

February 2013

| Circular Number | Issuance Date | Effective Date | Topic | What is new? |
|-------------------|---------------|----------------|---|---|
| Guofa [2013] No.6 | 2013-2-3 | 2013-2-3 | Opinion on the reform of income distribution system | <p>The State Council issued the Opinion to approve the plan of further reforming the income distribution system as suggested by the National Development and Reform Commission, Ministry of Finance and Ministry of Human Resources and Social Security.</p> <p>According to the Opinion, the following tax-related plans are to be implemented:</p> <p>(1) Establishment of an individual income tax ("IIT") system with some kinds of income being taxed on a consolidated basis while others to be taxed separately. Currently, the PRC IIT system taxes different kinds of income on a separate basis.</p> <p>(2) Reinforcement of IIT collection, administration and penalty measures on high income individuals.</p> <p>(3) <u>Abolishment of IIT exemption on foreign expatriates' dividend income earned from foreign invested enterprises in China and other IIT preferential policies.</u> The Circular does not elaborate what other IIT preferential policies to be abolished for expatriates are referred to. However, they may refer to the various tax exempted allowances and employment benefits that are only applicable to expatriates.</p> <p>(4) Expansion of the scope of real estate tax and</p> |

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| | | | | <p>resource tax.</p> <p>(5) Adjustment of the consumption tax system and including high-level entertainment services as well as luxury goods into the scope.</p> <p>Attention shall be paid to follow up the actions taken and regulation changes made by the State Administration of Taxation on the above issues.</p> |
| Beijing Local Taxation Bureau and Beijing Authority for Industry and Commerce Announcement [2012] No.5; | 2012-8-31 | 2012-10-1 | Update on practice for IIT payments for share transfers | <p>According to the previous tax circular Guoshuihan [2009] No.285, when an individual transfers his shares in a PRC company, the individual or the withholding agent shall declare or withhold individual income tax ("IIT") on the relevant capital gains before making amendment registration of the target company with the in-charge Administration for Industry and Commerce ("AIC"). In the past, due to lack of the involvement of the State AIC, local AICs did not follow this tax circular and did not require the tax payment certificate as a necessary document for making amendment registration of the target company.</p> <p>Last year, the Beijing Local Taxation Bureau and Beijing AIC jointly issued some local circulars to implement Guoshuihan [2009] No.285. They specifically required tax payment related documents for amendment registration with the in-charge AIC. In addition, AICs of many other cities, e.g. Harbin, Hainan, Chengdu, also started to have similar practices. Companies purchasing shares from individuals shall be aware of such change and check carefully with the competent AIC regarding</p> |
| Beijing Local Taxation Bureau Announcement [2012] No.6 | 2012-9-4 | 2012-10-1 | | |

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| | | | | their practice in this respect. |
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