

Attachments to the Implementation Measures of Special Tax Adjustments

(Provisional)

Attached Form 1

Function and Risk Analysis Form

Name of Enterprise A (Seal): Taxpayer Identification No.: □□□□□□□□□□□□□□□□

Name of Enterprise B1: Name of Enterprise B2:

Classification	Investigation Item	Co. A	Co. B1	Co. B2	
1. R&D	1. Research and Development (R&D) of Core Technology				
	1. Are any R&D activities performed by related parties?				
	2. Are any R&D activities outsourced to third parties?				
	3. Who takes ownership of the results of the R&D?				
	4. Who controls the rights to use the R&D results?				
	5. Who bears the R&D expenses?				
	6. Has the R&D activity provided substantive results?				
	7. Who will share the distribution of expected profits?				
	8. Are there any agreements with related parties?				
	9. Are there any agreements with third parties?				
	10. Have the parties entered into a cost sharing agreement?				
	11. Have the parties applied for patents?				
	12. Who bears the R&D risk?				
	13. Who has the leading position in the R&D activity?				
	14. Is the intangible asset unique?				
	15. Does the R&D provide a competitive advantage to the enterprise?				
		2. Production and Design			
		1. Is the enterprise capable of performing the design independently?			
		2. Who designs the product?			
		3. Who owns the techniques?			
		4. Who developed the original design?			
		5. Who bears the cost of design?			
		6. Has the design provided any substantive result?			
		7. Who will share the distribution of expected profits?			
		8. Are there any agreements with related parties?			
		9. Are there any agreements with third parties?			
		10. Have the parties entered into a cost sharing agreement?			

	11. Have the parties applied for patents?			
	12. Who bears the design risk?			
	13. Is there any involvement in the design and modification of products?			
	14. Is the intangible asset unique?			
	3. Packaging and Labelling			
	1. Is the packaging function performed by related parties?			
	2. Is the packaging function outsourced to third parties?			
	3. Who bears the packaging cost?			
	4. Have the parties entered into a cost sharing agreement?			
	5. Have patents been applied?			
	6. Does the enterprise have full authority over packaging and labelling?			
	7. Who bears the packaging risk?			
	8. Are there any agreements with related parties?			
	9. Are there any agreements with third parties?			
	4. Quality Control			
	1. Who determines the form of quality control?			
	2. Who determines the quality standards and procedures for the final products?			
	3. Who is responsible for quality control?			
	4. Who provides the techniques and equipment for quality control?			
	5. Who bears the relevant expenses?			
	6. Have the parties entered into a cost sharing agreement?			
	7. Have the parties applied for patents?			
	8. Are there any agreements with related parties?			
	9. Are there any agreements with third parties?			
	10. Who bears the quality control risk?			
2. Production	1. Purchasing			
	1. Who formulates the purchasing plans?			
	2. Who performs the purchasing function?			
	3. Who bears the purchasing expenses?			
	4. Is approval required from a related party for purchasing decisions?			
	5. Are any purchases made from related parties?			
	6. Are any purchases made from third parties?			
	7. Who bears the market risk (for example fluctuations in raw material prices)?			
	2. Production Equipment and Production Plan			
	1. Who purchases production equipment?			
	2. Who maintains production equipment?			
	3. Who bears the purchasing expenses?			
	4. Who formulates the production plan?			
	5. Is any equipment purchased from related parties?			
	6. Is any equipment purchased from third parties?			
	7. Are only processing and assembling functions performed?			
	8. Who bears the production risk?			
	9. Who bears the risk of losses related to investment or equipment?			
	3. Quality Control			
	1. Who determines the form of quality control?			

	2. Who determines the quality standards and procedures for the final products?			
	3. Who is responsible for quality control?			
	4. Who provides the techniques and equipment for quality control?			
	5. Who bears the relevant expenses?			
	6. Have the parties entered into a cost sharing agreement?			
	7. Have patents been applied?			
	8. Who bears the quality control risk?			
	4. Inventory			
	1. Which enterprise stores the inventory?			
	2. Who is responsible for controlling the inventory level?			
	3. Who determines how to control the inventory level?			
	4. Who bears the inventory costs?			
	5. Who bears the inventory risk?			
	5. Logistics			
	1. Who arranges for the delivery of the products?			
	2. Who bears the logistics expenses?			
	3. Who bears the logistics risks?			
3. Marketing	1. Marketing Strategies			
	1. Who conducts the market researches?			
	2. Who determines the marketing strategy?			
	3. Who is responsible for carrying out the marketing activities?			
	4. Who bears the marketing risks?			
	2. Marketing Tactics			
	1. Who decides the marketing tactics to be adopted?			
	2. Who bears the marketing expenses?			
	3. Trademarks and Goodwill			
	1. Who owns the trademarks and goodwill?			
	2. Who has the right to use the trademarks and goodwill?			
	3. Is there any agreement relating on using trademarks and goodwill?			
	4. Does the entity receive or pay royalties?			
	5. Who decides the content and rate of the royalties, if any?			
	6. Who bears the corresponding risks?			
4. Sales and Distribution	1. Sales and Distribution			
	1. Who sets the sales plan?			
	2. Who bears the sales expenses?			
	3. To which related parties are products sold?			
	4. Who receives the purchase orders?			
	5. Who issues the invoices?			
	6. Who bears the market risk (for example, fluctuations in price of finished goods)?			
	2. Inventory			
	1. Which enterprise stores the inventory?			
	2. Who is responsible for controlling the inventory level?			
	3. Who bears the inventory costs?			
	4. Who bears the inventory risk?			
	3. Logistics			
	1. Who arranges for the delivery of the products?			

	2. Who bears the logistics expenses?			
	3. Who bears the logistics risks?			
	4. Installation and After-sale Services			
	1. Who provides after-sale services?			
	2. Who bears the service expenses?			
	3. Who bears the relevant risks?			
5. Management and Other Services	1. General Administration			
	1. Are there any comprehensive G&A functions?			
	2. Is the enterprise responsible for G&A expenses?			
	3. Does it bear G&A risk?			
	2. Pricing Strategy			
	1. Who sets the selling prices of products?			
	2. Who sets the pricing policy?			
	3. Who bears the risks?			
	3. Financing			
	1. From whom does the company borrow money?			
	2. Are interest expenses paid?			
	3. To whom does the company lend money?			
	4. Is interest charged?			
	5. Who bears the financing expenses?			
	6. Are there any financing agreements?			
	7. Who bears the financial risk (for example, fluctuations in foreign exchange and interest rates)?			
	8. Who bears the credit risk?			
	4. Human Resources			
	1. Are any employees dispatched from related parties?			
	2. Who pays the salary of the dispatched employees?			
	3. Does the enterprise offer or receive training services?			
	4. Who bears the training expenses?			
	5. Leasing of property			
	1. Are there any properties subject to leasing?			
	2. Who bears the leasing expenses?			
	3. Who bears the relevant risks?			

Signature of the in-charge person from the enterprise:

Date:

Instructions

1. Enterprises preparing contemporaneous documentation according to the Measures should fill in this form.
2. The form is a template for function and risks analysis. The contents of the form may be changed to reflect the actual situation.

3. Enterprise A herein refers to the enterprise under investigation, while Enterprises B1 and B2 refer to the related parties of Enterprise A. The number of the related parties may change according to the actual situation.

4. Marks:

- “√” means that the company performs such functions and bears such risks
- “X” means that the company does not perform such functions and does not bear such risks.

Attached Form 2

Financial Analysis Form for Related-party Transactions

Entity Name (Seal):

Taxpayer Identification No.: □□□□□□□□□□□□□□□□

Unit: RMB Yuan

Items	Year xxxx				
	Overseas Related Party Transactions	Domestic Related Party Transactions	Overseas Non-related Party Transactions	Domestic Non-related Party Transactions	Total
(1) Sales					
(2) Cost of Sales					
(3) Sales Tax					
(4) Gross Profit =(1) -(2) -(3)					
(5) Gross Margin=(4) /(1)					
(6) Selling Expenses					
(7) General & Administration Expenses					
(8) EBIT =(4) -(6) -(7)					
(9) EBIT / Sales =(8) /(1)					
(10) Financial Expenses					
(11) Operating Profit =(9) -(10)					
(12) Operating Margin =(11) /(1)					
(13) Other Operating Income					
(14) Investment Gain/Loss					
(15) Subsidy Income					
(16) Non-operating Revenue					
(17) Non-operating Expenses					
(18) Profit before Tax = (11) +(13) +(14) +(15) +(16) - (17)					
(19) Profit before Tax / Sales = (18) / (1)					
Payments to Related Parties					
(20) Service Fees Paid to Overseas Related Parties		—	—	—	
(21) Service Fees Paid to Domestic Related Parties	—		—	—	
(22) Royalties or License Fee Paid to Overseas Related Parties for Technology		—	—	—	
(23) Royalties or License Fee Paid to Domestic Related Parties for Technology	—		—	—	
(24) Royalties or License Fee Paid to Overseas Related Parties for Use of Trademarks		—	—	—	
(25) Royalties or License Fee Paid to Domestic Related Parties for Use of Trademarks	—		—	—	
(26) Other Expenses Paid to		—	—	—	

Overseas Related Parties					
(27) Other Expenses Paid to Domestic Related parties	—		—	—	
Total of Payments to Related Parties			—	—	

Signature of the in-charge person from the enterprise:

Date:

Instructions

1. Enterprises preparing contemporaneous documentation according to the Measures should fill in this form.
2. Please use a minus sign, i.e. "-", to represent a loss figure.
3. The form should be completed on a yearly basis.
4. If an entity pays a service fee, royalty, trademark fee or other expense to overseas/domestic related parties, supplementary explanations are required on the arrangement details, e.g. names of payees and payment terms.
5. Supplementary explanations are required regarding the cost/expense calculations and allocation methods used among overseas/domestic related-party transactions and non-related party transactions.

Attached Form 3

Comparability Analysis Form

Name of Enterprise A (Seal): Taxpayer Identification No.: □□□□□□□□□□□□□□□□

Name of Enterprise B1: Name of Enterprise B2:

Comparable Factors	Category	Investigation Item	Co. A	Co. B1	Co. B2
1. Characteristics of Services or Transferred Assets	1) Transfer of Tangible Assets	1. Physical Characteristics of Products			
		(1) Product Categories			
		(2) Does the product have any special characteristic that differentiates it from other products within the same category?			
		2. Quality and Reliability of Products			
		(1) Product Quality			
		(2) What is the product's target consumer group?			
		3. Availability and Supply Volume			
		(1) What is the product's production volume?			
		(2) Do different supply volumes have any substantial influence on comparability? If so, can this influence be eliminated?			
	2) Provision of Services	1. Nature of Services			
		(1) What kind of services are provided?			
		(2) Is there any agreement?			
		(3) Who bears the expenses?			
		2. Scope of Services			
		(1) Who are the parties involved in the service sharing agreement?			
		(2) How are the expenses allocated in the agreement?			
	3) Transfer of Intangible Assets	1. Form of Transactions (e.g. licensing or selling)			
		2. Type of Assets (e.g. patent, trademark or proprietary technology)			
		3. Term and Degree of Protection			
4. Expected Benefits of Using This Asset					
2. Functional and Risk Analysis	1) R&D	1. Research and Development (R&D) of Core Technology			
		(1) Which R&D activities are performed?			
		(2) Are any R&D activities performed by related parties?			
		(3) Are any R&D activities outsourced to third parties?			
		(4) Who bears the R&D expenses?			
		(5) Has the R&D activity provided substantive results? What is the expected benefit?			
		(6) Have the parties entered into a cost sharing agreement?			
		(7) Have the parties applied for patents?			
		(8) Who bears the R&D risk?			
		2. Production and Design			
		(1) Which design activities are performed?			

		(2) Who designs the products?			
		(3) Who owns the techniques?			
		(4) Who developed the original design?			
		(5) Who bears the cost of design?			
		(6) Has the design provided any substantive results? What is the expected benefit?			
		(7) Have the parties entered into a cost sharing agreement?			
		(8) Have the parties applied for patents?			
		(9) Who bears the design risk?			
		3. Packaging and Labelling			
		(1) What kind of packaging is used?			
		(2) Is the packaging function performed by related parties?			
		(3) Is the packaging function outsourced to third parties?			
		(4) Who bears the packaging cost?			
		(5) Have the parties entered into a cost sharing agreement?			
		(6) Have the parties applied for patents?			
		(7) Does the enterprise have full authority over packaging and labelling?			
		(8) Who bears the packaging risk?			
		4. Quality Control			
		(1) What form of quality control is used?			
		(2) Who determines the quality standards and procedures for the final products?			
		(3) Who is responsible for quality control?			
		(4) Who provides the techniques and equipment for quality control?			
		(5) Who bears the relevant expenses?			
		(6) Have the parties entered into a cost sharing agreement?			
		(7) Have the parties applied for patents?			
		(8) Who bears the quality control risk?			
		5. Trademarks and Goodwill			
		(1) What kinds of trademarks and goodwill exist			
		(2) Who owns the trademarks and goodwill?			
		(3) Who has the right to use the trademarks and goodwill?			
		(4) Is there any agreement on using trademarks and goodwill?			
		(5) How much is charged/paid?			
		(6) Does the entity receive or pay royalties?			
		(7) Contents and rate of the royalties?			
		(8) Who bears the corresponding risks?			
	2) Production	1. Purchasing			
		(1) What materials or work-in-process are purchased?			
		(2) From whom is the purchasing made?			
		(3) Who formulates the purchasing plans?			
		(4) Who performs the purchasing function?			
		(5) Who bears the purchasing expenses?			

		(6) Is approval required from a related party for purchasing decisions?			
		(7) Who bears the market risk? (for example fluctuations in raw materials prices)			
		2. Production			
		(1) Who purchases production equipment?			
		(2) Who maintains production equipment?			
		(3) From whom is the purchasing made?			
		(4) Who bears the purchasing expenses?			
		(5) Who formulates the production plan?			
		(6) What is the type of production?			
		(7) Are only processing and assembling functions performed?			
		(8) Who bears the production risk?			
		(9) Who bears the risk of losses related to investment and equipment?			
		3. Inventory			
		(1) Which enterprise stores the inventory?			
		(2) Who is responsible for controlling the inventory level?			
		(3) How is the inventory level controlled?			
		(4) Who bears the inventory costs?			
		(5) Who bears the inventory risk?			
		4. Logistics			
		(1) Who arranges for the delivery of the products?			
		(2) Who bears the logistics expenses?			
		(3) Who bears the logistics risks?			
	3) Marketing	1. Marketing Strategies			
		(1) Who conducts market researches?			
		(2) Who determines the marketing strategy?			
		(3) Who are the competitors?			
		(4) Who is in charge of marketing?			
		(5) Who bears the marketing risks?			
		2. Marketing Tactics			
		(1) Who decides the marketing tactics to be adopted?			
		(2) Who bears the marketing expenses?			
	4) Sales and Distribution	1. Sales and Distribution			
		(1) Types and privileges of distributors			
		(2) Who sets the sales plan?			
		(3) Who bears the sales expenses?			
		(4) To which related parties are products sold?			
		(5) Who receives the purchasing orders?			
		(6) Who issues the invoices?			
		(7) Who bears the market risk? (for example fluctuations in price of finished goods)			
		2. After-sale Services			
		(1) Who provides after-sale services?			
		(2) Who bears the service expenses?			
		(3) Who bears the relevant risks?			

	5) Management and Other Services	1. General Administration			
		(1) Are there any comprehensive G&A functions?			
		(2) Is the enterprise responsible for G&A expenses?			
		(3) Does it bear G&A risk?			
		2. Pricing Policy			
		(1) How is the selling price set?			
		(2) Who sets the selling prices of products?			
		(3) What is the pricing policy?			
		(4) Who bears the risks?			
		3. Financing			
		(1) What are the financing channels? Is there any interest expense involved?			
		(2) Who does the enterprise provide loans to? Is there any interest income from the loans?			
		(3) Who bears the financing expenses?			
		(4) Are there any financing agreements?			
		(5) Who bears the financial risk (for example fluctuations in foreign exchange and interest rates)?			
		(6) Who bears the credit risk?			
		4. Human Resources			
		(1) Are any employees dispatched from related parties?			
		(2) Who pays the salary of any such dispatched employees?			
		(3) Does the enterprise offer or receive training services?			
		(4) What is the content of the training?			
		(5) Who bears the training expenses?			
		5. Leasing of property			
		(1) Are any properties subject to leasing?			
		(2) How much is charged for property leasing?			
		(3) Who bears the relevant risks?			
		3. Contractual Items		1. Are the written contractual terms consistent with the economic substance?	
		2. Are the written contractual terms reasonable?			
		3. Do the contract terms have any substantial influence on comparability? If so, could this influence be eliminated?			
4. Economic Environment		1. Which development phase is the entity in?			
		2. Which development phase is the product in?			
		3. The geographical location of the entity			
		4. Market size			
		5. Market competitive situation (e.g. monopoly, Oligarchy, complete competition)			
		6. Relative competitive position of buyer and seller (is there any bargaining power?)			
		7. Availability of alternative products or services			
		8. Supply and demand level within a specific area			
		9. Consumer purchasing power			
		10. Nature and range of market regulations implemented by the government (is there any preferential policy?)			
		11. Production cost (including land, labour, and capital cost)			

		12. Logistics cost			
		13. Market operation channels (retail or wholesale)			
		14. Transaction date and time			
5. Marketing Strategies		1. Enterprise innovation and new product development			
		2. Degree of diversification			
		3. Risk aversion			
		4. Assessment of political changes			
		5. Impact of current and planned implementation of labour law			
		6. Market penetration plan			
		7. Other factors influencing the enterprise's daily operations			

Signature of the in-charge person from the enterprise:

Date:

Instructions

1. Enterprises should complete this form according to the comparability analysis requirements stipulated in Chapter 4 of the Measures.
2. The form is a template for comparability analysis. The contents of the form may be changed to reflect the actual situation.
3. Enterprise A herein refers to the enterprise under investigation, and Enterprises B1, B2 refer to the related parties of Enterprise A. The number of related parties may change according to the actual situation.

Instructions

1. This form is prepared based on the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules and the *Law of the People's Republic of China on the Administration of Tax Collection* and its implementation rules.
2. It is for the use of investigation officers in examining and determining the relationship between an enterprise and its related parties.
3. The "type of relationship" in this form should be examined and confirmed according to the standards of related party relationship listed below; where multiple related-party relationships exist, multiple codes should be filled in (e.g. type A, B, C etc.).
 - A. One party directly or indirectly holds a total of 25 percent or more of the shares of the other party, or 25 percent or more of the shares of both parties are directly or indirectly held by a third party. When one party indirectly holds the shares of the other party through an intermediate party, as long as the party holds 25 percent or more of the intermediate party's shares, then the percentage of shares of the other party that is indirectly owned by the party is calculated based on the percentage of shares of the other party that is directly owned by the intermediate party;
 - B. Loans between two parties (excluding independent financial institutions) account for 50 percent or more of either party's paid-in capital, or 10 percent or more of either party's total loans are guaranteed by the other party (excluding independent financial institutions).
 - C. More than half of one party's senior management personnel (including board members or managers) or at least one senior board member who has the controlling power over the board is appointed by the other party, or more than half of both parties' senior management personnel (including board members or managers) or at least one senior board member of each party who has the controlling power over the board is appointed by a third party.
 - D. More than half of one party's senior management personnel (including board members and managers) are also senior management personnel of the other party (including board members and managers), or at least one senior board member of either party who has the controlling power over the board is also a senior board member of the other party.
 - E. One party's production and business operations can only be carried out in a normal manner with licences (such as for industrial property rights, proprietary technology, etc.) from the other party.
 - F. One party's purchase and sales activities are primarily controlled by the other party.
 - G. The services that either party receives or provides are primarily controlled by the other party.
 - H. One party has effective control of the production, operation or transactions of the other party, or both parties have a shared interest due to another related relationship, including those not reaching the shareholding percentage stipulated in Type A but with both parties' shareholders enjoying generally the same economic interest, or with relationships through family or relatives.
4. "Confirmation of Facts" should include details on the determination of related parties' relationships.
5. This form should be examined and reviewed by tax investigation officers, then signed by an in-charge person from the enterprise under investigation and stamped with the official seal of the enterprise. The form should be signed by two or more tax investigation officers. If the enterprise under investigation refuses to sign the form, it should specify why.

6. This form shall be prepared on A4-sized paper in portrait orientation and is to be filed by the tax authority.

Attached Form 5

Form for Determination of Related-Party Transactions

Unit: RMB Yuan

Enterprise Name (Seal)						Year:
Taxpayer Identification No.		□□□□□□□□□□□□□□□□				
Name of Related Parties						
	Type	Details	Transaction Amount Provided by the Enterprise	Increase (Decrease) after Audit	Deemed Amount	
Related-party Transactions of the Enterprise	Purchases or Sales					
	Financing					
	Services					
	Tangible Assets					
	Intangible Assets					
Total						

Signature of the in-charge person from the enterprise:

Signature of the tax investigation officer:

Instructions

1. This form is prepared based on the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules.
2. It is for the use of tax authorities in examining and confirming the amounts of related-party transactions of the Enterprise.
3. The "Details" column should include details of the related-party transactions, e.g., sales of products, purchases of materials, provision of services, receipt of services, financing in, financing out, transfer in of intangible (fixed) assets, transfer out of intangible (fixed) assets.
4. This form should be examined and reviewed by the tax investigation officers, then signed and stamped by the in-charge person from the enterprise under investigation, and signed and confirmed by two or more tax investigation officers. If the Enterprise under investigation refuses to sign the form, it should specify why.
5. This form shall be prepared on A4-sized paper in portrait orientation and is to be filed by the tax authority.

Attached Form 6

Form for Determination of Comparability Factors

Name of Enterprise A (Seal):

Taxpayer Identification No.: □□□□□□□□□□□□□□□□

Name of Enterprise B1:

Name of Enterprise B2:

Comparability Factors	Category	Investigation Item	Co. A	Co. B	Co. C
1. Characteristics of Services or Transferred Assets	1) Transfer of Tangible Assets	1. Physical Characteristics of Products			
		2. Quality of Products			
		3. Quantity of Products			
	2) Provision of Services	1. Nature of Services			
		2. Scope of Services			
	3) Transfer of Intangible Assets	1. Form of Transactions (e.g. licensing or selling)			
		2. Type of Assets (e.g. patent, trademark or proprietary technology)			
		3. Term and Degree of Protection			
		4. Expected Benefits of Using This Asset			
	2. Function and Risk Analysis	1) R&D	1. R&D Function		
2. R&D Risk					
2) Production		1. Production Function			
		2. Production Risk			
3) Marketing		1. Marketing Function			
		2. Marketing Risk			
4) Sales and Distribution		1. Sales and Distribution Function			
		2. Sales and Distribution Risk			
5) Management and Other Services		1. Management and Other Services Function			
		2. Management and Other Services Risk			
3. Contractual Terms		1. Are the written contractual terms consistent with the economic substance?			
		2. Are the written contractual terms reasonable?			
		3. Do the contract terms have any substantial influence on comparability? If so, could this influence be eliminated?			
4. Economic Environment		1. Which development phase is the entity in?			
		2. Which development phase is the product in?			
		3. The geographical location of the entity			
		4. Market size			
		5. Market competitive situation (e.g. monopoly, oligarchy, complete competition)			
		6. Relative competitive position of buyer and seller (is there any bargaining power?)			
		7. Availability of alternative products or services			
		8. Supply and demand level within a specific area			
		9. Consumer purchasing power			
		10. Nature and range of market regulations implemented by the government (is there any preferential policy?)			
		11. Production cost (including land, labour, and capital cost)			

		12. Logistics cost			
		13. Market operation channels (retail or wholesale)			
		14. Transaction date and time			
5. Marketing Strategies		1. Enterprise innovation and new product development			
		2. Degree of diversification			
		3. Risk aversion			
		4. Assessment of political changes			
		5. Impact of current and planned implementation of labour law			
		6. Market penetration plan			
		7. Other factors influencing the enterprise's daily operations			

Signature of the in-charge person from the enterprise:

Signature of the tax investigation officer:

Instructions

1. Tax authorities should complete this form when analyzing the *Comparability Analysis Form* provided by the enterprise.
2. The form is a template for comparability analysis. The contents of the form may be changed to reflect the actual situation.
3. Enterprise A herein refers to the enterprise under investigation, while Enterprises B1 and B2 refer to the related parties of Enterprise A. The number of related parties may change according to the actual situation.
4. This form should be examined and reviewed by the tax authorities' investigation officers, then signed and stamped by the in-charge person from the enterprise under investigation, and signed and confirmed by two or more tax investigation officers. If the Enterprise under investigation refuses to sign the form, it should specify why.
5. This form shall be prepared on A4-sized paper in portrait orientation and is to be filed by the tax authority.

Attached Form 7

_____ **Tax Bureau**
Notification of
Special Tax Investigation Conclusion

_____ Shui Jie [] No.

_____:

Subsequent to our transfer pricing investigation on the related-party transactions between you and your related entities for the financial period from _____ to _____, we have not identified any event whereby your enterprise violates Article _____, Chapter 6 of the *Corporate Income Tax Law of the People's Republic of China* and Article _____, Chapter 6 of its implementation rules, and Article _____ of the *Law of the People's Republic of China on the Administration of Tax Collection* and Article _____ of its implementation rules to reduce taxable income or revenue.

Tax Authority (Seal):

Date:

Instructions

1. This notice is prepared based on the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules and the *Law of the People's Republic of China on the Administration of Tax Collection* and its implementation rules.
2. Scope of application: used when tax authorities conduct a special tax adjustment investigation and have not determined that the enterprise reduces its taxable income or revenue.
3. This notice should be approved by the commissioner of the tax authority.
4. This notice should be used in conjunction with the “Return Receipt for Tax Documents”.
5. This notice shall be prepared on A4-sized paper in portrait orientation with three copies. One copy is to be sent to the enterprise under investigation, the second copy is to be sent to the Tax Collection Administration Department, while the third copy is to be filed by the tax authority.

Instructions

1. To be used when tax investigators negotiate the adjustment methods with the enterprise under investigation and ask for the enterprise's comments.
2. This record shall be completed using a fountain pen (carbon pen) or writing brush, or printed out from a computer, and should not be completed with a ballpoint pen or a pencil.
3. The details as set out in the upper part of the cover sheet of this record shall be completed accordingly. The chief negotiator of the enterprise shall be the legal representative of that enterprise. If the legal representative is not able to attend the meeting, he/she shall authorize another person to be the chief negotiator of the enterprise with an authorization letter submitted to the tax authority.
4. The body of this record shall be presented in a question-and-answer format. At the beginning of the inquiry, the chief negotiator from the tax authority shall reveal his/her identity and clearly inform the chief negotiator of the enterprise of his/her legal rights and obligations under the law.
5. Content of this record must be truthful, accurate, detailed, and concrete, without being added or deleted at free will. Important information should be recorded in original speech so that the context can be truly preserved. For each piece of information provided by the chief negotiator of the enterprise, the source of information should be quoted. The sources of witness evidence or written evidence provided have to be clearly recorded and documented in the record. When the chief negotiator from the tax authority raises questions with supporting evidence, the evidence should be clearly stated in the record.
6. Upon completion of the negotiation, the record shall be handed to and verified by the enterprise concerned. If the representative of the enterprise has no reading capability, people from the tax authority should read it to him/her. If the enterprise concerned discovers that any information in the record is missing or incorrect, provision of supplementary information or amendments to the record shall be allowed. The amended record shall be stamped with a chop by the chief negotiator of the enterprise where the correction is made. After verifying the record by the enterprise concerned, the chief negotiator of the enterprise shall sign and stamp the chop at the end of the records as well as on the edges of the whole records. If the enterprise refuses to sign the record, reasons shall be stated clearly and the record shall be signed by at least two tax investigators for filing purposes. Finally, the chief negotiator from the tax authority and the recorder shall sign and date the record. They are not allowed to sign for each other.
7. This record shall be prepared in A4-sized paper in portrait orientation and is to be filed by the tax authority.

Attached Form 9

_____ **Tax Bureau**

**Notice on Preliminary Adjustment Plan of
Special Tax Investigation**

_____ **Shui Tiao** [] **No.**

_____:

According to the investigation, your enterprise has violated the provisions on special tax adjustment in the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules and the *Law of the People's Republic of China on the Administration of Tax Collection* and its implementation rules from tax year ___ to ___. The preliminary upward adjustment made to the taxable revenue of your enterprise is RMB_____, and the corresponding adjustments to the value-added tax, consumption tax and business tax are RMB_____. The adjusted taxable income shall be RMB_____, and the corresponding additional income tax shall be RMB_____, with an interest levied in accordance with the Law.

If you do not agree with the above preliminary adjustment, please submit a reply in written form within seven days of your receipt of this notice. Any late submission will be deemed as the surrender of rights. The tax adjustment will be conducted pursuant to the relevant tax laws and regulations.

The above is hereby declared.

Tax Authority (Seal):

Date:

Instructions

1. This notice is prepared based on the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules and the *Law of the People's Republic of China on the Administration of Tax Collection* and its implementation rules.
2. Scope of application: to be used when the tax authority discovers during the special tax adjustment investigation that the enterprise has decreased its taxable income or revenue, and makes a preliminary tax adjustment.
3. "Adjustment to the value-added tax, consumption tax and business tax" should be separately listed according to different kinds of tax and different amount adjusted.
4. "Interest imposed": "√" should be marked either in the "Base Rate + 5 Percent" column, or in the "Base Rate" column. For enterprises without interest imposed according to corresponding regulations this should be left blank.
5. This notice shall be approved by the commissioner of the competent tax authority.
6. This notice shall be used together with the "Return Receipt of Tax Documents".
7. This notice shall be in A4-sized paper in portrait orientation with two copies. One is sent to the enterprise under investigation and the other one is kept by the tax authority for filing purposes.

Attached Form 10

_____ **Tax Bureau**

Notice on Special Tax Investigation Adjustment

_____ **Shui Tiao [] No.**

_____:

After investigation, your enterprise has violated the provisions on special tax adjustments in the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules and the *Law of the People's Republic of China on the Administration of Tax Collection* and its implementation rules from tax year ___ to ___. The upward adjustment made to the taxable revenue of your enterprise is RMB _____, and the corresponding adjustments to the value-added tax, consumption tax and business tax are RMB _____. The adjusted taxable income shall be RMB _____, and the corresponding additional income tax payable shall be RMB _____, with an interest levied in accordance with the law.

You are required to pay the above tax and interest levied to the corresponding tax collection department of _____ Tax Bureau within _____ days of your receipt of this notice. A fine shall be imposed on the late payment of 0.05 percent per day on the amount unpaid at the commencing date of default.

Attachment:

1. Adjusted items of taxable income
2. Breakdown of additional tax payable (or tax refunded)

Tax Authority (Seal):

Date:

Note: In case of a dispute with the tax authority on the above transfer pricing adjustment made in the notice, you must first pay the additional tax in question, the interest levied and the fine on late payment or provide equivalent guarantee in accordance with this notice. Then, you can apply for an administrative appeal to the _____ Tax Bureau within 60 days of the receipt of this notice.

Instructions

1. This notice is prepared based on the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules and the *Law of the People's Republic of China on the Administration of Tax Collection* and its implementation rules.
2. Scope of application: to be used by the tax authority to make tax adjustments when it discovers during a special tax adjustment investigation that an enterprise's taxable income or revenue is understated.
3. "Adjustments to the value-added tax, consumption tax and business tax are RMB _____" should be listed separately listed according to the different types of taxes and different adjustment amounts.
4. The number of days to be filled in the blank in "within _____ days of your receipt of this notice" should be determined in accordance with Article 73 of the *Implementation Rules of the Tax Collection and Administration Law of People's Republic of China*.
5. "Interest imposed": "√" should be marked either in the "Base Rate + 5 Percent" column, or in the "Base Rate" column. For enterprises waived from imposed interest in accordance with applicable regulations, this should be left blank.
6. This notice shall be approved by the commissioner of the competent tax authority.
7. This notice is to be used together with the "Return Receipt of Tax Documents".
8. This notice shall be in A4-sized paper in portrait orientation with three copies. One is to be sent to the entity under investigation, the second one is to be sent to the tax collection administration department, and the third is to be kept by the tax authority for filing purposes.

Attached Form 11

Meeting Minutes of Advance Pricing Arrangement

Enterprise Name		Competent Tax Authority	
Taxpayer Identification No.	□□□□□□□□□□□□□□□□		
Date and Time of the Meeting		Meeting Venue	
Chief Negotiator of Enterprise (Name and Position)		Chief Negotiator of the Competent Tax Authority (Name and Position)	
Other Representatives of Enterprise (Names)		Other Tax Officials (Names)	
<p>Content:</p>			
Signature of Chief Negotiator of the Competent Tax Authority		Signature of Chief Negotiator of Enterprise	
Signature of Recorder			

Instructions

1. "Meeting Minutes of Advance Pricing Arrangement" is applicable when the competent tax authority and taxpayer conduct meetings or negotiations (including pre-filing meetings and formal negotiation) in relation to an advance pricing arrangement.
2. The meeting minutes shall detail the contents of the meeting, the number of copies and the number of pages of documents provided by each party.
3. The meeting records shall be used and kept as confidential documents.

Attached Form 12

_____ **Tax Bureau**
**Notice on Formal Negotiation of an
Advance Pricing Arrangement**

_____ **Shui Yu Yue [] No.**

_____:

Pursuant to the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules, the *Law of the People's Republic of China on the Administration of Tax Collection* and its implementation rules, and the relevant regulations set out in the Tax Treaties between the Chinese Government and the government of _____, considering that you have indicated, in the stage of Pre-Filing Meeting, that you are capable of providing the supporting documents and relevant information for an advance pricing arrangement, we agree to commence the formal negotiations with you in connection with an advance pricing arrangement.

The above is hereby declared.

Tax Authority (Seal):

Date:

Attached Form 13

_____ **Tax Bureau**
**Notice on Rejection of Advance Pricing
Arrangement Application**

_____ **Shui Ju Yue [] No.**

_____:

Pursuant to the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules, the *Law of the People's Republic of China on the Administration of Tax Collection* and its implementation rules and the relevant regulations set out in the Tax Treaties between the Chinese Government and the government of _____, considering the following reasons, we decline to commence formal negotiations with you in connection with an advance pricing arrangement, and will return all the documents provided by you in the stage of Pre-Filing Meeting.

Reasons for Rejection

The above is hereby declared.

Tax Authority (Seal):

Date:

Attached Form 14

Formal Application for Advance Pricing Arrangement

_____ **Tax Bureau:**

Pursuant to the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules, the *Law of the People's Republic of China on the Administration of Tax Collection* and its implementation rules, and the relevant regulations set out in the Tax Treaties between the Chinese Government and the government of _____, according to the Notice on Formal Negotiation of the Advance Pricing Arrangement (___ Shui Yu Yue [] No. ___) issued by your Tax Authority on _____, we hereby submit the formal application for an advance pricing arrangement for the related-party transaction(s) between us and our related party _____. Please acknowledge receipt of this application.

Enclosures: Total _____ sets _____ pages

1. _____
2. _____
3. _____

Company (Enterprise) (Seal):

Taxpayer Identification No.: □□□□□□□□□□□□□□□□

Legal Representative (Seal):

Date:

Instructions

This formal application for an advance pricing arrangement should be submitted together with the following information, as a minimum:

1. Organisational structure of the group, internal organisational structure of the enterprise, a description of the relationship between related parties, and details of the related-party transactions.
2. The enterprise's financial statements for the last three years, product functions, and information regarding assets (including intangible and tangible assets).
3. Types of related-party transactions and tax years to be covered in the advance pricing arrangement;
4. Allocation of functions and risks between the related parties, including the organizations, human resources, expenses and assets on which the allocation was based.
5. The transfer pricing principles and calculation methods applicable to the APA, and the supporting functional and risk analysis, benchmarking analysis, and assumptions.
6. Illustration of the market condition, including industry development trends and the competitive environment.
7. The enterprise's annual operating scale, forecasted operational performance, and operational plans during the period for which the APA is to apply.
8. Information on related-party transactions, operational arrangements and financial performance to be covered by the APA.
9. Whether double taxation issues are involved.
10. Issues in relation to domestic and international laws and tax treaties.

Attached Form 15

Application for Extension on Submission of Formal Application for Advance Pricing Arrangement

Enterprise Name		Legal Representative	
Taxpayer Identification No.	□□□□□□□□□□□□□□□□	Financial Officer Name and Contact Number	
The reason(s) and time limit for extension on submission of the formal application	Enterprise Name (Seal): Legal Representative (Signature and Seal): Date:		

Attached Form 16

_____ **Tax Bureau**

**Response to the Application for Extension on
Submission of Formal Application of an
Advance Pricing Arrangement**

_____ **Shui Da Fu [] No.**

_____:

We have received your Application for Extension on Submission of Formal Application for Advance Pricing Arrangement dated _____. After consideration, here is our reply:

Tax Authority (Seal):

Date:

Attached Form 17

_____ **Tax Bureau**

**Notice on Extension of Examination and
Evaluation of an Advance Pricing Arrangement**

_____ **Shui Yu Shen Yan [] No.**

_____:

Referring to your formal application for an advance pricing arrangement dated _____, the examination and evaluation of the formal application has been extended to _____ due to special circumstances as listed below:

1 _____

2 _____

3 _____

The above is hereby declared.

Tax Authority (Seal):

Date:

Attached Form 18

Advance Pricing Arrangement

(Reference Text)

Pursuant to the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules as well as the *Tax Collection and Administration Law of the People's Republic of China* and its implementation rules, upon the formal application of _____ (company name) and the approval of the _____ Tax Bureau, both parties would like to conclude this advance pricing arrangement (hereinafter referred to as "this APA").

Article 1 General Definition

For the purposes of this APA, unless this APA otherwise provides:

- (1) The term "competent tax authority" refers to the _____ Tax Bureau.
- (2) The term "taxpayer" refers to _____ (company name).

Article 2 Type of this APA

This APA is a unilateral advance pricing arrangement.

Article 3 Scope of Application

- (1) The tax type to be covered: this APA is applicable to corporate income tax and other taxes of the taxpayer.
- (2) The type of related-party transactions to be covered: this APA is applicable to _____ (description of the transaction) transactions between the taxpayer and _____ (related party's name).

Article 4 Term of Application

This APA will be effective for _____ (period) consecutive tax years. The tax years shall mean the period commencing on _____ and ending on _____.

Article 5 Critical Assumptions

The pricing policies and the calculation methods in this APA are based on the following assumptions: _____

During the covered term, once any critical assumption changes, the taxpayer should report to

the competent tax authority within 30 days of when the changes occur. Depending on the circumstances, the competent tax authority and the taxpayer may amend or terminate this APA.

Article 6 Transfer Pricing Policies and Calculation Methods

The transfer pricing policies and calculation methods used in this APA between _____ (company name) and its related parties should comply with the arm's length principle. The detailed basis of the transfer pricing policies and calculation methods is _____.

Article 7 Annual Report

Within the effective implementation term of this APA, the taxpayer must file an annual report in relation to the implementation of the APA to the competent tax authority within 5 months after the end of the tax year, together with the following documents:

Article 8 Tax Inspection

This APA should include the contents and requirements of the competent tax authority's examination and evaluation on the taxpayer's implementation of this APA.

Article 9 Effect of this APA

Within the effective implementation term of this APA, as long as the taxpayer complies with all the articles and requirements set out in this APA, the competent tax authority should acknowledge the relevant pricing issues as described in this APA. If the taxpayer fails to comply with this APA, the competent tax authority may deal with the non-compliance depending on the circumstances, or terminate this arrangement without reaching an agreement with the taxpayer.

Article 10 Renewal of this APA

This APA can be renewed consecutively but not automatically. If a renewal is required, the taxpayer should, within _____ months (days) before this APA expires, submit a written application of renewal, together with true and reliable supporting evidence to prove that the facts and relevant environment as described in the current APA have not undergone any substantial changes. Upon receiving the application of renewal from the taxpayer and evaluating the application, the competent tax authority shall then decide whether the renewal application shall be accepted. If the renewal application is accepted, the competent tax authority shall further negotiate with the taxpayer to complete the renewal of this APA.

Article 11 Dispute Resolution

In the event of disputes between the two parties over the implementation and interpretation of this APA, the competent tax authority and the taxpayer shall first extend their best effort to resolve such matters through mutual negotiation. If the disputes cannot be resolved by mutual negotiation, both parties may request the tax authority one level higher or the State Administration of Taxation for coordination. If the taxpayer cannot accept the coordination results, it shall consider revising, or terminating this APA.

Article 12 Confidentiality and Responsibility

Any information obtained from the negotiation and the implementation of this APA shall not be disclosed to any other interested parties by either the competent tax authority or the taxpayer, and shall be protected and restricted by the relevant provisions under tax laws and the *Law of the People's Republic of China on Guarding State Secrets*.

Article 13 Effectiveness, Amendment, and Termination

This APA will come into effect upon being signed and sealed by the legal or authorized representatives of both parties.

This APA will be signed by the legal or authorized representative of the competent tax authority and the taxpayer in _____ on _____ Year _____ Month _____ Day.

If the competent tax authority or the taxpayer amends or terminates this APA, both parties shall notify the other party the time and reason of such amendment or termination in written form.

Article 14 Avoidance of Double Taxation

The APA should include the methodologies and contents for the avoidance of double taxation.

Article 15 Supplementary Provisions

This APA is made in duplicate in Chinese, with the competent tax authority holding one copy and the taxpayer holding the other, each of which shall be deemed as equally authentic. In case one party will translate this APA into a foreign language and disputes arise in the interpretation of the APA, the Chinese version shall prevail.

Tax Bureau
<name of the competent tax authority>
Signature: Date:
Title: Seal:

<name of the applicant>
Signature: Date:
Title: Seal:

Attached Form 19

Bilateral (Multilateral) Advance Pricing Arrangement Implementation Agreement

(Reference Text)

Pursuant to the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules as well as the *Tax Collection and Administration Law of the People's Republic of China* and its implementation rules, _____(Enterprise) and _____(Tax Authority) agree to sign this implementation agreement and commence the bilateral (multilateral) advance pricing arrangement signed on _____Year _____Month _____Day between the State Administration of Taxation and Competent Tax Authority of _____(country) from _____Year _____Month _____Day to _____Year _____Month _____Day.

Enclosure: <Bilateral (Multilateral) Advance Pricing Arrangement>

Tax Bureau
<name of the competent tax authority>
Signature: Date:
Title: Seal:

<name of the applicant>
Signature: Date:
Title: Seal:

Attached Form 20

Application for Renewal of an Advance Pricing Arrangement

_____ **Tax Bureau:**

The Advance Pricing Arrangement signed on _____Year _____Month _____Day between our company and your tax authority will expire on _____Year _____Month _____Day. Considering that during the future years (from ___ Year to ___ Year), the facts and environment of our transactions with related parties will be the same as or similar to those described in the existing APA without substantial changes, we therefore apply for the renewal of the APA. Your review and approval would be appreciated.

Company Name (Seal):

Taxpayer Identification No.: □□□□□□□□□□□□□□□□

Date:

Appendices

1. Photocopy of the existing APA agreement
2. The annual reports in connection with the implementation of the APA in relevant years
3. Supporting evidence explaining that there have been no substantial changes to the facts and relevant environment of the current APA, and forecast for the future years under the renewal application.

Attached Form 21

_____ **Tax Bureau**

**Response to the Application for Renewal of
APA**

_____ **Shui Da Fu [] No.**

_____:

We have on _____ Year _____ Month _____ Day received the application for renewal of the APA with appendices, which was submitted by your company on _____ Year _____ Month _____ Day. After examination, our responses to your APA renewal application are as follows:

1. _____
2. _____
3. _____

Tax Authority (Seal):

Date:

Attached Form 22

_____ **Tax Bureau**

**Confirmation Notice of Chinese Resident
Enterprise Shareholders of Controlled Foreign
Corporation**

_____ **Shui Shou Kong [] No.**

_____:

According to Article 45 of the *Corporate Income Tax Law of the People's Republic of China*, and Article 117 of its implementation rules, we now confirm that your company has become the Chinese resident shareholder of _____ (enterprise) from _____ Year _____ Month _____ Day.

The above is hereby declared.

Tax Authority (Seal):

Date:

Instructions

1. This notice is prepared based on the *Corporate Income Tax Law of the People's Republic of China* and its implementation rules.
2. Scope of application: this notice is used when tax authorities confirm a Chinese resident enterprise as a Chinese resident shareholder of a controlled foreign corporation based on the information collected during tax administration and collection.
3. This notice should be approved by the commissioner of the competent tax authority.
4. This notice is used together with "Return Receipt of Tax Documents".
5. This notice shall be in A4-sized paper in portrait orientation with three copies. One is sent to the entity under investigation, the second is sent to the tax collection and administration department of the tax authority and the third is kept by the investigation department of the tax authority for filing purposes.