



Tax Analysis

China

Deloitte Tohmatsu Tax Co.

February 6, 2015

SAT Issues New Rules on Indirect Transfers of Assets by Nonresident Enterprises

On 6 February 2015, China's State Administration of Taxation (SAT) issued new guidance (Bulletin [2015] No. 7, "Bulletin 7") on the PRC tax treatment of an indirect transfer of assets by a nonresident enterprise. Bulletin 7 is the latest regulatory instrument on indirect transfers and follows two previous sets of guidance issued in 2009 and 2011: the "Notice on Strengthening the Administration of Enterprise Income Tax on Income from the Transfer of Shares by Nonresident Enterprises" (Guoshuihan [2009] Circular No. 698, "Circular 698") and the "Bulletin on Several Issues Concerning the Administration of Income Tax on Nonresident Enterprises" (Bulletin of SAT [2011] No. 24, "Bulletin 24").

Bulletin 7 does not replace Circular 698 and Bulletin 24 in their entirety. Instead, it abolishes certain provisions and provides more comprehensive guidelines on a number of issues, as explained in the Tax Analysis. While Bulletin 7 is effective from the date of issuance, it also applies to transactions that took place before the date of issuance but for which the relevant PRC tax treatment has not been decided upon by the Chinese tax authorities. Thus, Bulletin 7 will affect both future and past transactions. Please open the attachment to view the latest issue of Tax Analysis.

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Contacts

Leonard Khaw, Partner lkhaw@deloitte.com.cn

Julie Zhang, Partner juliezhang@deloitte.com.cn

Issued by

Deloitte Tohmatsu Tax Co.

HQ • Tokyo Office

Shin-Tokyo Building 5F, 3-3-1, Marunouchi, Chiyoda-ku, Tokyo 100-8305, Japan

T E L : +81-3-6213-3800

email : tax.cs@tohmatu.co.jp

URL : www.deloitte.com/jp/en/tax

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