

Operational Tax News

China Update

QFII/RQFII - clarifications provided by the Beijing Tax Authorities

As mentioned in our **tax alert issued on 19 November 2014**, starting from 17 November 2014, any China-sourced gain on the transfer of equity investments derived by Qualified Foreign Institutional Investors (“QFII”) and Renminbi Qualified Foreign Institutional Investors (“RQFII”) will be temporarily exempt from People’s Republic of China Enterprise Income Tax. Any gains realized by QFIIs/RQFIIs prior to 17 November 2014 will remain subject to taxation.

Since the date of the issuance of the tax circulars on 14 November 2014 until now, there were too many uncertain aspects, which were not made clear to both tax practitioners and market players.

Finally, on 26 February 2015, the Asset Management Association of China (AMAC) held a training with tax officers from the Beijing Municipal State Tax Bureau (BSTB) where they have presented their tax policy and clarifications on how to tax the gains derived by QFIIs/RQFIIs prior to 17 November 2014, from the transfer of equity investments.

Please refer to the **Summary of the Training** organized by AMAC, prepared by our Chinese Team, for more details.

According to this information, QFIIs/RQFIIs need to comply with the filing deadline of 31 July 2015, and the tax should be settled by 30 September 2015.

Please note that the tax clarifications abovementioned have been provided by the BSTB. It is not excluded that other tax offices have different interpretations.

We will keep you updated in case of any new developments in this regard.

Luxembourg Tax Impact

Luxembourg QFIIs/RQFIIs should now reach out to their local tax advisor and request tax assistance in the tax filing process in order to meet the 31 July 2015 deadline.

Together with our Chinese tax teams, we would be pleased to assist you in this process. In this respect, please find a **Flyer** prepared by Deloitte China covering the QFII / RQFII taxation services.

If you have any queries regarding the above, please do not hesitate to contact us.

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