifts and trends (February 2015)
  [www.hefce.ac.uk/pubs/year/2015/201502/](http://www.hefce.ac.uk/pubs/year/2015/201502/)

- Directions of travel: Transnational pathways into English higher education (November 2014)
  [www.hefce.ac.uk/pubs/year/2014/201429/](http://www.hefce.ac.uk/pubs/year/2014/201429/)

- Transnational pathways to higher education in England (June 2015)
  [www.hefce.ac.uk/pubs/year/2015/201508/](http://www.hefce.ac.uk/pubs/year/2015/201508/)

**Universities UK**

- International students in UK higher education: the UK and its competition (September 2014)
  [http://www.universitiesuk.ac.uk/highereducation/Pages/InternationalStudentsInUKHE.aspx](http://www.universitiesuk.ac.uk/highereducation/Pages/InternationalStudentsInUKHE.aspx)

**Agora**

- British Universities in China: The Reality Beyond the Rhetoric

**Further BUFDG Guidance**

**Doing Business in China – A Guide To Free Online Resources (BUFDG)**

[http://bufdg.ac.uk/ViewDocument.aspx?r=1&ID=2317&GUID=e9b49ffe-a1ec-41c4-9304-1145bcc14d76&r=1](http://bufdg.ac.uk/ViewDocument.aspx?r=1&ID=2317&GUID=e9b49ffe-a1ec-41c4-9304-1145bcc14d76&r=1)

**Business culture**


[www.amazon.co.uk/China-Shakes-The-World-Hungry/dp/0753826704](http://www.amazon.co.uk/China-Shakes-The-World-Hungry/dp/0753826704)

**Business Card Culture Guide**


**China-Britain Business Council (CBBC) Business Culture Training**

[www.cbbc.org/services/china-business-services/training/business-culture-training/](http://www.cbbc.org/services/china-business-services/training/business-culture-training/)

**Language Resources**

**Total Mandarin Chinese (Michel Thomas Method) audio CD programme**
