KPMG

# China Tax Alert


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## Optimisation of Matters Related to the PRC Tax Resident Certificate

**Summary:**

The State Taxation Administration of the People's Republic of China ("PRC") released the Announcement on relevant matters relating to the PRC Tax Residency Certificate (hereinafter referred to as "Announcement [2025] No. 4") in January 2025, aiming to provide more comprehensive safeguards and conveniences for Chinese residents (companies and individuals) engaging in cross-border activities. The Announcement takes effect on 1 April 2025.

### Highlights

The Announcement has made multiple optimisations regarding the application and issuance of PRC Tax Residency Certificate ("TRC") application, mainly covering the following aspects:

- **Extend eligibility for TRC application**
  - Qualified PRC residents, self-employed business owners and sole proprietors can apply for a TRC at the local tax bureau where their business operations are situated.
- **Broaden purpose of certification**
  - Applicants can apply the TRC not only to claim treaty benefits but also in some circumstances which provide convenience for resident taxpayers in fulfilling various requirements, such as opening an overseas bank account, engaging in overseas business activities, and etc.
- **Update TRC content**
  - Add the resident taxpayer's identification number;
  - Remove the signature of the competent tax authority's responsible personnel;
  - Include remarks specifying additional needs by applicants (e.g., details of partnerships, sole proprietorships, etc.).
- **Optimise application process**
  - Online application is now available;
  - Processing time is shortened from 10 working days to 7 working days.

## KPMG insights

The TRC is primarily used to support individuals or companies for claiming benefits under an income tax treaty (e.g., dividends received by PRC residents from the other contracting state may apply for preferential tax rates, typically 10% or 5%), or as a proof of document when engaging in outbound investment or opening an overseas bank account. It is important to note that the TRC itself is not a universal exemption from taxes. In order to ensure the TRC being effectively used, we suggest taxpayers to focus on the following key areas:

- **Determining tax residency status:** Taxpayers should assess tax residency status in each tax jurisdictions according to the domestic legislations and bilateral tax treaties, in order to determine whether they are eligible for claiming treaty benefits. In regards to complex cross-border arrangements, such as partnerships or dual/multiple tax residency statuses, taxpayers are recommended to seek professional advice to ensure compliance.
- **Claiming treaty benefits:** It is essential to ascertain the treaty benefit which the taxpayer intends to claim under a specific treaty article. Income received by PRC tax residents from the other contracting state may not qualify for treaty benefits. Accordingly, taxpayers should analyse the relevant conditions in a specific treaty article (e.g., beneficial ownership criteria in the Dividends, Interests or Royalties Article of income tax treaty) and assess eligibility before lodging an application for TRC.
- **Others:** In circumstances such as opening an overseas bank account; making outbound investment where a TRC may be required, taxpayers should ascertain the relevant requirements with overseas institutions or authorities prior and apply for a TRC only if it is necessary.

KPMG China is monitoring the development on this matter closely. We endeavour to update you on any important developments as and when they occur. Should you have any questions regarding the above, please do not hesitate to contact us.

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