

# STARTING BUSINESS

Comparing the processes of starting a business in China and U.S.

So you have a good business idea, but how do you turn it into a business before others do? The process of formally registering a company differ in the world's two biggest economies--U.S. and China. This projects aims to compare the processes and shed light on bureaucratic obstacles and high costs that deter entrepreneurship.

START

## CHINA

21

¥40



Registering business



Getting electricity



Registering property



Paying taxes



### 1. Get a company name

The applicant picks up the application for company name pre-approval from the local Administration of Industry and Commerce (AIC), or otherwise, downloads the form from AIC's Web site. It will be approved or rejected on the spot. However if the application is made through mail, fax, email, etc, the proposed company name will be approved or rejected within 15 days.



It's extremely frustrating. I applied nine times on my local AIC's website in Suzhou and everything it said 'name already exists.' I called to ask if I could go there in person to check, they said no.

You have to wait two days between applications so it took me six whole days to get a name! My brain juice is completely dry after coming up with nine names! The new online application system is not at all convenient!



--Jeff, telecom company owner in Suzhou, China

## U.S.

21

\$275



Registering business



Getting electricity



Registering property



Paying taxes



### 1. Get a name and an agreement to operate

Reserve the company's business name, file the company's articles of organization and get an operating agreement. The company name must contain the words "Limited Liability Company," "L.L.C.," or "LLC."

Usually the filing process takes 7 business days but companies can pay to make it faster. (2-hour turnaround: \$150, Same-day: \$75, 24-hour turnaround: \$ 25)



Debbi Ramsey, the owner of a spa in Philadelphia, has gone through six names in two years. One choice had been taken. She switched to Bodyworks but customers said it reminded them of an auto body shop. Next she tried One Touch Body and Spa, but she got dirty looks when she went to the city for a permit. "They're looking at me over their glasses with this 'touching body' in there," she said. "I tried to explain that I do therapeutic massage and guys were coming up to the counter and saying, 'Yeah, right, where's your place?' "

Eventually, Ms. Ramsey settled on a more wholesome name: Natural Wellness & Spa. But getting the name right cost her more than \$1,000 in expenses plus innumerable annoyances. "I had no idea," she said of the ordeal. "It just added to the drama of starting a business."

Source: New York Times, How to Register a startup, [http://www.nytimes.com/2010/04/01/business/smallbusiness/01ehis.html?\\_r=1&ref=ehis](http://www.nytimes.com/2010/04/01/business/smallbusiness/01ehis.html?_r=1&ref=ehis)

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START

## CHINA

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\$0



### 1. Open a bank account and get capital verification report

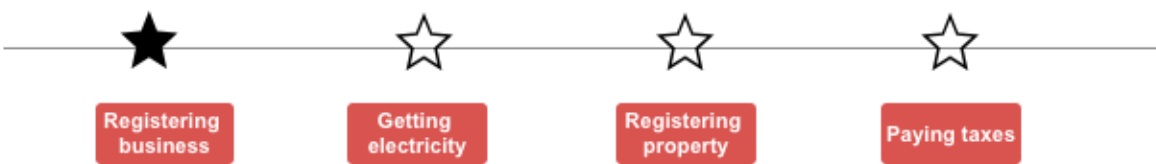
Open a preliminary bank account, deposit initial capital funds, which takes 1 day and costs RMB 30. Then the applicant must obtain a certificate as proof. Then get a capital verification report from an auditing firm. This process takes on average 7 days and costs RMB 500. Small and micro businesses are exempt from the fees.



2015年，我国继续大力推进简政放权，着力改革商事制度，市场活力持续增强。以简化注册资本登记，逐步实现“三证合一”为核心的改革让许多像王静这样的创业者打开了事业的新篇章。一季度，全国新登记市场主体272万户，比上年同期增长14.3%；注册资本（金）5.2万亿元，增长78.3%；其中新登记企业84.4万户，比上年同期增长38.4%。注册资本（金）4.8万亿元，增长90.6%，显示了改革的巨大威力和市场的无限潜力，也表明社会投资创业的热情和信心依然高涨。

## U.S.

\$275



### 2. Register to pay federal and state tax

The company needs to apply for federal identification number (EIN) for tax as well as employer purposes and to Register to collect state sales tax. Getting an EIN can take up to 4 weeks if applying by mail. Most businesses are required to register as a sales tax vendor with the state.



Simpsonville Farmer's Market:

The Simpsonville Farmer's Market, which began in 2010, is open each Saturday morning during the warmer months at City Park. Further discussion on possible changes within the operation of the market centered on whether vendors that sell their products at the Market should have to pay for a vendor permit, as well as possibly having to collect hospitality and/or sales tax on their sales. Vendors have not had to do any of those things in the past.





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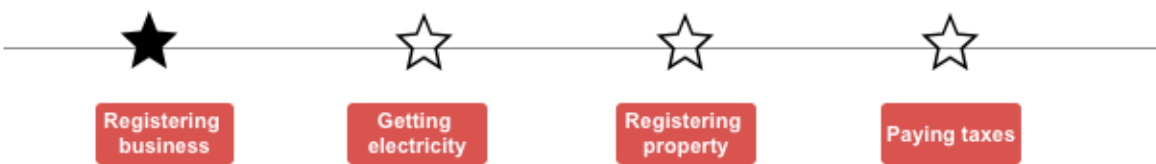
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2015年，我国继续大力推进简政放权，着力改革商事制度，市场活力持续增强。以简化注册资本登记，逐步实现“三证合一”为核心的改革让许多像王静这样的创业者打开了事业的新篇章。一季度，全国新登记市场主体272万户，比上年同期增长14.3%；注册资本（金）5.2万亿元，增长78.3%；其中新登记企业84.4万户，比上年同期增长38.4%，注册资本（金）4.8万亿元，增长90.6%，显示了改革的巨大威力和市场的无限潜力，也表明社会投资创业的热情和信心依然高涨。

99

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\$275



### 3. Register as an employer

The company needs to apply for federal identification number (EIN) for tax as well as employer purposes and to Register to collect state sales tax. Getting an EIN can take up to 4 weeks if applying by mail. Most businesses are required to register as a sales tax vendor with the state.



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## Methodology

The project provides a detailed summary of the bureaucratic and legal hurdles an entrepreneur must overcome in order to incorporate and register a new firm, along with their associated time and set-up costs. It examines the procedures, time and cost involved in launching a commercial or industrial firm with up to 50 employees and start-up capital of 10 times the economy's per-capita gross national income.