

## COUNTRY PROFILE



# China

## Tax overview

Corporate Income Tax	25% Flat
Comprehensive Income Tax	45%, progr.
Business Income	35%, progr.
Dividends, Interest	20% Flat
Gift Tax	None
Wealth Tax	None
Inheritance Tax	None

## Legal System

China is a socialist republic run by the Chinese Communist Party (CCP). The legal system is based on civil law, influenced by European continental law.

## Currency and Exchange Controls

The currency is the Chinese Yuan (CNY). China maintains strict exchange controls, and regulates the flow of foreign exchange.

## Corporate Income Taxation

Resident corporations, and foreign corporations with an effective place of management in China, are subject to tax on worldwide income. Corporate income tax (EIT) is 25%.

## Individual Taxation

Resident individuals are subject to tax on their worldwide income. Individual income tax (IIT) is levied on individuals that are resident in China 183 days more in a calendar year. Categories include Comprehensive Income, up to 45% tax, Business Income, up to 35% tax, and Dividends and Interest, and other items, taxed at 20%.

## Anti-Avoidance Rules

China has Thin Capitalization rules, Transfer Pricing rules, Controlled Foreign Corporation (CFC) rules, and general Anti-Avoidance rules. Transactions that avoid taxable income must have a bona business purpose. The SAT may re-characterize transactions and may go back for up to 10 years. The GAAR rules apply to corporations and individuals.

## Controlled Foreign Corporations (CFCs)

CFCs are foreign corporations that have a tax rate of less than 12.5% and are "controlled" by Chinese residents. Control means ownership of more than 10% of the voting shares of the CFC or substantial control over capital, management, etc. Residents with controlling interests in CFCs are taxable on their share of the undistributed profits of the CFC. CFC rules apply to corporations and individuals.

## Trusts

China adopted a domestic trust law in 2001, but has not ratified the Hague Convention on the Recognition of foreign trusts. The Chinese tax code does not address the tax treatment of foreign trusts settled by Chinese residents.

## Double Tax Treaties (DTTs)

China's DTTs which include those with Cyprus, Hong Kong, Luxembourg, Macao, Malta, Netherlands, Singapore, Switzerland, the UK and the US.

## OECD Multilateral Convention

China is a signatory to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, effective 2016, which requires signatories to exchange information "on request," and authorizes spontaneous and automatic exchange.

## Common Reporting Standard (CRS)

China is a party to the Multilateral Competent Authority Agreement (MCAA) and has implemented CRS for the automatic exchange of information.

## FATCA

China has not signed a FATCA agreement with the United States for the automatic exchange of account information, but is treated as having an "agreement in substance" for a Model 1 IGA.

## Notice

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