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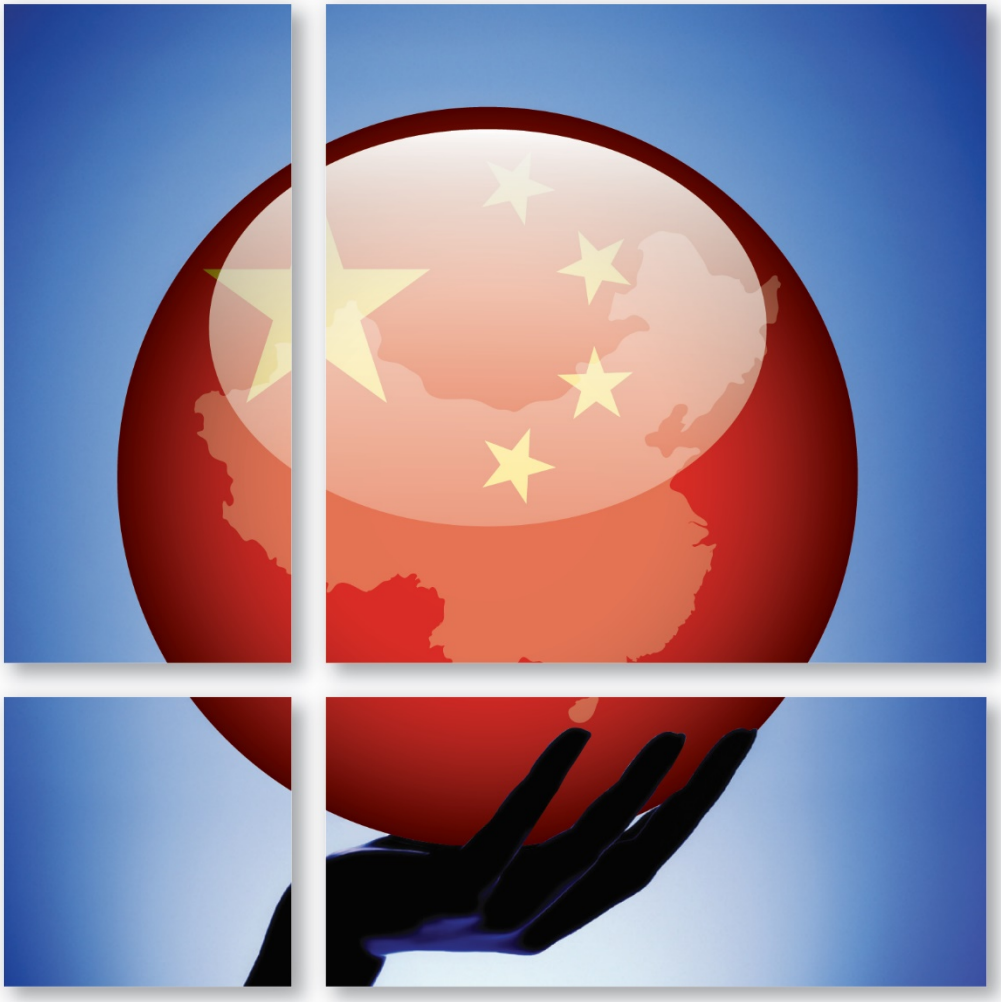

China

Tax Guide

2015/16

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2015/16 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2015, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com

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BASIC FACTS

Full name:	Republic of China
Capital:	Beijing
Main languages:	Mandarin Chinese
Population:	1.36 billion (2013, PRB)
Major religion:	Buddhism, Christianity, Islam, Taoism
Monetary unit:	1 Renminbi (Yen) = 10 Jiao = 100 fen
Internet domain:	.cn
Int. dialling code:	+86

KEY TAX POINTS

- Domestic and foreign enterprises (foreign invested enterprises or FIE's) are taxed at a rate of 25% (subject to a small profits rate of 20%).
- There is no separate tax on capital gains.
- A land value appreciation tax applies to transfers of land use rights.
- Business Tax (BT) is levied at rates from 3% to 20%. Various industries are transitioning from BT to Value Added Tax (VAT) under the VAT Pilot Program. BT is generally levied on gross turnover and no tax credit is allowed for taxes paid on business inputs.
- The VAT rate is 17% for most taxable goods. A reduced tax rate of 13% is available for specified goods that are mainly agricultural and utility items. For general VAT payers, input VAT incurred can be utilized to offset the output VAT. Taxpayers engaged in small scale business are subject to VAT at a special rate of 3%.
- Stamp tax is levied on a variety of contracts.

- Foreign enterprises may claim tax credits for corporate income taxes suffered in other countries, but restricted to the Chinese tax payable on the foreign income.
- Individuals are taxed on wages/salaries and business income at progressive rates.
- Subject to any double taxation treaty, dividend, interest, rent and royalty payments are liable to withholding tax at 10%.

A. TAXES PAYABLE

ENTERPRISE INCOME TAX (EIT)

The passage of the Enterprise Income Tax Law ('the New Law') on 16 March 2007 unified the income tax rate for domestic enterprises and foreign invested enterprises (FIEs) and streamlined tax incentives effective from 1 January 2008. All FIEs (i.e. Sino-foreign joint ventures and wholly owned foreign enterprises) and foreign enterprises (FEs) with or without establishments in China are now taxed at the same rate as domestic enterprises. EIT is charged at the rate 25% on taxable profits in a calendar year. Subject to a preferential tax rate of 20% for qualified enterprises with small profits, both domestic companies and FIEs will be assessed at a unified tax rate of 25%.

All FIEs (and those FEs having their effective management in China) are subject to EIT on their worldwide profits. FEs with permanent establishments (PEs) in China are subject to EIT on profits derived from the PEs. FEs without PEs in China are subject to EIT on China-source income only.

The New Law introduces a wider concept of management in determining tax residency. A company will be recognised as a Chinese tax resident if it is incorporated in China or its place of effective control and management is in China.

The tax year in China is the calendar year (ie year ended 31 December).

Anti-tax avoidance has been stressed since 2008. China's State Administration of Taxation (SAT) issued the circular Guoshuihan [2009] No. 698 (Circular 698) in 2009, a transfer of a foreign company that holds the equity interest in an underlying China Tax Resident Enterprises (TREs) ('offshore indirect equity transfer') may be subject to China EIT, if the arrangement is considered as an abusive use of company structure without reasonable commercial purpose.

In September 2014, SAT formally announced that the Base Erosion and Profit Shifting (BEPS) project was a "worldwide campaign on tax-substance alignment" and set forth their general positions and action plans to address BEPS issues in China.

CAPITAL GAINS TAX

There is no separate tax levied on capital gains. Capital gains are subject to EIT as ordinary income. In addition to EIT, any gain realised on the transfer of immovable properties or land use rights is subject to land value appreciation tax (LVAT).

BRANCH PROFITS TAX

There is no separate branch profits tax.

TAXLAND VALUE APPRECIATION TAX

LVAT applies to domestic enterprises, FIEs, FEs and individuals realising gains from the transfer of land use rights, buildings and premises and associated structures. LVAT is charged at progressive rates ranging from 30% to 60% depending on the percentage gain realised from the transfer of land use rights, buildings or associated structures.

VALUE ADDED TAX (VAT)

VAT is levied on the invoiced amount in respect of selling, transferring or importing of commodities, provision of repairs and processing services in China. The VAT rate is 17% for most taxable goods. A reduced tax rate of 13% is available for specified goods that are mainly agricultural and utility items. For general VAT payers, input VAT incurred can be utilized to offset the output VAT. Taxpayers engaged in small scale business are subject to VAT at a special rate of 3%.

A small scale business is broadly defined as one with an annual turnover of less than RMB 0.5m or a retailer or wholesaler whose annual turnover does not exceed RMB 0.8m. However, businesses taxed at these rates are not entitled to claim any input VAT paid to set off against the output VAT.

Generally, export goods are exempt from VAT. Commodities sellers, service providers and importers are the tax collection agents.

A VAT refund may be available in an export situation. Exports generally attract a zero rate of VAT (i.e. zero output VAT on export with a refund of input VAT incurred on goods purchased locally for export of goods. However, as the VAT refund rate ranges from 0% to 17%, generally taxpayers could not enjoy a full refund of input VAT.

Under the VAT Pilot Program (which will be mentioned below), the zero rate may be applied to research, development and design services provided to foreign entities and international transportation services, while qualifying cross border services may be VAT exempt. Input VAT incurred in the zero-rated services may be refunded, while it is unrecoverable for VAT-exempt services.

VAT Pilot Program

In order to mitigate the multiple taxation issue associated with goods and services and to support the development of “modern service industries” in China, the State Council has introduced a series of VAT Pilot Program to expand the scope of VAT to cover certain kinds of industries and services that were originally chargeable under Business Tax (BT).

The VAT Pilot Program launched in Shanghai in 2012 and has been introduced in other cities and provinces progressively. The State Council has been implementing the VAT Pilot Program nationwide in line with the targets set out within China’s 12th Five Year Plan.

The industries covered in the VAT Pilot Program are: transportation services; Research, development, and technical services; Information technology services; cultural creative services; logistic auxiliary services; certification and consulting services; railway transportation services; postal services; telecommunication services and tangible movable property leasing services. The applicable VAT rates range from 6% to 17%. Small scale business in the above industries is subject to a VAT rate of 3%.

The reform is expected to be rolled out to more service sectors (e.g. financial services, etc.) by the anticipated completion of the reform (end of 2015).

BUSINESS TAX (BT)

BT ranging from 3% to 20%. With various industries transitioning from liability to BT to liability to VAT under the VAT Pilot Program, BT is only imposed on the sales of immovable property and land use rights and a few service income (e.g. construction, financial, hoteling and catering, insurance, entertainment, etc.) taking place within China. BT is generally levied on gross turnover and no tax credit is allowed for taxes paid on business inputs.

As above, the State Council introduced the VAT pilot program to reform the indirect tax. Those industries listed in previous session are subject to VAT instead of BT.

The VAT pilot program has been extended throughout China since 1 August 2013.

CONSUMPTION TAX (CT)

CT is imposed on 16 categories of consumable or luxury goods (e.g. cigarettes, alcohol, petrol and motor vehicles). CT rates range from 1% to 56%. Certain products are taxed at a fixed amount based on quantity. Part collection of this tax has been shifted to the retailer and is levied by the tax authorities of the retailer's site. Battery and paint has been levied CT from 1 February 2015.

FRINGE BENEFITS TAX

No separate fringe benefits tax is levied in China.

REAL ESTATE TAX (RET)

RET is imposed on owners, users or custodians of houses and buildings. RET is imposed at a flat rate of 12% on rental income of the leased property or at the rate of 1.2% on the purchase cost of self-used property. A discount of 10% to 30% on the purchase cost is often offered by some local governments in determining the RET.

The tax also applies to FIEs, FEs and foreign individuals. RET is deductible for EIT purposes.

SOCIAL SECURITY INSURANCE CONTRIBUTIONS

FIEs are required to contribute to social security insurance (including pension, medical, unemployment, work-related injury, and child bearing) and housing funds (in certain cities) every month for their employees in China.

STAMP TAX (ST)

ST is levied on various contracts including purchase and sale contracts, property leasing, loan contracts, documents for the transfer of property rights, engineering and design contracts, construction and installation, commodity transportation, storage and property insurance contracts. Tax rates range from 0.005% to 0.1%. A fixed amount of RMB 5 is charged on certificates evidencing rights, patents, trademarks, and licenses.

DEED TAX (DT)

DT is imposed on the transferee or assignee to which land use rights or building ownership rights are transferred (sales, exchange or gifts). The tax rate ranges from 3% to 5% depending on the location of the property. The transferee or the assignee is the taxpayer.

B. DETERMINATION OF TAXABLE PROFIT

The taxable profit of a FIE is calculated as 'taxable gross income less deductible costs, expenses and losses incurred in a tax year'. It is normally calculated in accordance with audited accounts prepared on an accrual basis subject to tax adjustments by reference to the prevailing tax regulations.

DEPRECIATION

Fixed assets under the New Law mean the non-monetary assets owned and used by FIEs for over 12 months in production or business operations. Fixed assets are depreciable on a straight-line basis over their useful lives. In exceptional circumstances, accelerated depreciation method may be granted to the enterprise upon approval from the Chinese tax authorities. Under the New Law, enterprises shall, in terms of the nature and operating conditions of the fixed assets, reasonably evaluate the new residual value of the fixed assets.

The minimum depreciation periods for various kinds of assets are as follows:		Years
(a)	For houses and buildings	20
(b)	For airplanes, trains, ships, machinery and other production facilities	10
(c)	For apparatus, tools and furniture and fittings in connection with production / business operations	5
(d)	For transportation facilities other than airplanes, trains and ships	4
(e)	For electric equipment	3
(f)	For production-nature biological assets in the nature of forestry	10
(g)	For production-nature biological assets in the nature of livestock	3
(h)	For acquired software (subject to approval)	2

AMORTISATION OF INTANGIBLE ASSETS

Intangible assets, including technical know-how, patents and trademarks, can be amortised using the straight-line method over a period of not less than ten years or the stipulated time limit as set out in the acquisition agreement.

Formation expenses can be deducted on a lump sum basis in the year in which the enterprise commences business operations or amortised as a long term prepaid expenditure stipulated under the New Law.

RESEARCH AND DEVELOPMENT (R&D)

R&D expenses incurred for new and high technology, new products or new craftsmanship can enjoy an extra 50% super-deduction of the actual expenses incurred as a tax incentive after approval by the relevant tax bureau.

STOCK / INVENTORY

Inventory is to be valued at cost and the acceptable allocation methods include first-in, first-out (FIFO), weighted average, or specific identification basis. The last-in, first-out (LIFO) basis is not acceptable for tax purposes. The method chosen must be applied consistently.

MANAGEMENT FEES

Management fees paid by an FIE to its associated enterprises overseas are generally not tax deductible. However, fees paid to an overseas head office in the course of production and business charged at arm's length basis may be allowed for tax deduction subject to the approval of the Chinese tax authorities. Other payments to associates, such as royalties, are also tax-deductible on the condition that they are charged at arm's length and approved by the Chinese tax authorities. Withholding tax is applicable on these payments.

Under the New Law, there is a Cost Sharing Agreement (CSA) for joint development of intangible assets and sharing of services. Under the CSA, the principle of matching costs with expected benefits shall be followed. The required information as specified by the tax authorities shall be filed with the tax authorities within the prescribed period.

LOSSES

Operating losses cannot be carried back but they can be carried forward for up to five years.

TAX INCENTIVES

China currently offers different forms of tax incentives at different levels to attract foreign investments. The major types of incentives offered to FIEs are outlined below.

- Production enterprises

  Under the old law, FIEs engaged in manufacturing businesses with an operating period of not less than ten years were entitled to tax holidays from EIT. The tax holidays normally covered a period of two years of full exemption followed by three years at half the EIT rate. The tax holidays commenced from the first profit-making year (ie the year in which a profit is shown after all prior years' allowable tax losses have been utilised). Many cities would also waive the 3% local surtax.

  The New Law repeals this type of tax holiday for production enterprises. The remaining holiday will be grandfathered.

- Technologically advanced enterprises (TAE)

  Under the old law, a TAE with an operating period of not less than ten years and located in a Hi-Tech Industry Development Zone designated by the State Council could apply for two years of full exemption from EIT starting from the first profit-making year.

  A FIE which remains as a TAE upon the expiration of the normal tax holiday as described above could further enjoy (subject to approval) the half EIT rate for the next three years. The minimum reduced tax rate was 10%.

The New Law repeals the extended three-year tax rate reduction. The remaining holiday will be grandfathered provided that the enterprise qualifies as a New / High Technology Enterprise (NHTE) under the new introduction of application requirements set in Guokefahuo No. 172 and Guokefahuo No. 362 issued in 2008.

For new applications, if the enterprise is qualified as NHTE, it can enjoy a reduced EIT rate of 15%. For the NHTE newly established after 1 January 2008 and located in Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Shanghai Pudong, it can also enjoy an exemption from EIT for the first two years, followed by three years of 50% reduction of EIT starting from the first income generating year.

- Specified basic infrastructure

  Enterprises engaged in basic infrastructure such as harbours, wharfs, airports, railways, highways, city public transportation, electric power and water resources utilisation projects can enjoy a '3+3 years' tax holiday which means, starting from the first income generating year, three years of exemption from EIT followed by three years of 50% reduction of applicable EIT.

- Environmental protection projects

  Enterprises engaged in environmental protection projects and energy/water conservation projects such as public sewage treatment, public refuse treatment, comprehensive development and utilisation of methane, technologies alteration for energy-saving and emission reduction and seawater desalination projects can also enjoy a '3+3 years' tax holiday.

  This means, starting from the first income generating year, three years of exemption from EIT followed by three years of 50% reduction of applicable EIT.

- Qualified technology-advanced service enterprises established in 21 cities

  From 1 January 2014 to 31 December 2018, qualified technology-advanced service enterprises in 21 cities (such as Beijing, Shanghai, Tianjin, Guangzhou, Shenzhen) qualify for a reduced EIT rate of 15%.

- Software production enterprises

  Software production enterprises can enjoy a reduced EIT rate of 15% and '2+3 years' tax holiday which means, starting from the first profit-making year, two years of exemption from EIT followed by three years of 50% reduction of EIT.

- Small-scale enterprise

  EIT rate shall be reduced to 20% for small-scale enterprises if they meet the following criteria:

- For industrial enterprises, the annual taxable income does not exceed RMB 300,000; the number of staff does not exceed 100; and the total assets do not exceed RMB 30,000,000.

- For other enterprises, the annual taxable income does not exceed RMB 300,000; the number of staff does not exceed 80; and the total assets do not exceed RMB 10,000,000.

- For the period from 1 January 2015 to 31 December 2017, enterprises having annual taxable income not exceed RMB 200,000 can enjoy a 50% deduction on calculating the taxable income and subject to a 20% of EIT rate.

C. FOREIGN TAX RELIEF

FIEs can claim tax credits for corporate income taxes paid by them or their branches in other countries. However, the amount of tax credit is restricted to the Chinese tax payable on the foreign income as calculated according to the EIT law.

D. CORPORATE GROUPS

There are no group relief provisions in Chinese tax law.

E. RELATED PARTY TRANSACTIONS

All companies should conduct business with their associated companies on an arm's length basis. The Chinese tax authorities are empowered to disregard, vary or make any necessary adjustments to the arrangements that are carried out for tax avoidance purposes.

TRANSFER PRICING

Guoshuifa [2009] No. 2 imposes transfer pricing documentation requirements. Specific information must be submitted to the tax bureau together with the enterprise's annual income tax returns or subsequently in the course of a transfer pricing audit. Interest will be payable in respect of any late tax payments arising from a transfer pricing adjustment.

China adopts stringent requirements on the related party transactions disclosure and taxpayers have to disclose related party transactions in Related Party Transaction Forms. The acceptable transfer pricing methods are Comparable uncontrolled price (CUP); Resale price method (RPM); Cost-plus method (CPM); Transactional net margin method (TNMM); Profits split method (PSM); and other methods that are consistent with the arm’s length principle approved by the in charge tax authorities.

Enterprises with aggregate related party transactions exceeding (1) RMB 200 million of related party purchase or sale transactions or (2) RMB 40 million of other kinds of transactions such as intangibles, services and interest from financing transactions must prepare contemporaneous documentation on an entity level on or before 31 May of the year following the year in which the related party transactions took place and within 20 days on tax authorities’ request.

F. WITHHOLDING TAXES

The withholding tax rate for the payment of dividends, interest, royalties and rent from a Chinese source to a non-resident recipient is 10% (subject to treaty rate).

G. EXCHANGE CONTROL

Foreign currency transactions are controlled by the State Administration of Foreign Exchange Control and its branch offices. Financial institutions cannot engage in foreign exchange business without prior approval.

H. PERSONAL TAX

Under the Individual Income Tax (IIT) Law, IIT is assessed as follows.

WAGES AND SALARIES

With effect from 1 September 2011, IIT rates for wages and salaries are taxed at progressive rates from 3% to 45% as follows:

Monthly Taxable Income* (RMB)	Tax Rate (%)	Quick Calculation Deduction (QCD) (RMB)
(Applicable to employees whose IIT is borne by themselves)		
0 – 1,500	3	0
1,501 – 4,500	10	105
4,501 – 9,000	20	555
9,001 – 35,000	25	1,005
35,001 – 55,000	30	2,755
55,001 – 80,000	35	5,505
80,001 or above	45	13,505

* Monthly taxable income =salaries/wages/allowances - fixed monthly deduction.

NOTES:

(a) Monthly tax payable = [(taxable income × tax rate) – quick calculation deduction].

(b) Personal fixed monthly deduction to individual Chinese taxpayer is RMB 3,500.

(c) Those taxpayers who are not domiciled in China but derive wages and salaries from sources in China are entitled to a total statutory deduction of RMB 4,800 per month.

BUSINESS INCOME

Net income derived from production and business operations by individuals (i.e. annual gross income less business costs, expenses and losses) shall be taxable at the following rates:

Annual taxable income (RMB)	Tax Rate (%)	QCD
0 – 15,000	5	0
15,001 – 30,000	10	750
30,001 – 60,000	20	3,150
60,001 – 100,000	30	9,750
100,001 or above	35	14,750

OTHER TAXABLE INCOME FOR IIT PURPOSE

(a) Net income derived from remuneration for labour services will be taxed as follows:

Taxable income (RMB)	Tax Rate (%)	QCD
Less than 20,000	20	0
20,000 to 50,000	30	2,000
50,001 or above	40	7,000

(b) Gross income derived from interest, dividends and bonuses, or contingency income and other income is taxed at a flat rate of 20%.

I. TREATY WITHHOLDING TAX RATES

The Mainland Chinese Government has signed tax treaties with more than 100 countries / regions. The following table summarises the withholding tax rates applicable to dividends, interest and royalties as provided by the double taxation agreements concluded by Mainland China government with some major countries and regions.

	Dividends[1] (%)	Interest[2] (%)	Royalties (general) (%)	Royalties[3] (%)
Non-treaty countries:	10	10	10	10
Treaty countries:				
Albania	10	0/10	10	10
Algeria	5/10	0/7	10	10
Armenia	5/10	0/10	10	10
Australia	15	10	10	10
Austria	7/10	0/7/10	10	6
Azerbaijan	10	0/10	10	10
Bahrain	5	0/10	10	10
Bangladesh	10	0/10	10	10
Barbados	5/10	0/10	10	10
Belarus	10	0/10	10	10
Belgium	5	0/10	7	7
Bosnia and Herzegovina	10	10	10	10
Brazil	15	0/15	15/25	15/25
Brunei	5	0/10	10	10
Bulgaria	10	0/10	10	7
Canada	10/15	0/10	10	10

	Dividends[1] (%)	Interest[2] (%)	Royalties (general) (%)	Royalties[3] (%)
Croatia	5	0/10	10	10
Cuba	5/10	0/7.5	5	5
Cyprus	10	10	10	10
Czech Republic	5/10	0/7.5	10	10
Denmark	5/10	0/10	10	7
Ecuador	5	0/10	10	10
Egypt	8	0/10	8	8
Ethiopia	5	0/7	5	5
Estonia	5/10	0/10	10	10
Finland	10	0/10	10	7
France	5/10	0/10	10	10
Georgia	0/5/10	0/10	5	5
Germany[4]	10	0/10	10	7
Greece	5/10	0/10	10	10
Hong Kong	5/10	0/7	7	7
Hungary	10	0/10	10	10
Iceland	5/10	0/10	10	7
India	10	0/10	10	10
Indonesia	10	0/10	10	10
Iran	10	0/10	10	10
Ireland	5/10	0/10	10	6
Israel	10	7/10	10	7
Italy	10	0/10	10	7
Jamaica	5	0/7.5	10	10
Japan	10	0/10	10	10
Kazakhstan	10	0/10	10	10
Korea	5/10	0/10	10	10
Kuwait	0/5	0/5	10	10
Kyrgyzstan	10	0/10	10	10
Laos	5	0/5/10	5/10	5/10
Latvia	5/10	0/10	10	7
Lithuania	5/10	0/10	10	10
Luxembourg	5/10	0/10	10	6

	Dividends[1] (%)	Interest[2] (%)	Royalties (general) (%)	Royalties[3] (%)
Macau	5/10	0/7/10	7	7
Macedonia	5	0/10	10	10
Malaysia	10	0/10	10/15	10
Malta	5/10	0/10	10	7
Mauritius	5	0/10	10	10
Mexico	5	0/10	10	10
Moldova	5/10	0/10	10	10
Mongolia	5	0/10	10	10
Morocco	10	0/10	10	10
Nepal	10	0/10	15	15
Netherlands	5/10	0/10	10	6
New Zealand	15	0/10	10	10
Nigeria	7.5	7.5	7.5	7.5
Norway	15	0/10	10	10
Oman	5	0/10	10	10
Pakistan	10	0/10	12.5	12.5
Papua New Guinea	10/15	0/10	10	10
Philippines	10/15	0/10	10/15	10
Poland	10	0/10	10	7
Portugal	10	0/10	10	10
Qatar	10	0/10	10	10
Romania	10	0/10	7	7
Russia[5]	10	0/10	10	10
Saudi Arabia	5	0/10	10	10
Serbia	5	0/10	10	10
Seychelles	5	0/10	10	10
Singapore	5/10	0/7/10	10	10
Slovakia	10	0/10	10	10
Slovenia	5	10	10	10
South Africa	5	0/10	10	7
Spain	10	10	10	6
Sri Lanka	10	0/10	10	10
Sudan	5	0/10	0/10	10

	Dividends[1] (%)	Interest[2] (%)	Royalties (general) (%)	Royalties[3] (%)
Sweden	5/10	0/10	10	6
Switzerland	5/10	0/10	9	9
Syria	5/10	0/10	10	10
Tajikistan	5/10	0/8	8	8
Thailand	15/20	0/10	15	15
Trinidad and Tobago	5/10	0/10	10	10
Tunisia	8	0/10	5/10	10
Turkey	10	0/10	10	10
Turkmenistan	5/10	0/10	10	10
Ukraine	5/10	0/10	10	10
United Arab Emirates	0/7	0/7	10	10
United Kingdom	5/10/15	0/10	10	6
United States of America	10	0/10	10	7
Uzbekistan	10	0/10	10	10
Venezuela	5/10	0/5/10	10	10
Vietnam	10	0/10	10	10
Zambia	5	0/10	5	5

NOTES:

1 There are certain shareholding requirements for enjoying reduced withholding tax rates in China.

2 Exemption of interest from withholding tax generally applies in the following situations:

(i) Interest on loans made by international financial organisations at a preferential rate to the Chinese government or resident enterprises; or,

(ii) Interest on loans made by foreign governments to Chinese government.

A lower withholding tax rate may apply to interest paid by an enterprise in China to a foreign enterprise without establishments in China.

3 The rates of withholding tax on royalties for the use of industrial, commercial or scientific equipment is 10% and the taxable income is generally taken to be 60% or 70% of the gross amount of remittance depending on the location of the FIEs. Accordingly, the effective withholding tax rate is 6% or 7% as shown above.

4. A new comprehensive double taxation agreement between Germany and the People's Republic of China was signed in Beijing on 28 March 2014 but is not yet in force until both countries have completed their legislative procedures. Once the provisions of the agreement are in force, the

rates of withholding tax on royalties for the use of industrial, commercial or scientific equipment is 10% and the taxable income is generally taken to be 60%. Accordingly, the effective withholding tax rate will be 6%.

Withholding tax on dividends may also be reduced to 5% if the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends.

5. A new comprehensive double taxation agreement between Russia and the People's Republic of China was signed in Beijing on 13 October 2014 but is not yet in force until both countries have completed their legislative procedures. Once the provisions of the agreement are in force, the rates of withholding tax on interest is 5% and royalties is 6%.

   Withholding tax on dividends may be reduced to 5% if the beneficial owner is a company which holds directly at least 25% of the capital of the company paying the dividends and this holding amounts to at least Euro 80,000 or its equivalent in any other currency.

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