



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Meeting notes

**The State Administration of Taxation
and
The Hong Kong Institute of Certified Public Accountants**

2017

Foreword

The Hong Kong Institute of Certified Public Accountants (“Institute” or “HKICPA”) held its annual meeting with the State Administration of Taxation (“SAT”) at No. 5 Yangfangdian West Road of Haidian District in Beijing on 16 May 2017. Yu Shuchun, Deputy Counsel of SAT and leaders of relevant Divisions and Offices welcomed HKICPA delegates. Mabel Chan, the president of HKICPA, expressed gratitude to SAT for taking time to attend the meeting and expressed her view that the meeting would help strengthen the development of communication between HKICPA and SAT.

The following is a translation of the meeting notes prepared, in Chinese, by the Institute. It should be emphasized that the notes represent the understanding of the Institute's delegates with respect to the responses from SAT and do not necessarily represent SAT's official opinions. Therefore, the notes are not intended to be a legally-binding or a definitive interpretation of the matter discussed. Professional advice should be sought before applying the contents of these notes to specific situations. If there are differences in the interpretation between the English and Chinese versions, reference should be made to the Chinese version.

HKICPA would also like to express thanks to EY for providing a representative to take the notes at the meeting.

Meeting Notes

A. Non-resident Enterprise Income Tax

1. Financial product trading transactions
2. Insurance premium
3. How to apply the tax treaty provisions on royalty payments
4. Foreign tax credits
 - a. Direct setoff – Overseas tax incurred by China partnership
 - b. Indirect tax credit setoff – overseas partnership/transparent entity for tax purpose/group tax credit set of
5. Hong Kong tax resident certificate

B. Corporate restructuring

1. Indirect transfer/ Direct transfer – ascertaining the cost base for the transfer (SAT Public Notice [2015] No.7 ("PN7"), Circular 59, Circular 698)
2. Reasonable commercial purposes and transactions involved restructuring by phases (PN7, Circular 59)
3. Indirect transfer transaction that would lead to income tax consequence
 - a. Units that are not legal entities or perceived enterprise income tax paying units
 - b. Ultimate natural person shareholder
4. Special tax treatment on share transfer transaction
5. Reasonable commercial purposes (PN7)

C. Enterprise Income Tax

1. Preferential tax treatments
2. Tax filing requirements for partnerships

D. Value-Added Tax

1. Tax exemption, set off and refund
2. Trading of codes by criminals
3. Share listed in National Equities Exchange and Quotations

E. Transfer pricing/ advance pricing arrangements

1. Master files and domestic files
 - a. Master files
 - b. Domestic files
2. SAT Public Notice [2017] No. 6

F. Individual Income Tax

1. Income from partnership