China Tax Weekly Update

ISSUE 37 | September 2017

Reference: N/A
Issuance date: N/A
Effective date: N/A

Relevant industries: All
Relevant companies: All
Relevant taxes: N/A

Potential impacts on businesses:
- Operational costs reduced

You may click here to access full content of the circular.

China national e-tax bureau and 'one stop shop'

On 13 September 2017, Mr. Rao Lixin, director of the Tax Collection and IT Administration Department of the State Administration of Taxation (SAT), announced that the SAT will take further steps to enhance the use of information technology in tax administration:

- By the end of 2017, the online tax service platforms of each provincial tax bureau will be upgraded and integrated with local government online service platforms.
- By the end of 2020, a nationwide e-tax bureau will be set up.
- A "one-stop shop" online tax service platform will be rolled out. This will maintain data on taxpayers and be linked to the national data sharing exchange platform, thus allowing taxpayers to handle tax matters more efficiently with local tax authorities.

Reference: Guo Ban Han [2017] No. 84
Issuance date: 13 September 2017
Effective date: N/A

Relevant industries: Financial industries
Relevant companies: Financial companies
Relevant taxes: N/A

Potential impacts on businesses:
- Risks of being challenged due to incompliance issues increased

You may click here to access full content of the circular.

China national risk assessment system to more effectively detect tax evasion

On 13 September 2017, the State Council general office issued Circular Guo Ban Han [2017] No. 84. The circular directs that, by 2020, coordinated regulatory mechanisms must be set up to better detect and deter money laundering, terrorist financing and tax evasion. Specifically, the rules:

- Establish a national risk assessment system with a panel consisting of anti-money laundering ("AML") competent authorities, tax authorities, and public security authorities. These will oversee regular assessment work and monitoring of irregular cross-border capital transfers requiring further investigation.
- Require professional services providers, including accounting and law firms, to assist with AML monitoring, as well as with prosecution efforts.
- Industry regulatory rules on AML must provide for:
  - ❖ Enhanced cooperation between industry competent authorities, AML competent authorities, and tax authorities.
  - ❖ Analysis for a given industry on the distribution of and trends in money laundering, terrorist financing and tax evasion risks and enhancement of responsive regulatory policies.
  - ❖ AML and anti-terrorist financing regulatory system improvements are particularly emphasized for the real estate, precious metals and jewellery trade sectors, as well as other sectors exhibiting particular risks.
- In order to prevent customs duty evasion, greater cooperation on monitoring and on exchange of information is needed between AML competent authorities and customs authorities.
- China will enhance bilateral/multilateral cooperation on tax collection, international tax information exchange and tax transparency, to crack down on international tax avoidance. This will also facilitate wider AML efforts.

Reference: N/A
Issuance date: 13 September 2017
Effective date: N/A

Relevant industries: All
Relevant companies: All
Relevant taxes: N/A

Potential impacts on businesses:
- Operational costs reduced

You may click here to access full content of the circular.

New anti-monopoly measures

On 13 September 2017, the Ministry of Commerce (MOFCOM) issued *Measures for the Review of Concentration of Economic Power (Exposure Draft for Revision)* (the "2017 Anti-Monopoly Measures") to solicit public comments. Once the 2017 Measures comes into effect, it will replace two 2009-issued Measures; *Measures for the Declaration of Concentration of Undertakings* and *Measures for the Review of Concentration of Undertakings.*

Under the current rules, "concentration of economic power" refers to :

- Merger of business operators;
- Acquisition of a controlling stake in equity or assets;
- Acquisition of control over other business operators, or the attainment of an ability to exert decisive influence on other business operators, through contractual arrangements or other means.

According to China's anti-monopoly law, prior to any acquisition of a controlling stake, a declaration must be registered with and approved by MOFCOM, where the following thresholds are met:

- The worldwide turnover derived by all business operators participating in the "concentration" transactions exceeded RMB10 billion for the previous fiscal year. The threshold is met where, for at least two of these business operators, their turnover in China exceeded RMB400 million for the previous fiscal year; or
- The turnover derived in China by all business operators participating in the concentration transactions exceeded RMB20 billion for the previous fiscal year. The threshold is met where, for at least two of these business operators, their turnover in China exceeded RMB400 million for the previous fiscal year.

Compared with the two 2009-issued Measures, and the *Guidance on Declaration of the Concentration of Undertakings* issued by the anti-monopoly bureau of MOFCOM in 2014, the 2017 measures make the following changes:

- The 2017 measures further clarify the definition of "concentration of economic power". It is clarified as an acquisition of property, business operations**,** and legal rights previously held by other business operators where, before the acquisition, these were operated by the sellers in the marketplace to generate income. Such acquisitions will be considered as a "concentration of economic power".
- The 2017 measures provide a new definition of "decisive influence". A business operator will be considered to have exercised "decisive influence" where it holds voting rights (or similar rights) in another business operator <u>and</u> can influence the operations and management decisions of another business operator (e.g., appointing and removing senior management, financial budgets and business plans).
- The 2017 measures provide that where a company, through a series of transactions, obtains controlling rights over another company, or comes to exert "decisive influence" over another company, such transactions shall be viewed collectively as one "concentration of economic power" transaction.

  This builds on a 2009 measures provision concerning the definition of one "concentration of economic power" transaction. This provided that where multiple "concentration of economic power" transactions are carried out between the same two companies within two years, and each of transactions is below the declaration threshold, then those transactions shall be treated as one transaction for the purpose of the rules. The 2017 measures develop this definition further.

Reference: N/A
Issuance date: N/A
Effective date: N/A

Relevant industries: All
Relevant companies: All
Relevant taxes: N/A

Potential impacts on businesses:
- Risks of being challenged due to cross-border tax avoidance arrangements increased

You may click here to access full content of the circular.

UN examine developing country digital economy tax issues

In September 2017, the UN Committee of Experts on International Cooperation in Tax Matters issued a document entitled 'The digitalized economy: selected issues of potential relevance to developing countries'. This refers to the work of the Organization for Economic Cooperation and Development (OECD) base erosion and profit shifting (BEPS) project on addressing the tax challenges of the digital economy. The UN document looks at some of the unilateral measures introduced by Australia, China, France, India, Israel, Italy and the United Kingdom to tax digital economy activity:

(a) value added tax (VAT)-based measures, based on the geographical location of the consumer market (e.g., China levies taxes on retail goods that are imported through e-commerce);

(b) presumed allocation of profits to domestic jurisdiction (either by making use of a presumed permanent establishment approach like that adopted in the United Kingdom and Australia, or by requiring taxpayers to register in a country as a result of their digital presence);

(c) taxes on the use of a country's digital infrastructure (e.g., Indian 6% equalization levy withheld from digital advertising service payments to non-residents); and

(d) transfer pricing-related measures (e.g. Italy has moved to align more closely with the revised OECD rules).

The document highlights the following:

- Many developing countries are takings steps to impose VAT/GST withholding on payments to foreign B2C providers of goods and services.
- As economies continue to digitalise this may drive a revision of the UN Model Convention permanent establishment threshold to embrace a digital permanent establishment concept.

KPMG

Contact Us

For any enquiries, please send to our public mailbox: taxenquiry@kpmg.com or contact our partners/directors in each China/HK offices.

Khoonming Ho
Head of Tax,
KPMG Asia Pacific
Tel. +86 (10) 8508 7082
khoonming.ho@kpmg.com

Lewis Lu
Head of Tax,
KPMG China
Tel. +86 (21) 2212 3421
lewis.lu@kpmg.com

Beijing/Shenyang/Qingdao
Vincent Pang
Tel. +86 (532) 8907 1728
vincent.pang@kpmg.com

Tianjin
Eric Zhou
Tel. +86 (10) 8508 7610
ec.zhou@kpmg.com

Shanghai/Nanjing/Chengdu
Anthony Chau
Tel. +86 (21) 2212 3206
anthony.chau@kpmg.com

Hangzhou
John Wang
Tel. +86 (571) 2803 8088
john.wang@kpmg.com

Guangzhou
Lilly Li
Tel. +86 (20) 3813 8999
lilly.li@kpmg.com

Fuzhou/Xiamen
Maria Mei
Tel. +86 (592) 2150 807
maria.mei@kpmg.com

Shenzhen
Eileen Sun
Tel. +86 (755) 2547 1188
eileen.gh.sun@kpmg.com

Hong Kong
Karmen Yeung
Tel. +852 2143 8753
karmen.yeung@kpmg.com

Northern China

Vincent Pang
Head of Tax,
Northern Region
Tel. +86 (10) 8508 7516
+86 (532) 8907 1728
vincent.pang@kpmg.com

Cheng Chi
Tel. +86 (10) 8508 7606
cheng.chi@kpmg.com

Conrad TURLEY
Tel. +86 (10) 8508 7513
conrad.turley@kpmg.com

Milano Fang
Tel. +86 (532) 8907 1724
milano.fang@kpmg.com

Tony Feng
Tel. +86 (10) 8508 7531
tony.feng@kpmg.com

Flora Fan
Tel. +86 (10) 8508 7611
flora.fan@kpmg.com

John Gu
Tel. +86 (10) 8508 7095
john.gu@kpmg.com

Rachel Guan
Tel. +86 (10) 8508 7613
rachel.guan@kpmg.com

Helen Han
Tel. +86 (10) 8508 7627
h.han@kpmg.com

Michael Wong
Tel. +86 (10) 8508 7085
michael.wong@kpmg.com

Josephine Jiang
Tel. +86 (10) 8508 7511
josephine.jiang@kpmg.com

Henry Kim
Tel. +86 (10) 8508 5000
henry.kim@kpmg.com

David Ling
Tel. +86 (10) 8508 7083
david.ling@kpmg.com

Li Li
Tel. +86 (10) 8508 7537
li.li@kpmg.com

Lisa Li
Tel. +86 (10) 8508 7638
lisa.h.li@kpmg.com

Thomas Li
Tel. +86 (10) 8508 7574
thomas.li@kpmg.com

Larry Li
Tel. +86 (10) 8508 7658
larry.y.li@kpmg.com

Lucia Liu
Tel. +86 (10) 8508 7570
lucia.jj.liu@kpmg.com

Alan O'Connor
Tel. +86 (10) 8508 7521
alan.oconnor@kpmg.com

Shirley Shen
Tel. +86 (10) 8508 7586
yinghua.shen@kpmg.com

Joseph Tam
Tel. +86 (10) 8508 7605
laiyiu.tam@kpmg.com

Joyce Tan
Tel. +86 (10) 8508 7666
joyce.tan@kpmg.com

Cynthia Xie
Tel. +86 (10) 8508 7543
cynthia.py.xie@kpmg.com

Christopher Xing
Tel. +86 (10) 8508 7072
christopher.xing@kpmg.com

Irene Yan
Tel. +86 (10) 8508 7508
irene.yan@kpmg.com

Adams Yuan
Tel. +86 (10) 8508 7596
adams.yuan@kpmg.com

Jessie Zhang
Tel. +86 (10) 8508 7625
jessie.j.zhang@kpmg.com

Sheila Zhang
Tel: +86 (10) 8508 7507
sheila.zhang@kpmg.com

Tiansheng Zhang
Tel. +86 (10) 8508 7526
tiansheng.zhang@kpmg.com

Tracy Zhang
Tel. +86 (10) 8508 7509
tracy.h.zhang@kpmg.com

Eric Zhou
Tel. +86 (10) 8508 7610
ec.zhou@kpmg.com

Vivian Zhou
Tel. +86 (10) 8508 3360
v.zhou@kpmg.com

Central China

Anthony Chau
Head of Tax,
Eastern & Western Region
Tel. +86 (21) 2212 3206
anthony.chau@kpmg.com

Yasuhiko Otani
Tel. +86 (21) 2212 3360
yasuhiko.otani@kpmg.com

Johnny Deng
Tel. +86 (21) 2212 3457
johnny.deng@kpmg.com

Cheng Dong
Tel. +86 (21) 2212 3410
cheng.dong@kpmg.com

Marianne Dong
Tel. +86 (21) 2212 3436
marianne.dong@kpmg.com

Chris Ge
Tel. +86 (21) 2212 3083
chris.ge@kpmg.com

Chris Ho
Tel. +86 (21) 2212 3406
chris.ho@kpmg.com

Henry Wong
Tel. +86 (21) 2212 3380
henry.wong@kpmg.com

Jason Jiang
Tel. +86 (21) 2212 3527
jason.jt.jiang@kpmg.com

Flame Jin
Tel. +86 (21) 2212 3420
flame.jin@kpmg.com

Sunny Leung
Tel. +86 (21) 2212 3488
sunny.leung@kpmg.com

Michael Li
Tel. +86 (21) 2212 3463
michael.y.li@kpmg.com

Karen Lin
Tel. +86 (21) 2212 4169
karen.w.lin@kpmg.com

Benjamin Lu
Tel. +86 (21) 2212 3462
benjamin.lu@kpmg.com

Christopher Mak
Tel. +86 (21) 2212 3409
christopher.mak@kpmg.com

Henry Ngai
Tel. +86 (21) 2212 3411
henry.ngai@kpmg.com

Naoko Hirasawa
Tel. +86 (21) 2212 3098
naoko.hirasawa@kpmg.com

Ruqiang Pan
Tel. +86 (21) 2212 3118
ruqiang.pan@kpmg.com

Amy Rao
Tel. +86 (21) 2212 3208
amy.rao@kpmg.com

Wayne Tan
Tel. +86 (28) 8673 3915
wayne.tan@kpmg.com

Tanya Tang
Tel. +86 (25) 8691 2850
tanya.tang@kpmg.com

Rachel Tao
Tel. +86 (21) 2212 3473
rachel.tao@kpmg.com

Janet Wang
Tel. +86 (21) 2212 3302
janet.z.wang@kpmg.com

John Wang
Tel. +86 (571) 2803 8088
john.wang@kpmg.com

Mimi Wang
Tel. +86 (21) 2212 3250
mimi.wang@kpmg.com

Jennifer Weng
Tel. +86 (21) 2212 3431
jennifer.weng@kpmg.com

Grace Xie
Tel. +86 (21) 2212 3422
grace.xie@kpmg.com

Bruce Xu
Tel. +86 (21) 2212 3396
bruce.xu@kpmg.com

Jie Xu
Tel. +86 (21) 2212 3678
jie.xu@kpmg.com

Robert Xu
Tel. +86 (21) 2212 3124
robert.xu@kpmg.com

Yang Yang
Tel. +86 (21) 2212 3372
yang.yang@kpmg.com

Jason Yu
Tel. +86 (21) 2212 3316
jim.yu@kpmg.com

William Zhang
Tel. +86 (21) 2212 3415
william.zhang@kpmg.com

Hanson Zhou
Tel. +86 (21) 2212 3318
hanson.zhou@kpmg.com

Michelle Zhou
Tel. +86 (21) 2212 3458
michelle.b.zhou@kpmg.com

Eric Zhang
Tel. +86 (21) 2212 3398
eric.z.zhang@kpmg.com

Kevin Zhu
Tel. +86 (21) 2212 3346
kevin.x.zhu@kpmg.com

Southern China

Lilly Li
Head of Tax,
Southern Region
Tel. +86 (20) 3813 8999
lilly.li@kpmg.com

Penny Chen
Tel. +1 (408) 367 6086
penny.chen@kpmg.com

Vivian Chen
Tel. +86 (755) 2547 1198
vivian.w.chen@kpmg.com

Nicole Cao
Tel. +86 (20) 3813 8619
nicole.cao@kpmg.com

Sam Fan
Tel. +86 (755) 2547 1071
sam.kh.fan@kpmg.com

Joe Fu
Tel. +86 (755) 2547 1138
joe.fu@kpmg.com

Ricky Gu
Tel. +86 (20) 3813 8620
ricky.gu@kpmg.com

Fiona He
Tel. +86 (20) 3813 8623
fiona.he@kpmg.com

Angie Ho
Tel. +86 (755) 2547 1276
angie.ho@kpmg.com

Aileen Jiang
Tel. +86 (755) 2547 1163
aileen.jiang@kpmg.com

Cloris Li
Tel. +86 (20) 3813 8829
cloris.li@kpmg.com

Jean Li
Tel. +86 (755) 2547 1128
jean.j.li@kpmg.com

Sisi Li
Tel. +86 (20) 3813 8887
sisi.li@kpmg.com

Mabel Li
Tel. +86 (755) 2547 1164
mabel.li@kpmg.com

Kelly Liao
Tel. +86 (20) 3813 8668
kelly.liao@kpmg.com

Patrick Lu
Tel. +86 (755) 2547 1187
patrick.c.lu@kpmg.com

Grace Luo
Tel. +86 (20) 3813 8609
grace.luo@kpmg.com

Ling Lin
Tel. +86 (755) 2547 1170
ling.lin@kpmg.com

Maria Mei
Tel. +86 (592) 2150 807
maria.mei@kpmg.com

Chris Xiao
Tel. +86 (755) 3813 8630
chris.xiao@kpmg.com

Eileen Sun
Tel. +86 (755) 2547 1188
eileen.gh.sun@kpmg.com

Michelle Sun
Tel. +86 (20) 3813 8615
michelle.sun@kpmg.com

Bin Yang
Tel. +86 (20) 3813 8605
bin.yang@kpmg.com

Lixin Zeng
Tel. +86 (20) 3813 8812
lixin.zeng@kpmg.com

Nicole Zhang
Tel. +86 (20) 3813 8644
nicole.ll.zhang@kpmg.com

Hong Kong

Curtis Ng
Head of Tax, Hong Kong
Tel. +852 2143 8709
curtis.ng@kpmg.com

Ayesha M. Lau
Tel. +852 2826 7165
ayesha.lau@kpmg.com

Chris Abbiss
Tel. +852 2826 7226
chris.abbiss@kpmg.com

Darren Bowdern
Tel. +852 2826 7166
darren.bowdern@kpmg.com

Yvette Chan
Tel. +852 2847 5108
yvette.chan@kpmg.com

Lu Chen
Tel. +852 2143 8777
lu.l.chen@kpmg.com

Wade Wagatsuma
Tel. +852 2685 7806
wade.wagatsuma@kpmg.com

Natalie To
Tel. +852 2143 8509
natalie.to@kpmg.com

Elizabeth DE LA CRUZ
Tel. +852 2826 8071
elizabeth.delacruz@kpmg.com

Matthew Fenwick
Tel. +852 2143 8761
matthew.fenwick@kpmg.com

Sandy Fung
Tel. +852 2143 8821
sandy.fung@kpmg.com

Charles Kinsley
Tel. +852 2826 8070
charles.kinsley@kpmg.com

Stanley Ho
Tel. +852 2826 7296
stanley.ho@kpmg.com

Becky Wong
Tel. +852 2978 8271
becky.wong@kpmg.com

Barbara Forrest
Tel. +852 2978 8941
barbara.forrest@kpmg.com

John Kondos
Tel. +852 2685 7457
john.kondos@kpmg.com

Kate Lai
Tel. +852 2978 8942
kate.lai@kpmg.com

Travis Lee
Tel. +852 2143 8524
travis.lee@kpmg.com

Irene Lee
Tel. +852 2685 7372
irene.lee@kpmg.com

Alice Leung
Tel. +852 2143 8711
alice.leung@kpmg.com

Ivor Morris
Tel. +852 2847 5092
ivor.morris@kpmg.com

Benjamin Pong
Tel. +852 2143 8525
benjamin.pong@kpmg.com

Malcolm Prebble
Tel. +852 2684 7472
malcolm.j.prebble@kpmg.com

David Siew
Tel. +852 2143 8785
david.siew@kpmg.com

Murray Sarelius
Tel. +852 3927 5671
murray.sarelius@kpmg.com

John Timpany
Tel. +852 2143 8790
john.timpany@kpmg.com

Lachlan Wolfers
Tel. +852 2685 7791
lachlan.wolfers@kpmg.com

Steve Man
Tel. +852 2978 8976
steve.man@kpmg.com

Daniel Hui
Tel. +852 2685 7815
daniel.hui@kpmg.com

Karmen Yeung
Tel. +852 2143 8753
karmen.yeung@kpmg.com

Erica Chan
Tel. +852 3927 5572
erica.chan@kpmg.com

Adam Zhong
Tel. +852 2685 7559
adam.zhong@kpmg.com

Eva Chow
Tel. +852 2685 7454
eva.chow@kpmg.com

Alexander ZEGERS
Tel. +852 2143 8796
zegers.alexander@kpmg.com

kpmg.com/cn