



Hong Kong Institute of
Certified Public Accountants
香港会计师公会

Meeting notes

**The Shenzhen Municipal Office of the
State Administration of Taxation
and
The Hong Kong Institute of Certified Public Accountants**

2016

Foreword

It was a great pleasure for the Hong Kong Institute of Certified Public Accountants ("Institute" or "HKICPA") to hold a meeting with the Shenzhen Municipal Office of State Administration of Taxation ("SMOSAT") on 9th December 2016 in Shenzhen. The purpose of the meeting was to discuss various taxation topics and to exchange opinions based on the discussion.

The following is a translation of the meeting notes prepared, in Chinese, by the Institute. Please note that the meeting notes represent only the views of SMOSAT officials who attended the meetings and are not intended to be a legally-binding or definitive interpretation. Professional advice should be sought before applying the content of these notes to your particular situation.

HKICPA wishes to thank the delegates from EY for taking the meeting notes.

Meeting notes

A. Corporate Income Tax

1. SAT Public Notice [2015] No. 7 ("PN7")
 - a. Reasonable commercial purposes
 - b. Transfer pricing consideration to be used for tax calculation purposes
 - c. Interests and late payment surcharges issues mentioned in PN7
 - d. Looking through approach
 - e. Variable Interest Entity ("VIE") structure
2. Corporate reorganization
 - a. Corporate income tax ("CIT") implications for non-resident enterprises in cross-border reorganization arrangement
 - i. Special tax treatments in relation to cross-border reorganization as mentioned in Circular 59
 - ii. Special tax treatment application on cross-border merger transactions
 - iii. Issues in relation to non-resident enterprises strike off as a result of cross-border reorganizations
 - iv. Issues in relation to where the business nature of the parent company changed
 - b. Implementations of Caishui [2014] Circular 109 and SAT Public Notice [2015] No. 40

B. Tax treaty benefits and overseas tax credits

1. Resident certificate and resident status confirmation
 - a. Tax treaty benefits
 - b. Permanent Establishments
2. Corporate income tax ("CIT") credits
 - a. How should the indirect tax credit be applied to partnerships/ tax transparency entities?
 - b. Difference in calculating overseas tax credit of CIT between direct and indirect tax credit set off for partnership
 - c. The appropriate tax credit for partnership
 - d. The appropriate tax credit for overseas partnership
 - e. Consolidated tax filing
3. Chinese resident enterprises and foreign-controlled enterprises
4. Reimbursement of expenses paid by overseas enterprises

C. Value-added taxes (“VAT”)

1. VAT liabilities on permanent representative offices of foreign enterprises
2. VAT implications on cross-border activities under the business tax to value-added tax (“B2V”) reform
 - a. Circular 36
 - b. Article 1 of SAT Public Notice [2016] No. 5
3. Issues on import VAT credits
4. Inquiries on whether VAT should be imposed for transfer of shares listed in National Equities Exchange and Quotations (“NEEQ”)
5. VAT issues on centralized purchasing
6. Issue on tax paying entities (VAT implications for foreign enterprises having permanent establishment in China)
7. Are dividends from fund or wealth products (i.e. non-fixed income) taxable items for VAT?

D. Taxation of financial business

1. Tax implications on non-performing loan/non-performing asset acquisition
 - a. VAT issues
 - b. CIT issues
2. Transfer of financial products
3. VAT for interest receivables by non-financial enterprises
4. Deemed sales of capital non-interest bearing flow and VAT for wealth products of banks

E. Integrated question

1. Compliance Guidance
2. Guidance on partnership taxation