

TAX

KPMG China's Tax Dispute Resolution and Controversy Services

kpmg.com/cn



Set your **strategy**.
Take **control**.
Get **results**.



China has one of the most difficult and challenging tax environments in the world. Mounting pressure for the local tax authorities to generate fiscal revenue has resulted in more tax investigations and larger adjustments, which also increase the exposure for penalties and interest for taxpayers. Furthermore, businesses experience continued tax uncertainty and unpredictability due to the constant tax regulatory changes in China.

As a result, it is imperative to be proactive with potential tax controversies and to be ready to respond to a local tax investigation. You need to ensure that appropriate strategies for response and compliance are in order to take control of the dispute resolution process. Without a plan of action for resolving potential tax disputes, companies will likely face inefficiency, instability and lost opportunities.

Are you ready? Questions to consider:

- What protocols do you have in place to actively manage and address tax risks and reduce the probability of future tax disputes?
- Have you proactively and thoroughly documented the tax aspects of your transactions and any uncertain tax positions?
- Are your analyses of tax positions clearly stated, thoroughly prepared, and well supported by relevant materials?
- Have you formulated a comprehensive strategy for engaging with the Chinese tax authorities to resolve disputed or controversial tax issues?
- Do you have a clear picture of possible resolution scenarios, e.g., by negotiation with the field agents, by administrative review with the appeals officers, or, if necessary, by litigation over disputed tax issues in court?
- Do you know your options for dealing with multiple open enquiries strategically rather than on a piecemeal basis?
- Are you communicating with the Chinese tax authorities in the most effective way?
- Have you considered the impact of the dispute resolution on your tax positions in jurisdictions outside China?

Optimal **results.** **Locally. Globally.**



Our KPMG team work together locally and globally to ensure consistency across borders. Leveraging our global network's collective knowledge, our strong relationships with tax authorities at all levels, our deep understanding of the tax laws and regulations, and our extensive practical experience in different locations, KPMG China is in a position to help clients to attain the best results from the China and the worldwide perspectives across the tax dispute continuum.

Our coordinated approach to resolving tax disputes and controversies in multiple jurisdictions through the KPMG global network can produce the following benefits from our clients:

- Obtain refunds of overpaid taxes from previous periods.
- Achieve certainty over tax filing positions, which will allow for the release of unnecessary tax reserves and provide assurance on the availability of tax attributes and tax credit incentives.
- Reduce compliance costs, which will enable your in-house tax professionals to focus more on the tax planning aspect of your business.
- Develop more effective working relationships with various local tax authorities, which may reduce the tax risk profiles of your business from the local tax auditors' perspective and potentially lower the future tax audit probability.
- Improve the image and reputation of your business from the perspectives of internal and external stakeholders.

Local **knowledge**.
Practical **experience**.



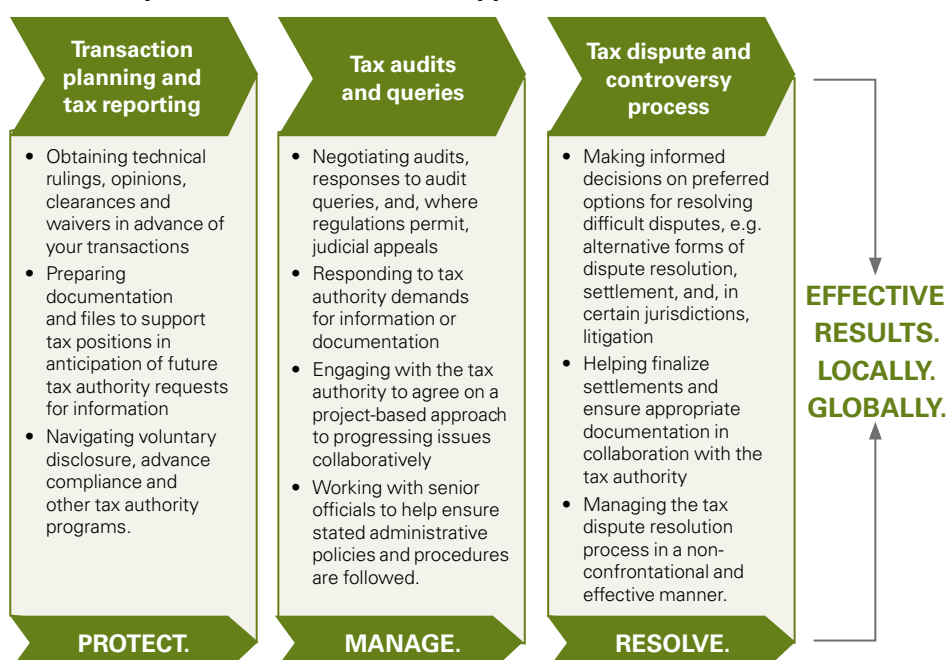
KPMG China has the expertise that will enhance your ability to take control of the dispute resolution process. Whether your tax issues involve income taxes, transfer pricing, indirect taxes or other taxes, KPMG China can help. Our Tax Dispute Resolution & Controversy professionals have years of experience and broad knowledge across numerous key industries and sectors. We work together with external law firms to provide you with rigorous and feasible advice during tax dispute resolution.

Because of our extensive experience with the Chinese tax authorities, we can effectively anticipate their issues and concerns before they are raised. Our longstanding professional relationships and experience in dealing with Chinese governmental and regulatory bodies allow us to efficiently and effectively represent you.

Why choose us:

- We know the right questions to ask. Our highly trained professionals have years of experience working with Chinese tax authorities and in the relevant industries.
- We help you choose and develop an appropriate resolution strategy that is tailored to your specific situation, and is suitable to the tax dispute in question.
- By identifying potentially contentious issues early in the process, we can help you allocate and focus your resources in the right areas. This will save you time and money.
- When needed, we can leverage resources from our global network to assist in multi-jurisdictional tax controversies.
- As a full-service provider, we are with you from start to finish so that you only need to work with one single advisor to obtain a whole package of solutions.

The Tax Dispute Continuum – KPMG's approach



How we can help: **Our services**



KPMG China has tax specialists to support you in virtually every area of tax dispute. We combine deep technical knowledge, understanding of local practices, strong relationships with government officials, effective tax negotiation skills, and a global perspective to provide you with top-quality services. We tailor our assistance to suit the needs of our clients depending on whether our clients are at the pre-audit, in-audit or post-audit stage.

Pre-audit

- We will analyze your main uncertain tax positions, help you refine tax policies, develop appropriate supporting documents, and build tax audit defense strategies into your internal control system, in preparation for future tax investigations.
- We will negotiate pre-filing rulings on your behalf, pursuant to the Advance Pricing Agreements and Mutual Agreement Procedure frameworks, with the PRC tax authorities.
- We will proactively negotiate with the tax authorities on selected issues to gain earlier certainty and achieve penalty protection.
- We will assist you in transactional tax due-diligence to identify tax audit and controversy risks and exposures; and develop and implement plans to mitigate your tax risk.

In-audit

- We will help you respond to information and document requests, arrange meetings and interviews, and manage on-site visits from tax officials.
- We will evaluate the tax technical positions you have taken and help you develop audit defense approaches that facilitate subsequent negotiations and settlement, based on feedbacks received from the tax authorities.
- We will assist in presentations, negotiations, and settlement discussions in order to resolve disputes efficiently and favorably.

Post-audit

- We will make presentations and negotiations in the administrative appeals process if a tax dispute arises during the audit.
- We will negotiate with the Chinese tax authorities over using "roll-back" features of an Advance Pricing Agreement to resolve pre-existing disputes.
- We will assist you with initiating Competent Authority and Mutual Agreement Proceedings and conduct negotiations.
- We will provide litigation support, where relevant and permissible, if the dispute cannot be resolved through administrative appeal and you decide to pursue litigation.

You can rely on KPMG China to deliver robust and meaningful guidance to you and work with you to resolve the tax challenges confronting your business in the most optimal way.

In the case of a tax dispute, experience counts.

Contact us



For more information about how KPMG China can help your business manage and resolve tax disputes efficiently and effectively, please contact one of the following members of our Tax Dispute Resolution & Controversy Services team.

Khoonming Ho

Partner in Charge, Tax
China and Hong Kong SAR
Tel. +86 (10) 8508 7082
khoonming.ho@kpmg.com

Northern China

David Ling

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

Central China

Lewis Lu

Partner
Tel. +86 (21) 2212 3421
lewis.lu@kpmg.com

Southern China

Eileen Sun

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

Hong Kong

Karmen Yeung

Partner
Tel. +852 2143 8753
karmen.yeung@kpmg.com

International Executive Services

Michelle Zhou

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

Transfer Pricing

Cheng Chi

Partner
Tel. +86 (21) 2212 3433
cheng.chi@kpmg.com

Indirect Tax

Lachlan Wolfers

Partner
Tel. +86 (21) 2212 3515
lachlan.wolfers@kpmg.com

Trade & Customs

Lilly Li

Partner
Tel. +86 (20) 3813 8999
lilly.li@kpmg.com

Beijing

8th Floor, Tower E2, Oriental Plaza
1 East Chang An Avenue
Beijing 100738, China
Tel : +86 (10) 8508 5000
Fax : +86 (10) 8518 5111

Shanghai

50th Floor, Plaza 66
1266 Nanjing West Road
Shanghai 200040, China
Tel : +86 (21) 2212 2888
Fax : +86 (21) 6288 1889

Shenyang

27th Floor, Tower E, Fortune Plaza
59 Beizhan Road
Shenyang 110013, China
Tel : +86 (24) 3128 3888
Fax : +86 (24) 3128 3899

Nanjing

46th Floor, Zhujiang No.1 Plaza
1 Zhujiang Road
Nanjing 210008, China
Tel : +86 (25) 8691 2888
Fax : +86 (25) 8691 2828

Hangzhou

8th Floor, West Tower, Julong Building
9 Hangda Road
Hangzhou 310007, China
Tel : +86 (571) 2803 8000
Fax : +86 (571) 2803 8111

Fuzhou

25th Floor, Fujian BOC Building
136 Wu Si Road
Fuzhou 350003, China
Tel : +86 (591) 8833 1000
Fax : +86 (591) 8833 1188

Xiamen

12th Floor, International Plaza
8 Lujiang Road
Xiamen 361001, China
Tel : +86 (592) 2150 888
Fax : +86 (592) 2150 999

Qingdao

4th Floor, Inter Royal Building
15 Donghai West Road
Qingdao 266071, China
Tel : +86 (532) 8907 1688
Fax : +86 (532) 8907 1689

Guangzhou

38th Floor, Teem Tower
208 Tianhe Road
Guangzhou 510620, China
Tel : +86 (20) 3813 8000
Fax : +86 (20) 3813 7000

Shenzhen

9th Floor, China Resources Building
5001 Shennan East Road
Shenzhen 518001, China
Tel : +86 (755) 2547 1000
Fax : +86 (755) 8266 8930

Chengdu

18th Floor, Tower 1, Plaza Central
8 Shuncheng Avenue
Chengdu 610016, China
Tel : +86 (28) 8673 3888
Fax : +86 (28) 8673 3838

Hong Kong

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23rd Floor, Hysan Place
500 Hennessy Road
Causeway Bay, Hong Kong

Tel : +852 2522 6022
Fax : +852 2845 2588

Macau

24th Floor, B&C, Bank of China Building
Avenida Doutor Mario Soares
Macau
Tel : +853 2878 1092
Fax : +853 2878 1096

kpmg.com/cn

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2012 KPMG, a Hong Kong partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Hong Kong.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

Publication number: HK-TAX12-0006

Publication date: August 2012