Hong Kong Institute of
Certified Public Accountants
香港会计师公会

Meeting notes

The Shenzhen Local Taxation Bureau
and
The Hong Kong Institute of Certified Public Accountants

2016

Preface

The Hong Kong Institute of Certified Public Accountants (“Institute” or “HKICPA”) was pleased to be able to discuss various taxation topics with the Shenzhen Local Taxation Bureau ("SZLTB") on 9 December 2016.

The following is a translation of the meeting notes prepared, in Chinese, by the Institute. Please note that the meeting notes merely represent the views of SZLTB officials who attended the meeting and are not intended to be legally-binding or a definitive interpretation. Professional advice should be sought before applying the content of these notes to your particular situation.

If there are differences in the interpretation between English and Chinese versions, reference should be made to the Chinese version.

HKICPA would also like to express thanks to EY for providing a representative to take the notes at the meeting.

Meeting notes

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Attendees

SZLTB

Lin Weiming	Deputy Director-General, Shenzhen Local Tax Bureau
Zhang Xiong	Director-General, Shenzhen Local Tax Bureau Office
Jiang Junmin	Deputy Division Director, Personnel Office
Xue Haibo	Division Director, First Division of Taxation Department
Zhou Hongfeng	Division Director, Second Division of Taxation Department
Qiu Kaoyong	Deputy Division Director, Third Division of Taxation Department
Yao Ning	Division Director, Foreign Taxation Division
Chen Youlun	Deputy Director, Foreign Taxation Division
Li Mao	Director General, Communication Office

HKICPA

Mable Chan	Vice President
Anthony Tam	Chairman, Taxation Faculty Executive Committee and Convenor, Mainland Taxation Subcommittee
So Kwok Kay	Deputy Chairman, Taxation Faculty Executive Committee and Member, Mainland Taxation Subcommittee
William Chan	Member, Taxation Faculty Executive Committee and Mainland Taxation Subcommittee
Lorraine Cheung	Member, Mainland Taxation Subcommittee
Daniel Hui	Member, Mainland Taxation Subcommittee
Leo Li	Member, Mainland Taxation Subcommittee
Shanice Siu	Member, Mainland Taxation Subcommittee
Rebecca Wong	Member, Mainland Taxation Subcommittee
Tina Tang	Tax Manager, Ernst & Young (China) Advisory Limited Shenzhen Branch
Mary Lam	Director, Member Support
Eric Chiang	Deputy Director, Advocacy and Practice Development
Serena Fong	Associate Officer, Advocacy and Practice Development

Summary of Discussion

A. Individual income tax ("IIT")

1. Tax credit associated with overseas tax paid

A Chinese company sent its employee to work overseas with multiple roles (e.g. acting as the general manager of the Hong Kong holding company and Indonesian project company). The individual received salaries from the group legal entities in China, Hong Kong and Indonesia respectively. When calculating the tax credits received from foreign tax payments for IIT purposes, should we only make reference to the principle of foreign tax paid in the respective countries rather than each income item of the individual? In other words, the tax credit should be computed based on the total relevant incomes derived from each country, but not the different individual income items. If the ratio of the salaries paid between the Hong Kong and Indonesian entities is disproportionate to the working hours of the individual in the two countries, should adjustments be made in calculating tax credits?

SZLTB: According to IIT Law and DIR, the principle of "taking account of countries and items" is adopted when calculating IIT tax credit and the principle of "taking account of countries rather than items" is adopted when tax credit is effected in practice. In other words, individuals firstly calculate the tax credit in each country according to individual items and then calculate the total tax credit from different items in a country. In calculating the tax credit, the quota of different countries cannot be combined.

For example, a Chinese individual receives income from salaries and income from dividend from country A and B respectively. He makes a IIT tax payment of RMB10,000 in country A and B.

For income from country A: Assume tax credit for salaries is RMB8,000 and tax credit for dividends is RMB3,000. Then, the maximum tax credit for country A is RMB11,000. As the Chinese individual has paid IIT payment of RMB10,000 in country A, his actual tax credit is RMB10,000.

For income from country B: Assume tax credit for salaries is RMB8,000 and tax credit for dividends is RMB1,000. Then, the maximum tax credit for country B is RMB9,000. As the Chinese individual has paid IIT payment of RMB10,000 in country B, his actual tax credit is RMB9,000.

To sum up, the Chinese individual has RMB19,000 in tax credit. An amount of RMB1,000 that has not yet been subtracted from country B can be used as tax credit for following five tax year for IIT levied in country B.

In respect of the proportion of salary to working hours, time is one of factors assessing the income level. The main concern of tax authorities is whether the Chinese interest in tax income [not clear to me] will be infringed if the proportion is adopted.

As regards the IIT reform in China, the current IIT is a tax system categorizing income into items. The direction of the reform will be towards a tax system combining item categorization and consolidation.

Post-meeting written response[1]:

It is stipulated in Article 7 of Individual Income Tax Law that "Income tax paid to foreign tax authorities by the taxpayer on income derived from sources outside China shall be

[1] "Response" refers to the replies given orally at the meeting

allowed as a credit against the amount of income tax payable. The creditable amount, however, shall not exceed the amount of tax otherwise payable under this Law in respect of the income derived from the sources outside China." It is further clarified in Article 33 of Detailed Implementation Rules ("DIR") of Individual Income Tax ("IIT") Law that "The amount of tax otherwise payable under this Law as stipulated in Article 7 of the Tax Law shall refer to the amount of tax payable on income derived by a taxpayer from out of China, which is calculated based on different countries or regions, under different taxable items and according to standards for the deduction of expenses and applicable tax rates stipulated in the Tax Law. The sum of taxes payable under different taxable items within the same country or region is the amount of deductions for the country or region."

It is also stipulated in Article 33 of Detailed Implementation Rules of IIT Law that "If the amount of individual income tax which has already been paid by a taxpayer in a country or region out of China is lower than the amount of deductions of the country or region calculated in accordance with the provisions of the preceding paragraph, tax on the difference shall be paid in China. If the amount of IIT which has already been paid by the taxpayer in a country or region out of China is higher than the amount of deductions for the country or region, the excess shall not be permitted to be deducted from the amount of tax payable in the current tax year. It may, however, be subtracted from the surplus of deduction for the country or region in the following tax years, but not for a term in excess of five years."

As we see, the principle of "taking account of countries rather than items" is adopted when calculating overseas tax credit.

2. Director's fees

A tax circular issued by State Administration of Taxation ("SAT"), Guoshuifa [2009] Circular 121, clarifies certain IIT issues such that if an individual is an employee and also a director of a company (or a related company), the director's fees received by the individual should be consolidated with his/her salary for computing the IIT liability of the individual.

For example, a foreign individual is both a director of an overseas listed company and he also holds a senior managerial position of a group company in China and he receives a director's fee from the listed entity and salary from the group company in China. There is a reasonable commercial reason for him to act as the director of the company. Should the director's fee be included as salary for IIT calculation purposes according to Circular 121? Or can the director's fee which he earned from the overseas company be excluded in the IIT calculation as long as he resides in China for less than 5 years?

SZLTB: The tax authority expressed that the individual in Circular 121 includes Chinese and foreign individuals.

In determining if directors' fees shall be taxable in China, one shall consider if the individual is tax resident in China. If yes, the individual is employed by the company or an associated company and serves as director, then s/he shall add his/her director's fee to his/her monthly salary and pay IIT according to the salary received. If s/he does not simultaneously serve as director and employee, his/her director's fee is taxed as "income from remuneration for personal services".

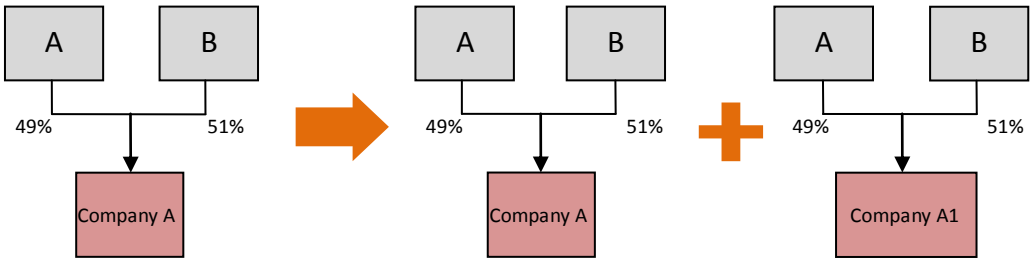
Post-meeting written response:

It is stipulated in Article 2 of the notice of State Administration of Taxation regarding clarifications of several issues relating to IIT (Guoshuifa [2009] No. 121) that a "Director's fee levied in accordance with this item of income from labour service remuneration is adopted only for the income of an individual who assumes just the responsibilities of director and does not also serve as an employee. An individual who is not only a member

of the board but also serves as an employee (including in associated companies) shall add his/her director's fee to his/her current month's salary for IIT calculation purposes."

According to the above rule, as the foreigner serves as director of overseas listed company and also holds a senior management position in a Mainland enterprise of the group (associated company) and receives a salary, therefore, s/he shall add his/her director's fee to his/her current month's salary for IIT calculation purposes.

3. Questions in relation to equity transfers by individuals



a. A and B are individuals who own Company A in the proportions shown in the above diagram. If Company A is spun off into a new Company A and Company A1, what are the IIT implications for the individuals? Should we make reference to Caishui [2009] Circular 59 and SAT [2015] Circular 48 about the special corporate income tax ("CIT") treatment on restructuring and deferring IIT payment, if there is any?

SZLTB: In the above illustration, Company A is separated to Company A and Company A1. There is no change to shareholders. It involves no Chinese IIT from the perspective of IIT.

Post-meeting written response:

The separation involves no transaction or change of individual shares.

b. If A and B are relatives, would the transfer of shares be regarded as having legitimate reasons as per Article 13 of SAT [2014] Circular 67?

SZLTB: The immediate family stipulated in Circular 67 can be considered within three generations. The above illustration is applicable to "justifiable reasons" in Circular even if A & B are non-resident individuals.

Post-meeting written response:

It is stipulated in Article 13 of Announcement 67 that, where the gross income is considered significantly low, it could constitute justifiable reasons, when the transferee is the spouse, parent, child, grandparent, grandchild or sibling of the transferor, or any person of whom the transferor is a legal dependant and legal documents are available to substantiate such relationship." It constitutes justifiable reasons if the transfer of equities between natural persons meets the provision.

4. Phantom stock incentive schemes

It is not specified in the existing laws and regulations that the tax formula used for calculating IIT for stock option gains is also applicable to the gain from phantom stocks. However, according to the nature of the phantom stock incentive scheme, this is also a kind of share incentive scheme deployed by companies to motivate staff. As a separate

note, State Administration of Foreign Exchange also requires information on Chinese individuals' participation in phantom stock schemes to be reported in the declaration forms. This implies that phantom stock schemes are one of the popular share incentive schemes used in China. Would the above mentioned concessionary tax treatment be extended to cover the gains derived by the phantom stock schemes?

SZLTB: In practice, income from virtual stock schemes is generally categorized as income from salaries and wages and subject to IIT. We previously requested SAT for instructions on the issue and SAT indicated that it would not recognize virtual stock schemes for the time being. Therefore, preferential tax policies are not applicable for virtual stock schemes. The tax authorities are looking into the issue and will further specify if the schemes can enjoy these preferential policies.

Post-meeting written response:

The current tax concessions for share incentives include preferential tax methods for stock options, restricted stocks, stock appreciation rights, etc. of listed companies, as well as deferred taxpaying policies for stock options, stocks and futures, restricted stocks, share incentives of non-listed companies. There are no preferential policies for virtual stock schemes.

5. Individual non-monetary asset investment

In respect of settling IIT payments by instalments within five calendar years (Caishui [2015] Circular 41), we should be grateful if the tax bureau would share some actual cases of the instalment applications lodged by the individuals.

For instance, should the payments be made in equal instalments, or could taxpayers pay less in the earlier instalment payments and more in the later instalments? How frequently should the repayments be made, quarterly, half-yearly? What are the general requirements and areas of attention for taxpayers when making applications?

SZLTB: Currently, filing a report is adopted for the deferred payment for IIT from investment with non-monetary assets. Individuals can devise their own payment instalment plans and file the report to in-charge tax authorities. If there are changes to the instalment plans, individuals should promptly update tax authorities by changing the records. The tax authorities have no compulsory requirements on instalment plans (including the instalment method) and individuals can put forward their own proposals.

Post-meeting written response:

According to the Notice regarding IIT treatments for investment with non-monetary assets by individuals (Caishui [2015] No.41), if an individual encounters difficulties in paying his/her IIT from investment with non-monetary assets, s/he can devise a reasonable instalment plan and file the report to the in-charge tax authority. S/he can pay tax by instalment of up to five calendar years.

In other words, when an individual holds investments with non-monetary assets and needs to pay IIT by instalments, s/he can consider his/her capital status, the prospect of the investee enterprise, the expected investment rate, etc. in order to devise a reasonable instalment plan. S/he shall file the report to in-charge tax authority within 15 days after the end of the month that s/he receives the equities of the investee enterprise and pay tax by instalments according to the plan.

It is specified in Article 9 and 10 in the Announcement issued by the SAT regarding IIT collection and administration on income from investment with non-monetary assets by

individuals (SAT Announcement [2015] No.20) that "During the instalment payment period, the individual taxpayers may revise their instalment plans by resubmitting the revised plans and record filing forms for instalment tax payment to the in-charge tax authority. For each instalment IIT filing, the individual taxpayers should provide the filed forms as well as IIT payment receipts obtained for previous instalments to in-charge tax authority.

6. Going abroad

As the number of "going aboard" Chinese residents has been increasing and more taxpayers are aware of their tax reporting obligations, more Chinese nationals residing overseas are going back to China for filing IIT final settlement returns at the end of the year. It appears that there are no clear guidelines for these Chinese nationals for filing their final settlement returns; especially after implementation of the "Jinshan" system - a tax system for people to complete their tax filings online. We understand the GZLTB has internal guidelines on IIT final settlement for "going aboard" individuals. Could you provide us the internal guidelines for reference?

SZLTB: The guideline issued by GZLTB is a review of Circular 126. In our opinion, Circular 126 issued by SAT is detailed enough that we do not have plans to issue guidelines for the time being. In addition, tax matters are now directly handled by our tax counter. We will strengthen professional skill training of our counter staff in order to provide clearer tax instructions for taxpayers.

Post-meeting written response:'

It is understood that GZLTB issued an IIT guideline for individuals "going out" a number of years ago and it reiterates what is in the Notice issued by the SAT regarding the provisional administrative measures on IIT levied on foreign-sourced income (Guoshuifa [1998] No. 126). It is specified in Circular 126 about provisional administrative measures on IIT levied on foreign-sourced income. We will act on the principles of the Circular and will not issue new guidelines for the time being.

Taxpayers who file their tax returns for overseas income should fill in "IIT return form" (Form B). The form is filled in at the counter and Jinshui III online system has no impact on the procedure. In respect of unclear tax filing guidelines, we will strengthen the training of the counter staff.

7. Shareholding platform

If there is a gain on transfer of shares in a partnership enterprise, will the tax rates of 20% and 5%-35% levied on the limited partners and general partners respectively, in Guangdong? If an asset management scheme acts as a shareholding platform, should the securities company or the company itself be the taxpayer? Will the Guangdong government consider publishing relevant guidelines for partnership enterprises?

SZLTB: According to Circular 103, a natural person general partner who carries on limited business in a partnership PE fund and a partnership PE enterprise shall pay IIT at a progressive rate of 5%-35%. Those who do not carry on a partnership business shall pay IIT at a rate of 20% for equity transfer from the limited partnership enterprise.

In practice, it is advisable for enterprises to distinguish their income from business and income from dividends of partnership enterprises. In respect of a holding structure where a resident enterprise holds another resident enterprise through partnership, in our opinion, the partnership enterprise can be looked through. In other words, it is

tax-exemptible for dividends distributed between resident enterprises if income from dividends satisfies certain criteria.

Post-meeting written response:

In Article 3 "Clarification of tax policies on private equity funds" of Regulations on promoting private equity fund ("PE") development (Shenfu [2010] No.103) issued by Shenzhen municipality government, it is specified in clause (2) that "Where a partnership PE fund and a partnership PE enterprise acts as a natural person general partner of limited partnership enterprise business, a five-level progressive IIT rate of 5%-35% is applicable for "income from an individually-owned business". Where it does not act as a natural person general partner of limited partnership enterprise business, an IIT rate of 20% is applicable for "income from interests, dividends and bonus".

Where listed company stocks are held, relevant policies of restricted stocks will be applied when stocks are transferred.

8. Private placement

Under the current policy, private placements may not be offered to the public. Listed companies may issue stocks to their staff members through private placement. Should the dividend differentiation IIT policy be applied to private placement arrangements?

SZLTB: The current IIT policies differentiating treatments are applicable to listed company stocks acquired in public listing and transfer market, as well as company stocks listed in NEEQ. They are not applicable for private placement of listed companies to their staff members.

Post-meeting written response:

As staff members obtain equities from private placement, they shall pay tax according to "income from transfer of assets" when transferring equities and pay tax according to "income from bonus-dividends" when receiving dividends.

Differentiated taxpaying between dividend and bonus is a policy to encourage investors conducting long-term value investment. It is specified in Notice regarding issues related to IIT policies, differentiating treatments between dividends and bonus-dividends derived by individuals from listed companies (Caishui [2015] No. 101), that the policy is applicable to listed company stocks acquired by individuals in the public listing and transfer market, as well as company stocks listed in NEEQ.

9. Withholding agents

When a non-resident enterprise purchases shares of a Chinese domestic enterprise from a non-resident individual, does the non-resident enterprise have obligation to withhold IIT from the payment made to the non-resident individual?

SZLTB: The withholding agent of IIT shall be the purchaser. In the above case, the non-resident enterprise, as the purchaser, will be the withholding agent. However, we understand that, in practice, there are difficulties in tax management with non-resident enterprises and we will enhance the tax management in this respect.

Post-meeting written response:

It is stipulated in Article 5 of Administrative measures for IIT treatment on gains derived from equity transfer (Trial) (SAT Announcement [2014] No.67) that, for IIT treatment on

gains derived from equity transfer, the transferor of equities is taxpayer and the transferee is withholding agent. Non-resident enterprises are also the statutory withholding agents. When there is no withholding agent, the taxpayer shall file the tax return according to the regulations.

10. Interns and temporary workers

According to the notice regarding certain CIT policies for the taxable income (SAT Announcement [2012] Circular 15), the expenses of employing seasonal and temporary workers, interns, re-employed retirees and labourers should be divided into wages and salaries expense and employee benefits expenses, based on the nature of the expenses. These expenses (e.g., salaries and wages, and employee welfare expenses) are deductible for CIT purposes. The wages and salaries expenses should be included as the total remuneration payable by the enterprises to calculate the deductible amount of relevant expenses for CIT purposes.

Based on the above regulations, should we infer that interns and temporary workers should pay IIT based on the IIT rate for salary? Or do we need to refer to the nature of the payments made to the individuals before we determine what tax rate should be used for calculating their IIT, i.e. salaries or service income? What are the factors that the tax bureau would consider in determining what tax rates should be used?

SZLTB: Currently, tax authorities adopt practical and realistic principles and refer to the rules on independent and non-independent personal services, as stated in double tax agreements in order to determine if the income is "income from wages and salaries" or "income from remuneration for personal services". Normally, tax authorities will review the employment contract between the enterprise and the individual to look for the relevant qualifying clauses. For example, the individual should provide specific equipment in conducting relevant activities. If employment contract specifies that the individual shall provide specific equipment and techniques, the tax authorities usually consider it as "income from remuneration for personal services". Otherwise, it is "income from wages and salaries".

Post-meeting written response:

It is clear from Detailed Implementation Rules of IIT Law that "The term 'income from wages and salaries' means wages, salaries, bonuses, year-end extras, profit shares, subsidies, allowances and other income related to the tenure of an office or employment. The term 'income from remuneration for personal services' means income derived by individuals from engagement in design, decoration, installation, drafting, laboratory testing, measuring and testing, medical treatment, legal, accounting, consultancy, lecturing, news, broadcasting, translation(interpretation), proofreading, painting and calligraphic, carving, moving picture and television, sound recording, video recording show, performance, advertising, exhibition and technical services, introduction services, brokerage services, agency services and other personal services." They differ from each other because one is non-independent personal services and one is independent personal services. In practice, that will be criteria for the judgment.

11. IIT implications on the housing subsidy received by Chinese citizens when working overseas

Many Chinese domestic companies send their employees from the Chinese parent companies to overseas subsidiaries; the employees working at the overseas subsidiaries have housing subsidy benefits. According to Caishui [2004] Circular 29, non-cash subsidies for accommodation, meals, laundry and relocation, etc., or reimbursement of actual

payment, received by foreigners (excluding Hong Kong and Macau residents) employed by enterprises in China and living in Hong Kong or Macau, , are non-taxable items for IIT. However, it is our understanding that this provision does not apply to Chinese domestic employees. If a housing subsidy is given to the Chinese domestic employees in cash, the subsidy will be considered as part of salary income and be subject to IIT. When a Chinese domestic employee resides in staff quarters provided by the company during his/her overseas assignments (i.e., the Chinese domestic employee does not receive cash benefits from housing subsidy), will the housing subsidies be taxable items for IIT purposes? If yes, how should the benefits received by a Chinese domestic employee on the housing subsidies be quantified?

SZLTB: There are, in fact, few tax regulations on Mainland employees receiving overseas subsidies for accommodation. Generally speaking, if a housing subsidy is reimbursed in cash, it is subject to IIT. If it is reimbursed in non-cash, it will be determined whether it is related to the company from the perspective of a housing contract and a contract of rights and obligations. If the expenditure is related to the company, it is generally considered as company expenses (e.g. in terms of business trip and will not be considered as IIT.)

Post-meeting written response:

When Mainland employees are sent to overseas for work, accommodation and the like, which the company provides them with are considered as relevant expenses of the company.

B. Land appreciation tax of indirect transfer of immovable properties held by Chinese resident enterprises as stipulated in Public Notice No. 7 ("PN7")

A non-resident enterprise holds an immovable property in China through an intermediary holding company. When the non-resident enterprise transferred the immovable property through a transfer of its equities, should the transfer be subject to land appreciation tax? If yes, how should the transaction price which is used to compute land appreciation tax be determined? Could the land appreciation tax be use as tax credit or could it be considered purchasing cost of the buyer? Has the tax bureau handled the similar case in practice?

SZLTB: When immovable properties are transferred in the form of transfer of equities, there is a transfer of equities which does not fall into scope of land appreciation tax.

Post-meeting written response:

When a taxpayer transfers his/her real estate in the form of transfer of equities, the rights of real estate have not been changed and do not fall into scope of land appreciation tax.

C. Stamp duty

According to the Notice on stamp duty policy to the process of enterprise reformation (Caishui [2003] Circular 183), if an enterprise transferred its property as a result of enterprise reformation, enterprises are exempt from paying stamp duty on documents in relation to the property transfer. Would entities undergoing mergers and spin offs also be able to get stamp duty exemptions on their asset transfers, according to Caishui [2003] Circular 183? Meanwhile, do both parties in the transaction have to pay stamp duty for the transfers of equity and assets, according to Caishui [2014] Circular 109?

SZLTB: Currently, the exemption of stamp duty as stated in Circular 183 is applicable for restructuring of state-owned enterprises. In practice, tax authorities will make their judgment based on whether the transaction has been approved by the State-owned Assets Supervision and Administration Commission ("SASAC"). In respect of transactions

between banks approved by China Banking Regulatory Commission, the exemption is not applicable without the approval of SASAC. According to our understanding, SASAC is generally responsible for approving these bank transactions.

Post-meeting written response:

According to Circular 183, when an enterprise is approved for restructuring by the prefectural government or above and its in-charge department, the enterprise can be exempt from stamp duty for their transfer of assets due to restructuring. Therefore, if a merger or separation of enterprises is approved, as stated above, the rules apply. 2. According to the provisional regulations of stamp duty, a stamp duty of 0.05% will be levied on the face amount of transfer of assets, including equities and real properties.

D. Other questions

1. Trust

A Chinese tax resident transfers his/ her A shares to a trust where the underlying beneficiary is his/ her daughter. Would Announcement 67 be applicable in this situation and consider such transfer justifiable?

SZLTB: We should firstly determine if a taxpaying obligation is generated during the transfer. From the perspective of substance over form, we take into account that the actual beneficiary is the daughter of the Chinese taxpaying resident and consider it as "justifiable reasons".

2. Latest development on Chinese heritage tax

Could you let us know about the latest development of heritage tax in China?

SZLTB: SAT has not yet had clear guideline of inheritance tax and we are not aware of any new developments.

3. Indirect transfer on IIT

Is there any indirect transfer concept in IIT?

SZLTB: There is no rule on indirect transfer under IIT.

4. Information exchange (between SAT and Hong Kong)

When SAT obtains information of individual taxpayers from the Hong Kong Inland Revenue Department through information exchange established in Convention on Mutual Administrative Assistance in Tax Matters, how would this be allocated to local in-charge tax authorities?

SZLTB: The general principle is to make reference to the location where a taxpayer has taxpaying obligations. If the taxpayer has taxpaying obligations in various locations, the tax authorities should select information internally and determine how to allocate it. The current online third phrase of "Jinshui" project is beneficial to the tax authorities in capturing and comparing big data. It will be beneficial to the information allocation too. Ongoing discussion on the issue is being conducted.

5. Anti-tax avoidance

What are the latest developments of anti-tax avoidance of IIT?

SZLTB: We have designated a department working on anti-tax avoidance of individuals. Some of our staff members are taking part in the writing of the anti-tax avoidance document. The Chinese tax authorities understand the importance and necessity of the regulation of IIT. Later, regulation will be enhanced on anti-tax avoidance of IIT from the perspective of the double tax agreement.