

Notice of the State Administration of Taxation on Simplifying the Determination of the Actual Tax Rate of the Country where the Foreign Corporation Controlled by Chinese Resident Shareholder Resides

Circular Guoshuihan [2009] No.37

To the state taxation bureaus and local taxation bureaus of all provinces, autonomous regions, municipalities directly under the Central Government and cities specifically designated in the state plan:

Pursuant to the provisions of Article 45 in the Corporate Income Tax Law of the People's Republic of China, in order to simplify the determination of the actual tax rate of a foreign corporation controlled by Chinese resident enterprises or by Chinese resident enterprises and Chinese resident individuals, the relevant issues are now clarified as follows:

Where the Chinese resident enterprises or resident individuals can provide information to prove that the foreign corporation under their control is duly registered in the USA, UK, France, Germany, Japan, Italy, Canada, Australia, India, South Africa, New Zealand, and Norway, the profits of the foreign corporation that are not distributed or are distributed at a reduced rate can be exempted from being regarded as the deemed dividend and can be excluded from the taxable income of the Chinese resident enterprise for the current period.

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