



Hong Kong Institute of  
**Certified Public Accountants**  
香港会计师公会

# Minutes of meeting

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

2012

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**ANNUAL MEETING BETWEEN**  
**THE STATE ADMINISTRATION OF TAXATION AND**  
**THE HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

**Foreword**

This year, Hong Kong Institute of Certified Public Accountants ("Institute") was very pleased to be able to hold its inaugural annual meeting with the State Administration of Taxation ("SAT") to discuss and exchange views on various taxation issues.

The following is a translation of the original Chinese minutes prepared by the Institute. Please note that the minutes are intended for general guidance only. Professional advice should be taken before applying the content to your particular situation. If there are differences in the interpretation between the English and Chinese versions, the Chinese version shall prevail.

**List of discussion topics**

**A. Avoidance of Double Taxation Arrangement between Mainland China and Hong Kong**

- A1 Shipping income
  - (i) "Wet lease"
  - (ii) "Dry lease"
  
- A2 Circular 601
  - (i) Revised guidelines
  - (ii) Supplementary rules on "conduit company" under the China-Hong Kong DTA

**B. Cross-border taxation**

- B1 Circular 698
  - (i) Guidance on possible tax exemption for internal group restructuring
  - (ii) Approval time
  - (iii) Impact on foreign companies under liquidation and definition of equity transfer
  
- B2 The China-Hong Kong Treaty protection against being "looked-through"

- B3 Circular 59
  - (i) "Share swap" arrangement during initial public offering ("IPO")
  - (ii) Whether convertible bonds could be treated as share consideration
  - (iii) Treatment of liquidation gains
  
- B4 Foreign partnership

**C. Implementation of transfer pricing rules**

- C1 Advanced Pricing Agreement ("APA")
  - (i) Updates on Bilateral Advanced Pricing Agreement ("BAPA") and transfer pricing
  - (ii) Expectation on Advance Pricing Agreement ("APA") between Hong Kong and China
  - (iii) Adjustments to BAPA
  - (iv) Enterprises self-adjusting profits to expected inter-quartile range
  
- C2 Guidance on the implementation of transfer pricing rules
  - (i) Safe harbour rules
  - (ii) Accounting treatments of transfer pricing adjustments
  - (iii) Multilateral Advanced Pricing Agreement ("MAPA")

**D. Enterprise income tax**