



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

Meeting notes

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

2019

Foreword

The Hong Kong Institute of Certified Public Accountants (“Institute” or “HKICPA”) held its annual meeting with the State Taxation Administration (“STA”) at No. 5 Yangfangdian West Road of Haidian District in Beijing on 27 June 2019. Yu Shuchun, Deputy Counsel of the STA, and leaders of the relevant divisions and offices welcomed HKICPA's delegates.

The following are summary notes of the meeting prepared by the Institute. These notes represent the understanding of the Institute's delegates with respect to the responses from the STA and do not necessarily represent the STA's official position on the matters discussed. Accordingly, the notes should be used as general reference only and are not intended to be a legally binding on any person. Advice should be sought from professionals before applying the contents of the summary notes. If there are discrepancies between the English and the Chinese versions, reference should be made to the Chinese version.

The Institute would also like to thank KPMG for assigning a representative to take notes for the meeting.

Summary notes

Discussion items

A. Corporate Income Tax ("CIT")

- A1. Venture capital enterprises
 - a. Timing of CIT deduction
 - b. Multi-tier partnership structure
- A2. CIT on asset transfer between non-resident enterprises
 - a. STA Public Notice [2015] No. 7 ("PN7")
 - b. What should be the valuation bases for assets associated with place of business/establishment in China in transfer of Chinese taxable assets between non-resident enterprises?
 - c. Indirect equity transfer under internal corporate restructuring
- A3. Interest income from investment of Chinese domestic bonds by overseas institutions
- A4. Double taxation
- A5. Interpretation and practical considerations of STA Public Notice [2018] No. 9 ("PN9")
- A6. Inconsistent tax withholding bases on service fees from technical know-how support and guidance services by different tax bureaus
- A7. Inconsistent CIT withholding treatments by different local tax bureaus – how should CIT be imposed on fee for services rendered outside China
- A8. Impact of the new accounting standard on leases on CIT
- A9. Are the requirements under Article 7 of Caishui [2019] No. 59 ("Circular 59") applicable on spin-off of a Chinese subsidiary by an overseas holding company?

B. Individual Income Tax ("IIT")

- B1. Comprehensive income of resident individuals
 - a. Tax withholding and payments in advance
 - b. Tax withholding and payments
- B2. Calculation of the cumulative number of days in China
 - a. IIT
 - b. Permanent establishment ("PE")
- B3. IIT Law and partnerships
- B4. Apportionment of bonus for Hong Kong employees

C. Value-added tax ("VAT")

- C1. Is VAT payable on transfer of H shares?
- C2. Intercompany loans
 - a. What is "corporate group"?
 - b. What is "validity period"?

D. Transfer Pricing

- D1. Exchange of Country-by-Country Reports
- D2. Transactions of intangible assets