



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

Meeting notes

The Shenzhen Municipal Office of the
State Administration of Taxation
and
The Hong Kong Institute of Certified Public Accountants

2017

Preface

It is a great honor for the Hong Kong Institute of Certified Public Accountants ("Institute" or "HKICPA") to hold the meeting with the Shenzhen Municipal Office of State Administration of Taxation ("SZSAT") on 5 December 2017 in Shenzhen. The purpose of the meeting is to have discussion on various taxation topics and to exchange opinions based on the discussion.

The following is a translation of the meeting notes prepared by the Institute. Please note that the meeting notes merely represented the views of SZSAT officials who attended the meetings and are not intended to be legally-binding or a definitive interpretation. You should seek professional advice before applying the content of these notes to your particular situation.

HKICPA wishes to thank the delegates from PricewaterhouseCoopers for taking the meeting notes.

Summary Notes

Agenda items

A. Enterprise Income Taxes ("EIT")

1. Special tax treatment
2. Income derived from swap transactions
3. Share base incentive payment
4. Record filing on EIT Preferential Tax matters
5. Corporate restructuring: [2009] Circular 59
 - a. Special tax reorganization
 - b. Group reorganization
6. [2015] Public Notice 7 ("PN7")
 - a. Equity-like interests
 - b. Equity payment
 - c. Share subscription of equity of overseas enterprises
 - i. Calculation for income attributable to China taxable property
 - ii. Ascertaining the consideration
 - iii. Ascertaining the costs
7. Chinese subsidiary pays interests to offshore debt issuer
8. Tax exemption on dividends received by domestic resident enterprises
9. Administrative adjustment on EIT

B. Transfer Pricing

1. Self-adjustments by taxpayers
2. Scoring systems for local files
3. Requirements for value chain analysis
4. Benefit test
5. Mark-up ratios for service fees
6. Practical operations of Transactional Profit Split Method
7. Application of Advance Pricing Arrangements (APA)

C. Value-added tax (“VAT”)

1. Whether VAT exemption is available for interest on inter-bank transactions derived by overseas financial institutions
2. Whether VAT is levied on the transfer of goodwill
3. VAT treatment of interest and net income paid to foreign enterprises
4. Article 7 of Caishui [2016] No. 40
 - a. Resettlement compensation expenses
 - b. Assignment of land for a real estate development enterprise
5. Restricted shares

D. Others

1. Three years of EIT exemption followed by three years at a 50% reduction of EIT
2. Tax treatment of QFLP
3. Tax Analysis of the Thousands of Households Programme
 - a. Work plan and the related impact
 - b. Taxation services for large enterprises