



KPMG China Tax Services

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KPMG China
[Kpmg.com/cn](https://kpmg.com/cn)



KPMG China's Tax Practice

At KPMG China, our tax professionals are equipped with strong technical know how and industry specific business insight to help organisations and individuals realise tax efficiencies while meeting the highest standards of compliance.

KPMG is at the forefront of public debate on tax policy and related matters that affect the wider business community. We are dedicated to partnering with our clients to deliver long-lasting value through our team of people who think beyond the present and beyond borders.

Our experienced team of tax accountants, lawyers and industry experts from around the world can help on a wide spectrum of tax service areas across all major industries.



AWARDS



- **CHINA TAX FIRM OF THE YEAR** - International Tax Review 2021 Asia Awards
- **CHINA TAX DISPUTES FIRM OF THE YEAR** - International Tax Review 2021 Asia Awards
- **CHINA TRANSFER PRICING FIRM OF THE YEAR** - International Tax Review 2021 Asia Awards
- **HONG KONG SAR TAX DISPUTES FIRM OF THE YEAR** - International Tax Review 2021 Asia Awards
- **ASIA TAX COMPLIANCE & REPORTING FIRM OF THE YEAR, ASIA TAX LITIGATION & DISPUTES FIRM OF THE YEAR, ASIA WITHHOLDING TAX FIRM OF THE YEAR, ASIA TAX TRANSACTIONS FIRM OF THE YEAR** - International Tax Review 2021 Asia Awards



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01

Corporate Tax

1.1 Business Tax Advisory Services

KPMG China's Business Tax Advisory services team is dedicated to providing top quality comprehensive tax advisory services to our clients. This covers Mainland China tax issues and challenges arising from business start-up, investment, operations, restructuring, IPO as well as exit from investment, assisting our clients to achieve compliant, efficient and sustainable growth. With our deep technical expertise, rich practical experience, and thorough understanding of domestic and international market dynamics, as well as sector-specific business models and local commercial practices, we aim to build a long-term partnership with you and provide customized services to meet your tax needs along the journey.

Key industry sectors

Our China's Business Tax Advisory service team has extensive industry knowledge and experience, and deep insights into tax hot topics, pain points and difficulties that companies encounter. We devote ourselves to providing customized, efficient, innovative, and feasible tax solutions to clients in the following sectors, to support companies in their long-term growth.



Scope of service

Our team works together with our KPMG global network to deliver high-quality professional services and meet our clients' diversified business needs and goals. We provide business tax advisory services on topics including but not limited to the following:



1.2 International Tax Services

In recent years, the international tax landscape has become increasingly complex. This is attributable to developments such as the implementation of the G20/OECD Base Erosion and Profit Shifting (BEPS) project minimum standards and best practices, heightened transparency requirements by governments on information disclosures and increasing adoption of unilateral tax measures for digitalized businesses, among others. For instance:

- **BEPS:** In line with the global rollout of BEPS changes and intensified tax enforcement, Chinese tax authorities have heightened their monitoring of cross-border arrangements and transfer pricing compliance. Intermediate jurisdictions used for investing into and out of mainland China have also been seeing significant rule changes, such as Hong Kong's new transfer pricing rules and the new substance requirements in many Caribbean holding company locations. Consequently, businesses operating in China, both outbound and inbound, need to review existing or proposed arrangements to ensure they are robust and sustainable.
- **Incentives:** To boost inbound investment, the Chinese government has sought to make a series of improvements to the investment environment. In the tax space, these include deferral of withholding tax on dividends reinvested in China, improved access to tax treaty relief and more CIT incentives such as accelerated depreciation of equipment and enhanced R&D super deductions. In practice, existing multinational enterprises' (MNEs) investments and operational structures may complicate accessing these treatments, calling for structure reviews and restructurings.

MNEs need to consider the opportunities and challenges arising from these changes and the best course of action.



Whether you are a long-established global player or newly venturing into cross-border investment opportunities, global tax planning requires thorough forethought and consideration. What kind of corporate structure is appropriate? Which operational model is more tax efficient? Where should intellectual property be located? How should global supply chains be configured?

KPMG China has established a dedicated and specialized International Taxation team. Our deep technical knowledge and practical experience have proven highly valuable to our clients. Our services include:



Investment structure planning and optimization, covering:

Entity Formation:

- Design of tax efficient investment and financing structures
- Design of global business models, including for intellectual property and supply chains
- Comparison and selection of business locations, to access financial and tax incentives
- Advice on employee deployment arrangements and mitigation of overseas head office taxable presence risks in China
- Legal documentation review to ensure proper tax language

Operations and management:

- Effective tax rate evaluation of investment structures and business models
- Tax planning for business expansion and group restructuring/integration/consolidation
- Investment planning on foreign tax credit access, securing dividend withholding tax treaty benefits and dividend reinvestment CIT deferral
- Advice on profit repatriation strategies, preferential tax treatments, practical challenges and risk-mitigation measures, as well as relevant foreign exchange obstacles and solutions

Investment exit:

- Pre-sale planning regarding potential buyers
- Evaluate if current structure supports optimal exit and restructuring if necessary
- Tax implications of different exit options including share disposal/redemption and capital reduction
- Tax negotiations, tax filing and tax settlement for exit transactions

Global value chain management review

- Evaluate if the current structure and operation are optimal
- Design improvement action plans and conduct feasibility analysis
- Advice on tax implications of the operational improvement, including compliance with local tax regulations
- Legal documentation review and negotiations

Tax compliance health check

- Regulatory, tax and foreign exchange compliance assistance for on-going global business operations
- Insights on trends in international taxation

1.3 Tax Policy Advisory Services

In recent years, tax authorities in China have strengthened the use of big data to conduct more targeted tax inspections on tax violations. Ongoing tax reforms and legislative changes in China create uncertainty and unpredictability for enterprises of all kinds. Discrepancies between the common understanding of tax policies and local implementation practices can easily lead to tax disputes. These then result in a greater demand for pre-consultations with tax authorities, especially prior to the implementation of significant tax arrangements.

KPMG China's tax policy advisory services team is experienced in dealing with tax disputes. Based on our in-depth understanding of tax policy and extensive communication channels with the tax authorities, we offer:

Tax audit assistance

Assistance to clients in dealing with tax inspections and in preparing relevant tax documentation to support the reasonableness of the adopted tax treatment, providing specific solutions to minimize losses to the extent permitted by the tax regulations.

Tax policy formulation

We can help convey the concerns and views of enterprises and industry bodies to tax policymakers, with a view to building a supportive tax environment.

Tax ruling consultation

Assistance to clients with tax issues arising in corporate restructuring and in relation to obtaining tax incentives, deductions and refunds. For cases where ambiguities in tax regulations give a great deal of discretion to tax authorities, we can assist clients in analyzing the tax implications of different arrangements, understanding local implementation practices, negotiating with tax authorities at all levels and completing relevant tax application forms and filings.

Capital market disputes

We can provide solutions to a series of tax disputes encountered by enterprises in the process of going public and restructuring, including:

- Tax issues arising for company founders
- Planning and implementation of investment institutions restructuring
- Tax adjustment in historical periods for compliance purposes
- Tax treatments feasibility analysis for innovative business, etc.



1.4 Comprehensive Capital Markets Tax Services

Companies can encounter many challenges in accessing capital markets. This includes designing and optimizing a capital-market-oriented holding structure, dealing with taxation issues arising from equity restructuring before an IPO, and introducing an Employee Stock Option Plan (ESOP) for core employees. KPMG's capital market tax services team can provide one-stop services, covering advisory and implementation assistance throughout the entirety of capital market operations.

Our service team consists of professionals with tax, accounting, legal and financial backgrounds. We can assist companies communicate effectively with tax and other governmental authorities.

OUR SERVICES MAINLY INCLUDE



Designing of a capital-market-oriented holding structure

To assist companies in tapping the capital markets, we can provide advisory services regarding the overall company holding structure, to achieve the following objectives:

- Conduct capital operations with improved flexibility and lower tax burdens, including M&A, restructuring and IPO
- Establish an appropriate holding structure to facilitate IPOs, investing and financing activities
- Optimizing the ultimate controllers' tax burden throughout the stages of investing, holding and future exit
- Stabilising the ultimate controllers' control over the company



IPO-oriented tax health check and business model optimization

- To meet IPO requirements, identify and resolve historical accounting and tax issues
- Assist in negotiations with tax authorities to obtain the most favourable tax treatment to reduce tax the costs of the IPO process
- Optimize business models to reduce a group's overall tax burden, including supply chain planning, accessing local incentives and site selection assistance, intra-group related party transaction planning, etc.
- Assistance on tax benefit applications, such as advice with and undertaking of R&D super deductions and tax incentive applications for high-tech enterprise, etc.



IPO restructuring advisory and implementation

- IPO route planning, IPO structure design, asset/equity restructure planning and relevant tax planning
- Overall solutions, foreign exchange issues and tax planning on establishing a structure aimed at overseas listings or dismantling it
- IPO route/restructure plan optimization and dispute resolution



ESOP and tax planning

- Interviews with employees, designing ESOPs (restricted stock, stock option, etc.), designing and reviewing partnership schemes
- Advisory and planning for tax-efficient ESOP arrangements
- Implementation and promotion for ESOPs

1.5 R&D Tax Incentives and Government Special Subsidies Advisory Services

In order to implement its *Innovation Driven Development Strategy*, the Chinese government has issued a series of research and development (R&D) tax incentives and government special subsidy policies. These encourage enterprises who conduct R&D activities to continuously increase their R&D outlays and enhance their competitiveness.

KPMG's R&D tax incentives and government special subsidies advisory service is equipped not only with tax experts, but also with professional engineers. With their engineering knowledge and background, KPMG can help enterprises identify R&D activities and R&D projects, which may qualify for incentives, in line with their specific circumstances. KPMG can assist enterprises design and implement tailored plans to access relevant incentives and subsidies.

KPMG is also experienced in helping enterprises establish and improve R&D management systems, enabling them to maximize tax benefits and minimize risks.

We provide a full range of services for the following major R&D tax incentives and subsidies:



R&D tax incentives and subsidies

- High-New-Technology Enterprise qualification
- R&D expense super deduction
- Advanced Technology Service Enterprise qualification
- Integrated Circuit Enterprise and Software Enterprise incentives
- Tax exemption/refund for R&D equipment purchasing
- Tax concessions on technology transfers
- R&D related local government special subsidies



How KPMG can assist

- Planning on R&D tax incentives and R&D related supply chain structure
- R&D tax incentives application and implementation
- R&D management system establishment/improvement
- Feasibility study, status improvement and planning on government special subsidies
- Green taxes incentives analysis and management improvement
- Audit defense assistant
- Intellectual property planning and application



1.6 Hong Kong Tax Services

Today's unprecedented circumstances require companies to rethink the way they do business. For many, this includes taking a closer look at how they manage their statutory compliance obligations globally to address the ever-increasing burden on tax functions. Other businesses will be forced to rethink their global value chains to maximise efficiency and profits. In an increasingly complex business environment, the list of unknowns businesses face can be overwhelming. It is crucial for businesses to stay ahead of the game and this is where KPMG can help you.

At KPMG, we lead the way in tax technical excellence, quality and integrity. With our in-depth knowledge of Hong Kong SAR tax law and unmatched industry knowhow, we adopt an integrated and holistic approach to problem solving. We help you innovate and navigate through a changing environment while empowering you to make informed decisions to nurture and grow your business.

HOW WE CAN HELP YOU

Drawing on our in-depth tax technical knowledge and deep understanding of industry practices, we can help you manage your tax obligations and identify ways to reduce your tax charges. Deploying the latest tools and new technology, we can help you manage your tax risks and obligations efficiently and seamlessly – domestically and globally. We listen and work closely with you to understand the issues and develop strategies aligned with your tax vision and objectives.

We are dedicated to enabling the success of your tax future no matter what stage your business is at. We offer a wide range of fully integrated services covering a broad range of industries with particular expertise in:



Tax compliance services

Compliance with local tax and accounting rules is crucial in the current environment. At KPMG we have combined our technology, transformation and compliance capabilities under a new holistic framework – Tax Reimagined. We work alongside our clients to develop a strategy for their tax function to meet their tax obligations efficiently and effectively – to reduce costs, mitigate risks, improve quality and drive strategic value across the organization.

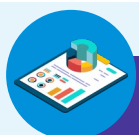
The KPMG Digital Gateway brings you a wealth of tools to help you tackle regulatory change, turn data into value, and streamline compliance and planning, while enabling effective collaboration across tax, legal and finance departments and beyond. We transform the way compliance is managed.



International tax planning

The implementation of the OECD's BEPS initiatives and increasing focus on tax transparency have led to significant changes to local laws and regulations. As a result of the OECD's 'BEPS 2.0' initiative, organisations will be contending with even more tax uncertainty in the coming years. It is critical for organisations to understand how BEPS 2.0 will affect them.

The KPMG BEPS 2.0 Model is built on the KPMG Digital Gateway and enables you to quickly assess the likely impact and the degree of focus you need to respond effectively to the challenges the BEPS proposals may bring. We can help you identify potential impacts and possible responses, develop communications plans, and help empower you to support your organization's current and future actions.



Tax policy advisory

Taxpayers are increasingly faced with pressure to justify their tax positions which has led to a surge in tax disputes both locally and globally. We help clients manage and resolve local and multi-jurisdictional tax disputes and develop appropriate strategies to mitigate future disputes.



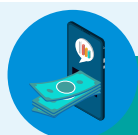
Transfer pricing

Transfer pricing has become one of the most scrutinized area by tax authorities locally and globally. Under this environment, it is important for companies to implement robust transfer pricing policies to withstand challenges from tax authorities while meeting the group's objectives and regulatory requirements. Our team of transfer pricing specialists are well positioned to assist clients develop robust transfer pricing policies, restructure supply chains, perform risk assessments as well as preparing the necessary transfer pricing and country-by-country reporting requirements.



Fund set up assistance

The New Funds Exemption in Hong Kong provides a generous tax exemption regime for funds based in and outside Hong Kong. Our tax professionals help formulate effective strategies for optimizing taxes, implement innovative tax planning and effectively maintaining compliance. We guide clients through the full spectrum of fund tax issues, tax effects of trading strategies and private offering memorandum language. Our focus is on exceptional guidance, both during start-up and throughout ongoing operations.



Mergers and acquisitions

As M&A activities become part of mainstream business, we help clients navigate through complex cross-border transactions. We understand the practical impacts of tax developments in local jurisdictions and help clients navigate through the deal process while avoiding potential pitfalls.



R&D tax

The fight for intellectual property has resulted in many governments granting generous tax concessions and tax incentives. We assist in assessing whether companies may qualify and benefit from the R&D super-deductions in Hong Kong and whether companies with existing incentives are compliant with and eligible for tax incentives.



Supply chain management services

Disruption is the new norm and globalisation is changing the way companies do business. Business transformation is a complex process and the implications spans beyond tax. Drawing on a wealth of insight, technology and experience, we can add value to your supply chain transformation journey. We help our clients develop tax-effective structures and strategies while unlocking existing value within the organization and enhancing their capabilities to maximise their profits and supply chain efficiency.



1.7 US Tax

The US tax team, a service line under Business Tax Advisory, is a comprehensive, real-time resource located in Shanghai. Currently, our US tax team is comprised of over 15 US tax professionals with substantial experience in the US as well as in China. Our key members have 14+ years of experience, including tenure at the Washington National Tax and New York office.

With our team's US tax technical foundation and native Chinese background, we are uniquely positioned to address the US tax needs of various internal and external clients. We have previous experience with numerous Chinese / APAC clients across a variety of industries, including but not limited to e-commerce, manufacturing, TMT, life science, real estate, wealth management, venture capital, private equity, as well as with company founders and their families.

HOW WE CAN HELP

Generally, for clients with US residency and/or presences, or US tax-sensitive investors, we can assess their US tax compliance status and help them comply with complex US tax filing / reporting requirements, if any deficiency is found. Further, we can also help clients identify US tax efficient strategies in terms of investments or organisational changes. Our services are comprehensive. For example:

Comprehensive US Tax Compliance Services

- Prepare and file US federal tax returns, state and local tax returns, international forms, Schedule K-1s, and other relevant elections and disclosures for US / non-US corporations, US / non-US partnerships and individuals
- Assist with Foreign Account Tax Compliance Act (FATCA) analysis and compliance
- Assist with delinquent filing procedures, penalty abatement, reasonable cause statement and 9100 relief, etc.

Private Equity / Venture Capital Investments

- Structure fund formations
- Review Limited Partnership Agreement (LPA)
- Provide tax advice and tax planning for shareholders with respect to their portfolios' investment in US company's controlled foreign corporation (CFC) and passive foreign investment company (PFIC)

Tax Accounting

- Reviewing US tax accounting for financial reporting under US GAAP (ASC 740 and FIN 48) and IFRS

Mergers and Acquisitions

- Provide US tax due diligence services by identifying cash-tax exposures and suggesting remediations
- Structure complex cross-border transactions (e.g. acquisition structure, US tax elections (basis step-up, entity classification), IP planning, holding company location, debt / equity mix)
- Provide other related services including Sales and Purchase Agreement (SPA) reviews, Foreign Investment in Real Property Tax Act (FIRPTA) documentation-related matters, etc.

Inbound and Outbound Investments

- Tax planning of non-US investment into the US
- Tax planning of US outbound investment in China / Korea
- Advising on the US federal and state tax consequences on acquisition, refinance/partial exit and exit structuring, take private transactions, IPO restructuring
- Holding company structure and IP planning
- Other US tax matters such as Employee Stock Ownership Plan (ESOP), license in and license out withholding tax obligations, trust, estate tax planning advice



02

People &
Enterprise

2.1 People Services

Tax | Immigration | Recruitment | Reward

In an environment of emerging global trends and challenges, an organisation's workforce is central to its survival and growth. From acquiring the right talent, mobilising talent across borders, through to designing reward policies and navigating the tax and legal complexities, KPMG People Services provides a full range of services to organisations and individuals to support their strategic and operational business needs.



Business needs



Talent acquisition

Recruiting the best talent is a key element of any successful business



Workforce mobilisation

Moving into location is often time sensitive and critical to business and personal success



Attract and retain

Aligning an organisation's rewards with its strategic objectives is key to attracting and retaining the right talent



Compliance with laws

Compliance plays a significant role in costs/budgeting and your reputational profile



Delivered through our specialisms



Tax

- Planning and advisory
- Compliance support
- Dispute resolution



Immigration

- Planning and advisory
- Visa application



Recruitment

- Structured recruitment
- Workforce planning



Reward

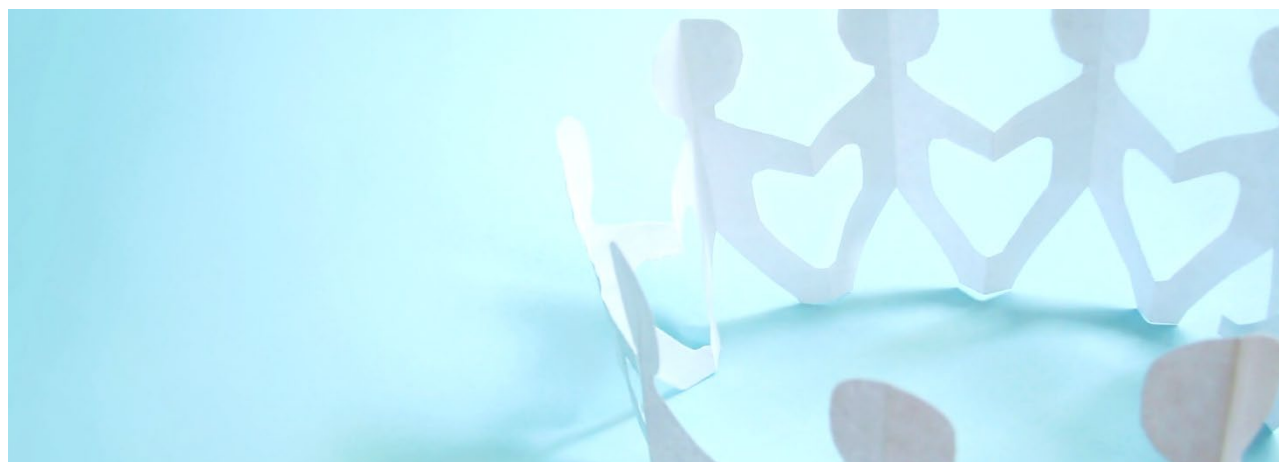
- Policy design
- Long-term incentive and equity program design
- Mobility policy design



Legal¹

- Planning and advisory
- Dispute resolution
- Employment contracts / documentation drafting

¹ Legal service is provided by SF Lawyers, a member of the KPMG Global Legal Services network



2.2 Private Client Business Services

China's privately-owned enterprises have experienced vigorous development and growth over the past 40 years of reform and opening-up and are now facing a critical stage of family wealth succession. This includes many challenges in relation to business transformation and business succession:

- Family business transformation - planning for tax issues through transformation in advance not only achieves tax benefits, but also protects individual entrepreneurs and their businesses from tax risks.
- Family business succession - sustaining a family business beyond a couple of generations can be harder than starting the business in the first instance. While continuing to seek growth potential is essential, there is a strong need for effective risk management and controls in an environment of increased scrutiny.
- China domestic tax law changes – while an array of new tax incentives offer investment and business expansion opportunities, the new Individual Income Tax (IIT) law, effective from 2019, may create new uncertainties and challenges for high net worth individuals (HNWIs).
- International tax trends – global tax transparency initiatives such as the Common Reporting Standard (CRS) are having a high-profile impact on personal tax planning and management.

KPMG tax professionals can offer a complete suite of tax advisory and compliance services to entrepreneurs, their families and their businesses. Locally, as well as worldwide through our global KPMG network, we offer a tax planning and compliance service, which covers:



Entrepreneurs and their families

- Wealth preservation and succession structuring
- Real estate and luxury assets
- Disputes and Investigations
- Global tax compliance service
- CRS/FATCA reporting obligations analysis
- Immigration planning and tax residence analysis and planning
- US exit tax filing and planning
- Family office (FO) structuring and FO services
- Tax efficient family foundation structure planning
- Family fund structure planning



Their businesses

- Corporate tax planning and business advisory
- Investment structuring
- Capital financing tax advisory
- Mergers and acquisitions
- Pre-IPO restructure
- Employee's share incentive scheme
- Corporate tax compliance
- Economic substance act requirement analysis for offshore holding structures

We also work closely with our Audit, Advisory and Legal teams to provide comprehensive solutions.

2.3 Executive Recruitment

Whenever a global supply chain is impacted, business leaders need to re-prioritize their target markets and/or supply sources to stay competitive. Apart from a global perspective and local market knowledge, the constant change of regulatory requirements and the latest technologies consistently challenge the status quo, requiring a paradigm shift among corporate leadership and new sources of talent.

How to identify and secure the right talent is a top concern for many corporate leaders. It is also important to build an employer brand and improve the employee experience to engage and retain that talent. KPMG Executive Recruitment Services leverage our global network and local expertise to support clients to create an agile yet sustainable talent supply chain to help clients build their business. Our professional service team provides talent sourcing and recommendations, leadership diagnosis, talent supply advisory and employee experience related analysis. We aim at providing data-driven talent solutions in response to the different needs of our clients.

Our services



Executive recruitment

We provide consulting, search, assessment and recommendation services to help our clients acquire the right executives who can properly address the transformation needs and/or scalability needs of the organization.



Leadership diagnosis

We provide leadership diagnosis for current or new management teams to assist senior leadership or business owners justify their human capital and provide better landing support for those newly recruited executives.



Talent supply advisory

Leveraging on our knowledge of different industries, we provide multiple sources of talent with essential skills or track records that can help capture the desired opportunities, for organic or inorganic growth.



Human capital planning

We can provide periodic reviews of compensation structures, organization structures and leadership updates by industry. Constantly reviewing reward schemes and training efforts is key to staying competitive in attracting and retaining talent.

03

Tax
Transactions

3.1 Inbound and Outbound M&A Tax Services

In recent years, China has experienced a considerable increase in inbound and outbound M&A activities, as the central government has taken measures to open up the economy and Chinese enterprises have increased their outbound investments. With the increase in the number and complexity of transactions, M&A tax advisors play a key role in identifying risks, formulating solutions and assisting investors to make sound decisions to effectively manage relevant tax risks. Specifically, our services include:

Inbound M&A tax services	Outbound tax services	
<ul style="list-style-type: none"> • Tax due diligence • Tax structuring services • Deal documentation review • Tax planning • Tax compliance 	<ul style="list-style-type: none"> • Global tax management and compliance • Global holding and financing structures • Tax due diligence and structuring • Post-acquisition tax integration • Tax incentive planning and implementation • Modelling tax assistance 	<ul style="list-style-type: none"> • Market entry / location selection planning • Global business model / supply chain • Overseas tax dispute resolution • Global mobility planning and restructuring • Effective tax rate optimisation • Pre-IPO restructuring

Private equity funds and asset managers are among the most active participants in inbound and outbound M&A transactions. They increasingly need professional tax service providers with rich industry experience to help them enhance after-tax returns and add value to their investments. The KPMG team can provide comprehensive tax advisory services, including:










Tax services for asset managers	
<ul style="list-style-type: none"> • Tax planning services for fund structure design • Tax services for management of non-performing assets • Tax services for portfolio management 	<ul style="list-style-type: none"> • Tax advisory for wealth management subsidiaries in the financial services sector • Tax services for asset-backed securitization • Tax services for tax-related information reporting for financial accounts (CRS / FATCA)

Tax services for private equity funds	
Fund-raising <ul style="list-style-type: none"> • Tax structuring for funds and tax advisory for fund management arrangements • Negotiations with local government for fund establishment and related implementation • Tax advisory on carried interest arrangements • Tax negotiations with limited partners 	Post-deal Management <ul style="list-style-type: none"> • Tax compliance services • Tax planning for the target assets • IPO and corporate restructuring
Investments <ul style="list-style-type: none"> • Tax due diligence • Tax structuring of investments • Deal documentation review and term sheet negotiations 	Exits <ul style="list-style-type: none"> • Pre-sale planning and related tax analysis • Tax advice on tax implications of exit • Tax filing and tax settlement for exit

3.2 Transfer Pricing Services

China continues to consolidate and improve its transfer pricing system. With the advancement of the Base Erosion and Profit Shifting (BEPS) Action Plan, Chinese tax authorities have leveraged new technologies and big data analysis tools in their administration to tackle increasingly complex tax avoidance arrangements. Taxpayers should take appropriate actions to mitigate the potential transfer pricing risks.

KPMG China's transfer pricing team provides holistic assistance to enterprises at all stages of transfer pricing strategy and compliance. Our main services include:

-  Annual declaration of related party transactions and three-tier BEPS contemporaneous documentation (i.e. Master File, Local File and Country by Country Report)
-  Group value chain arrangements, the design and planning of group domestic and overseas related party transaction structure and pricing (including intangible assets planning, group services fee allocation, financing structure arrangements, etc), as well as the application and implementation of transfer pricing methods
-  Effective tax risk management, defense and response to tax investigations and queries
-  Applications for advance pricing arrangements (APA) or mutual agreement (MAP)
-  BEPS 2.0 related tax impact assessment and planning
-  Related party equity transfer and intangible asset valuation
-  Economic substance review and shareholder structure restructuring for companies residing in low tax jurisdictions
-  Design and implementation of automatic information systems for related party transactions
-  Construction of group transfer pricing risk management system and procedures



3.3 Supply Chain Optimization Practice

Multinational companies (MNCs), engaged in global trade, are facing an environment with growing complexity. Emerging trade protectionism has led to unprecedented policy instability. Even worse, the global spread of COVID-19 has also created obstacles to the flow of goods and personnel. These difficulties will also have a profound impact on future global supply chain set-ups.

On the other hand, quite a few countries have shifted their focus to establish bilateral and multilateral trade policies. These measures aim to make the flow of goods, services, personnel, capital and information easier among multiple economies or within a certain region, and utilize each area's comparative advantages to facilitate trade regionalization. This raises a question for MNCs of how to take advantage of preferential trade policies and improve the efficiency of their current supply chain models? Without addressing these questions, MNCs are likely to face higher operating costs, tax burdens and trade barriers.

Meanwhile, new business models that rely on intelligent technology and digitalized tools are also emerging and evolving. Companies can only survive and prosper if they improve their supply chain network and enhance operational risk controls.

The KPMG China team has rich experience in supply chain optimization, customs planning and R&D tax incentives application. With our in-depth understanding of different industries and successful implementation of several restructuring models, we have formed a solid collaboration network, both locally and globally, to assist companies improve their supply chain structure, lower their production and tax costs, and enhance overall operations and management efficiency. Our main services include:

Supply chain structure and operation model optimization

- Organize and improve the distribution and arrangement of key supply chain functions, assets and personnel; propose feasible related party transaction models and pricing policies to realize a reasonable profit distribution and tax planning within the group.
- Based on the supply chain structure and commercial needs, optimize procurement and distribution models, and utilize current trade preferential measures and FTAs to lower import tax exposures.
- Investigate and analyse preferential tax policies, fiscal incentives and other applicable policies in special regions within or outside China in order to fully enjoy relevant policies and increase profits.
- Draw on experiences from other industries, as well as on the planning of warehousing and distribution networks, to perform data analysis on raw material procurement, human resources, transportation, customs duty and other costs, effectively reducing the total "landed" costs.
- Assist companies with the implementation of supply chain restructuring, respond to operational hurdles, and prepare supporting documentation for tax and customs purposes.

R&D and tax/fiscal incentives planning and application

Import and export duty arrangement and optimization

- Study Bills of Material and look for areas where optimization can be achieved to shift the substantial transformation and change the Country of Origin.
- Analyse product composition, structure or characteristics and suggest alternative designs to mitigate increased duties.
- Assist with HS code and Country of Origin ruling applications.
- Utilize special service providers in different bonded zones, lowering import taxes.
- Study the feasibility of US First Sale Implementation and assist in establishing qualified transaction structures and paper trails to reduce import duty in the U.S.
- Planning on R&D tax incentives and R&D related supply chain structure
- R&D tax incentives scheme design and advisory
- Material preparation for R&D tax incentives application
- R&D management system improvement
- Feasibility study, status improvement and planning on government special subsidies
- Green taxes incentives analysis
- Green taxes management improvement
- Audit defense assistant
- Intellectual property planning and application

3.4 Indirect Tax Services

Recent years have seen the implementation of the all-sector Value Added Tax (VAT) reforms, the legislation for the Environmental Protection Tax and the Resource Tax, and the release of the consultation paper on the draft VAT and Consumption Tax Laws. These new indirect tax policies have brought benefits and opportunities for businesses in China. In parallel, enterprises would face tremendous challenges for their daily tax management due to increasing complexity and a degree of uncertainty.

Indirect tax is playing an increasingly significant role in China's tax system. This is made clear in hot topics such as the nationwide rollout of electronic VAT invoices, VAT collection in the era of the Digital Economy, and the leveraging of green taxes system to achieve carbon peaks and carbon-neutral goals. Enterprises in China need to adapt to the new tax environment changes and keep pace so to seize the opportunities.

KPMG's indirect tax team has in-depth knowledge and a wide breadth of experience across all sectors. Our team leads the way in tax technical excellence, quality and integrity, and is well placed to provide enterprises with high-quality indirect tax services. In addition, our team is equipped with practical skills to navigate the best solutions for our clients.

We have been heavily engaged with policymakers and tax authorities at all levels across the country. Given this, we can share valuable and first-hand insights in a timely manner so that enterprises can anticipate changes and formulate strategies. In parallel, we can assist with effective communication between enterprises and tax authorities.

Our team specializes in indirect tax including VAT, Consumption Tax, Environmental Protection Tax, Resource Tax, etc. Our services mainly include:



Tax policy advisory services

Assist enterprises in dealing with tax disputes and policy representation to the tax authorities.



Tax consulting services

Provide enterprises with in-depth analysis of specific indirect tax issues, ad-hoc indirect tax advisory services across a broad spectrum of issues for business daily operation, indirect tax planning services for significant transactions such as restructurings, mergers and acquisitions.



Tax technology services

We can offer technology-based solutions to enterprises to deal with tax matters such as electronic VAT invoicing, indirect tax data analysis, and intelligent tax compliance.



Tax compliance services

Provide global tax compliance outsourcing services to help enterprises achieve tax compliance goals with high quality and low cost.

3.5 Trade and Customs Practice

In recent years, China Customs has actively pushed forward various reforms and introduced new policies with greater frequency. While this has made some customs clearance processes easier, it has also created challenges. Enterprises can explore a number of strategies to increase the efficiency of customs clearance and reduce the costs of importing into and exporting from mainland China. These strategies include special processing trade arrangements, special customs supervision areas, free trade agreements (FTAs) and other strategies.

Moreover, with rapid changes to the external environment, international trade is facing great uncertainty worldwide. In light of this, enterprises need to formulate strategies attuned to their businesses and sectors of operation, such as compliance management, go-global strategies, financing structures, supply chain stability analysis and tariff impact analysis. These will enable them to better cope with the complex international environment and market competition.

KPMG's Trade and Customs Practice can deliver customs-related advice to clients at a country, regional and global level. We have a specialised trade and customs team consisting of over 60 professionals and technical specialists with backgrounds in law, economics, finance and accounting. Our professionals are able to effectively represent and articulate our clients' concerns to government authorities.

We help our clients reduce their customs-related costs and expenses and enhance trade processes and strategies. We provide guidance regarding the proactive management of customs compliance. Our services mainly include:



Assist clients to reduce costs in customs operations and taxes

- Duty reduction planning for tax costs arising from trade conflicts
- Analysis of duty-saving opportunities and compliance issues using data analysis tools
- Assist clients improve their import and export compliance management
- Assistance in making applications to the government for preferential duty policies
- Assistance in applications for AEOs
- Use of special customs supervision areas and FTAs
- Compliance reviews on import and export business, including customs valuation, Country of Origin assessments, tariff classifications, export control, etc.
- Assistance in the implementation of customs management system solutions
- Customs classification solution via the KCCP system



Assist clients proactively handle customs challenges or audits

- Assistance in communication and the preparation of documents in customs inspections or audits
- Assistance in investigations of Country of Origin and export controls
- Assistance in resolving duty disputes with Customs

04

Tax
Transformation

4.1 Tax Technology & Transformation Services (TTS)

I. Tax function "go-digital"



China's tax administration environment requires more complexity in tax management. Many companies still handle their tax work manually.



Tax personnel spend a lot of time and effort on repetitive and low-value activities, rather than value-realization work.



The business is shifting to digital transformation. While tax, with very limited automation or system support, does not unlock data value yet.



Large groups with business complexity and geographic spread also require a comprehensive tax system to improve efficiency and control.

II. Value of TTS:



Management

All taxes and full lifecycle management



Control

Focus on key business operations and tax liabilities



Efficiency

Business and finance integration and automation



Value

Analytics and alerts based on tax big data

Functions framework

Tax policy & insights	Regulations	Internal guideline	Tax case study	Tax rule	
Tax data governance <ul style="list-style-type: none">• Business• Contract• Budgeting• Treasury• Reimbursement• Procurement• Finance• Asset• ...	Tax Automation Engine <ul style="list-style-type: none">• Value Added Tax• Corporate Income Tax• Land Appreciation Tax		Tax Reporting Tax Filing <ul style="list-style-type: none">• Tax return• RPA submission• Tax payment• Filing records• Submission docs		
	Output invoice management <ul style="list-style-type: none">• Invoice issuance (including e-invoice)• Self-service invoicing	Input invoice management <ul style="list-style-type: none">• Invoice data pool• Invoice verification and check	Enterprise 1000 CBCR reporting & TP Documentation		
Data analytics and tax risk control	Tax data analytics	Cashflow forecasting	Risk alert	Risk indicators	BI & Cockpit

III. Our service offerings

	Work scope	Timeline
Tax Management Planning	<ul style="list-style-type: none"> ▪ Tax function strategy and value proposition ▪ Tax function transformation and roadmap ▪ Tax automation system blueprint 	2~5 months
Tax Data Governance	<ul style="list-style-type: none"> ▪ Tax data cleansing and system requirement ▪ Master data governance and protocol 	1~3 months
Tax Solution Consulting	<ul style="list-style-type: none"> ▪ Business analysis ▪ Development support ▪ Function requirement validation 	3~6 months
Solution Build & Implementation	<ul style="list-style-type: none"> ▪ Design, development and testing support ▪ Training, pilot and release roll-out support 	3~9 months



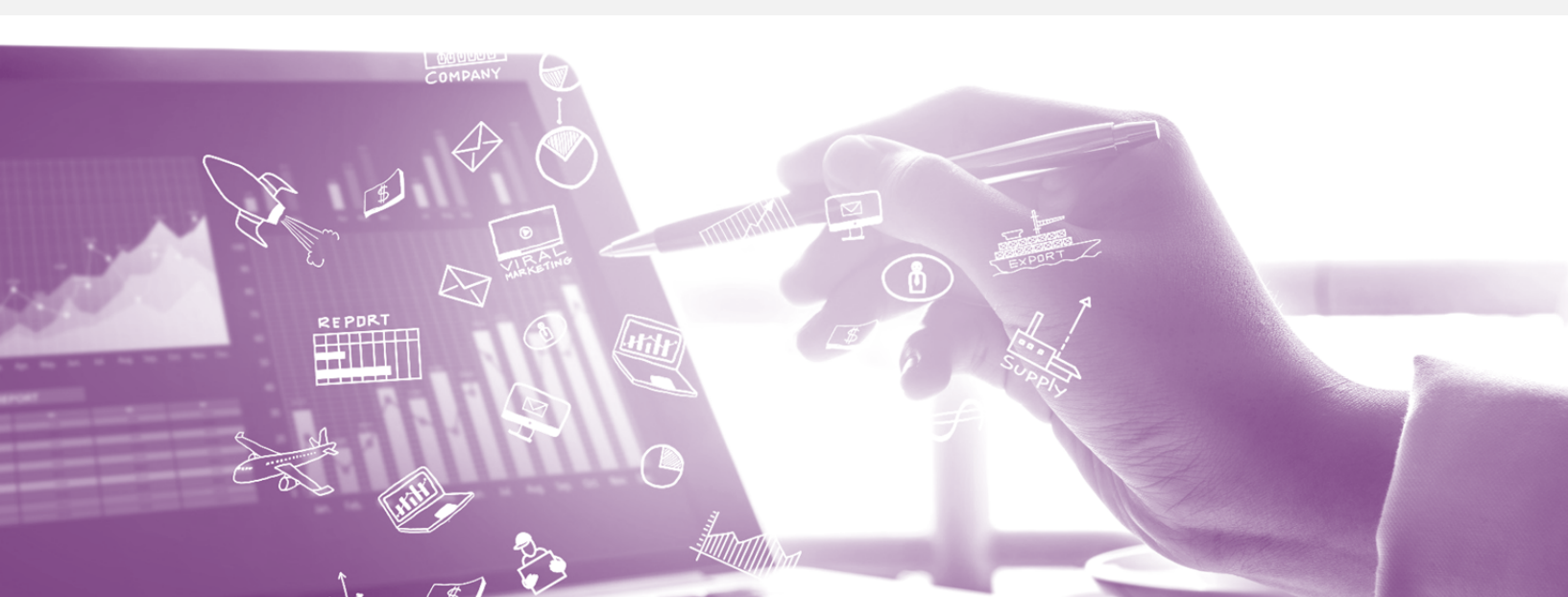
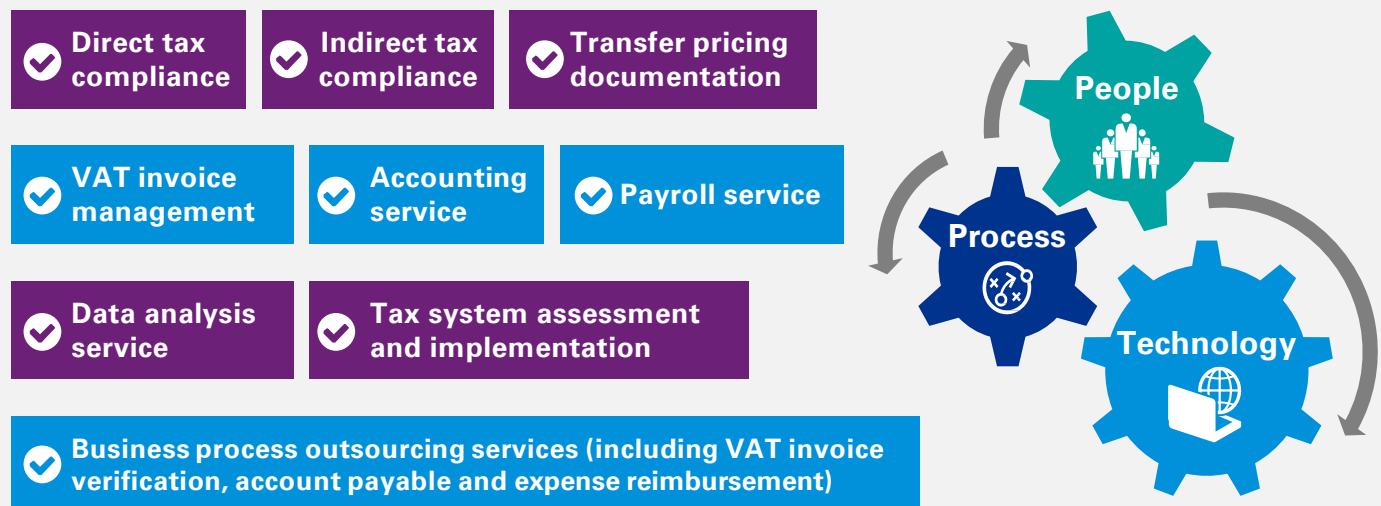
4.2 Tax Managed Services

In today's increasingly complex regulatory environment, tax functions need to invest more resources and time to ensure tax compliance and monitor for tax risks. To address these challenges, enterprise management teams are increasingly outsourcing tax functions, thereby leveraging professional firm talent, technology and innovation.

The KPMG Tax Managed Services (TMS) team is committed to providing

technology-enabled services that help clients develop a target operating model for their tax function, thereby reducing costs, maintaining or improving quality, and unlocking value.

The TMS team consists of specialists in data, processes and technology. We specialize in tailoring solutions for direct and indirect tax compliance and reporting services, including but not limited to:



4.3 Accounting and Financial Reporting Services

Multinational corporations setting up in China are often faced with unfamiliar rules and regulations, as well as ways of conducting business that may appear unusual compared to similar procedures in their home countries. Business-related rules and regulations in China often change rapidly as the country increases compliance requirements and makes important adjustments to its economy.

At the same time, an increasing number of Chinese companies, both private and state owned, are expanding beyond China and aiming to become multinational organisations in their own right, with listings on multiple overseas stock exchanges. In both cases, getting the right professional advice and support is crucial to these strategically important expansion plans. KPMG has some of the most experienced and qualified consultants in the industry.

Many companies seeking a foothold in China start with a small management team responsible for administering the entire operation, from overseeing production, generating new sales and monitoring internal controls, to meeting the requirements of local regulators. At KPMG China, we offer a comprehensive suite of services as well as practical advice and solutions to support you from the initial planning stage to the complete setup of legal entities. Once you are set up, we can manage your essential administrative and back-office tasks such as accounting and a range of other activities so that you can focus on developing and growing your business.

Our team can provide you with a one-stop full range of accounting and financial reporting services, including:



Accounting services

- Maintaining accounting records including cash books, general ledgers, fixed asset registers, accounts receivable and payables sub-ledgers



Management reports

- Preparing periodic management accounts, cash flow statements, budgets and forecasts or management purposes



Statutory financial reports

- Preparing annual statutory financial statements and compliance filing



Audit support

- Liaising with the company's auditors during audits of the company's financial records



Treasury services

- Treasury and payment processing



Controlling services

- Reviewing expense claims and payment application from the holistic view of accounting, tax and control requirements



Other support

- Implementing an accounting system, including setting up a chart of accounts, master data, tailored reports appropriate for your reporting requirements
- Drafting accounting policies and control procedures for your own accounting department
- Seconding qualified professional accountants and managers to your company on a temporary or part-time basis
- Reviewing accounts to ensure appropriateness and providing assistance to make improvement
- Providing training for in-house accountants

4.4 Payroll Outsourcing Services

A company's payroll function plays a sensitive and highly confidential administrative role. It also conducts a costly and time-consuming process. In today's demanding business environment many companies, ranging from venture capital start-ups to multinational corporations, are choosing to outsource their payroll functions so they can concentrate on developing and growing their core business.

KPMG knows how important it is to ensure that your employees are paid on time every month. We also know the challenges associated with many aspects of running employee compensation and benefit programmes – tracking leave, making sure that contributions are made to the relevant mandatory provident funds, filing tax returns and being sure that all this is done in accordance with local employment laws and practices.

We provide flexible and tailored payroll solutions to companies of all sizes from across a wide range of sectors. Our solutions are based on proven technology that offers efficient results with the dual benefit of more flexibility for your employees and less administrative effort on your side, allowing you to focus on growing your business.

We also provide additional HR advisory services to help you shape and strengthen your compensation and benefit schemes to give you an edge in the increasingly competitive market for recruiting and retaining talent. With KPMG's global network and KPMG's integrated team of specialists, we can be locally focused or we can work as a team by pulling resources from across multiple countries to provide you with multi-location cross-border payroll solutions.

Our services include:



Payroll outsourcing services

- Administering the payroll process, including the calculation and crediting of net remuneration to each employee's bank account
- Ensuring on time payment and providing employees with individual pay slips
- Maintaining and updating employee annual leave entitlements
- Preparing customised payroll reports
- Arranging the enrolment of new employees in social security and housing funding schemes
- Preparing social security and housing fund contribution and arranging settlement

- Completing tax returns on behalf of employers for reporting to local tax authorities, including filings for new employee commencements, terminations and the annual reporting of remunerations and social securities

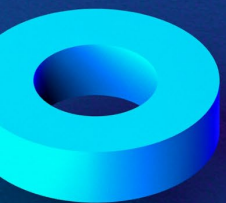
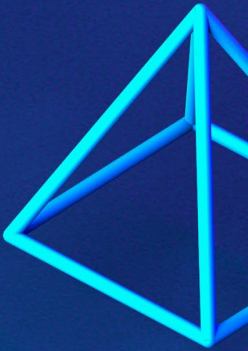


Payroll advisory services

- Reviewing rental reimbursement claims to ensure compliance with company policies and tax requirements
- Providing HR advisory services as required under the China Employment Ordinance and Mandatory Social Security Ordinance

05

Supportive Operations



5.1 Tax Department of Professional Practice

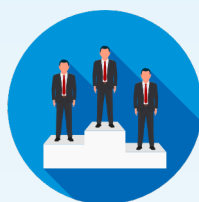
The Tax Department of Professional Practice (Tax DPP) is KPMG China's national tax technical and policy unit. The Tax DPP drives the firm's brand and profile building efforts, provides consultation to client teams on complex and high risk tax matters, maintains a firmwide platform for knowledge and experience sharing and centrally manages the firm's policy-related work with Chinese government authorities. These efforts support client-facing teams to win work and facilitate their collaboration and pooling of experience so that they can deliver consistently high quality to clients.

The Tax DPP staff, located in Beijing and across China, run several complementary work streams:



»» Policy work

Tax DPP staff provide policy research support to national and regional government bodies in China while also helping to enhance client team understanding of the direction of important tax policy developments.



»» Thought leadership

A wide range of KPMG China and third-party tax publications are coordinated and produced by Tax DPP staff, drawing on specialist staff from around the firm.



»» Consultation

Tax DPP staff provide consultation support to client teams directly and via specialist tax partner panels, focusing on tax engagements with the following hallmarks:

- High technical complexity
- Significant uncertainty or contentiousness
- Engagement outputs put to public use
- Novelty and untested nature of issue



»» Tax knowledge management

Our in-house developed KPMG Insight Sharing System (KISS) is maintained and populated by Tax DPP staff, allowing client-facing staff to draw on the wealth of accumulated firm experience and collaborate effectively across teams to service client needs.



5.2 KPMG Tax Training Services

The traditional way of learning is not always easy enough to support companies or individuals in keeping up with the market, not to mention the extra challenges that emerge from the complex nature of tax matters and regulations. To empower our clients with the latest finance and taxation information, KPMG Tax has established a tax learning and development centre providing both offline and online training services as well as a knowledge sharing platform that covers a wide spectrum of tax and finance topics across all major sectors.

Our services include



»» Offline Training Service

KPMG Select Tax Courses is the tailored in-house training series held in major cities in China. Small, focused classes aim to create a learning environment for in-depth communication between speakers and the audience. All training series are expertly designed to transmit the strong technical knowledge and industry specific business understanding of KPMG professionals.

KPMG Tax Camp is focused on special finance and tax topics, designed by specialists in those areas with years of knowledge and experience. KPMG Tax Camp will provide you with in-depth insights and a multi-angle view on each topic, putting you way ahead of your peers.

▪ Up-to-the-minute

In the context of China's fast changing business and regulatory environment, the training courses closely follow the latest tax policies and hot issues in the market, enabling our clients to fully comprehend and precisely apply updated regulations in a timely manner.

▪ Customized

Our tax specialists will work with you to analyze complex issues, and will integrate financial expertise to maximize your knowledge development. With our combined tax expertise, business insights and innovative ideas, we will meet your professional needs in tax and finance areas and support you and your company to reach your business goals.



»» Online Training Service

The WeChat-based mini-program, the online platform of the KPMG Tax knowledge sharing centre, enables viewers to access the latest tax information and insights as well as using fragmented time to learn tax courses anytime and anywhere on your mobile.

The mini-app consists of two major components:

• Online Course

KPMG tax experts conduct special training in various tax related topics, sharing insights gained from their work experience.

• KPMG Opinions

KPMG Opinions is a collection of various KPMG tax publications and the latest rules and regulations, giving viewers a quick in-take of interpretations by industry experts.

(Scan the QR Code below to access)





For more information of KPMG China tax services, please scan the QR code or visit our website:
<https://home.kpmg/cn/en/home/services/tax.html>

[kpmg.com/cn/socialmedia](https://home.kpmg.com/cn/socialmedia)



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