



Outsourcing accounting for foreign companies in China

An analysis of benefits and costs

Dealing with tax authorities, bookkeeping and accounting are tasks that companies perform on a regular basis. However, the procedures and changing regulations in China as well as the HR cost involved are a common source of concern for foreign companies.

In general, there are 2 main scenarios where foreign companies decide to outsource their accounting:

- Newcomers to China who are not familiar with accounting standards and tax laws
- Established companies looking to save costs or to downsize their operations

What should be your strategy when deciding if you should hire an in house accountant or outsource the tasks?

Outsourced accounting: Pros and Cons

Pros:

- Reduced expenses compared to the salary and social charges of a good accountant
- Continuity and reliability: You are not affected by staff turnover or by the consequences of firing an accountant
- Support of a team with specialized know-how, from various clients, not limited to accounting and with connections to tax authorities
- Transparency. Compared to a local Manager, an outsourced partner has no agenda and will report issues when they arise

Cons:

- Communication is not immediate, more time consuming and with less face to face interaction
- Disclosure of your professional and tax information to a third party
- No direct control on the work load and schedule priorities of the outsourced accountant

In house accountant: Pros and Cons

Pros:

- Financial information kept in house, which increases your control on it, as well as confidentiality
- The know-how regarding your accounting needs stays in house and your understanding of local business in China increases
- The accountant is dedicated to the company and reacts faster when questions or issues are raised

Cons:

- Cheap labor for good services doesn't exist in China anymore. Hiring a good accountant and paying for the social charges will not be cheap
- Staff turnover is high in China with very short notice period, if any
- Should the accountant perform poorly, firing someone who has a deep financial knowledge of your company will be costly, the know-how gone and the recovery time, painful

The strategy

A company's strategy evolves and so does China's tax policies. The goal is to reduce your risks and take your accounting and tax burden off your shoulder. Whether you are new to China or experienced, expanding your team or downsizing, pragmatic solutions can be provided:

- **Outsourced accounting**

Find your prolonged arm and trusted fiduciary in China. The fiduciary needs to be licensed and provide certified accountants to work for your interests. You need to be able to be in direct contact with the outsourced accounting team and management.

- **In house accountant**

Find a partner who understands your requirements and who can provide an accountant for your company that can be under your payroll or under the partner's legal roof. You would benefit from all the advantages of an in house accountant while at the same time reduce your risks and knowledge loss from staff turnovers.

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