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

2017

Foreword

It is a great pleasure for the Hong Kong Institute of Certified Public Accountants ("Institute" or "HKICPA") to hold the meeting with the Shenzhen Local Taxation Bureau ("SZLTB") on 5 December 2017 in Shenzhen. The purpose of the meeting is to have discussion on various taxation topics and to exchange opinions based on the discussion.

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 meetings 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.

HKICPA wishes to thank the delegates from PricewaterhouseCoopers for taking the meeting notes.

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Attendees

SZLTB

Qian Yong	Director-General of Shenzhen Local Tax Bureau, Secretary of the Leading Party Members' Group
Wàn Wei Ping	Secretary of the party committee of institution, Member of the Leading Party Members' Group
Zhang Xiong	Director-General, Shenzhen Local Tax Bureau Office
Zhan Feng Ying	Associate Consultant, Second Division of Taxation Department
Li Hong Wei	Deputy Division Director, Third Division of Taxation Department
Yao Ning	Division Director, Foreign Taxation Division
Li Mao	Director General, Communication Office
Lin Xu Wei	Director-General, Taxation Source Management Department

HKICPA

Anthony Tam	Chairman, Taxation Faculty Executive Committee and Member, Mainland Taxation Subcommittee
Kwok Kay So	Deputy Chairman, Taxation Faculty Executive Committee and Member, Mainland Taxation Subcommittee
William Chan	Convenor, China Taxation Subcommittee and Member, Taxation Faculty Executive Committee
Leo Li	Member, China Taxation Subcommittee
Cecilia Lee	Observer, China Taxation Subcommittee
Shanice Siu	Member, China Taxation Subcommittee
Andy Leung	Tax Partner, EY
Travis Lee	China Tax Director, KPMG
Huang Xianping	Manager, PwC Shenzhen
Eric Chiang	Deputy Director, Advocacy and Practice Development
Wing Wong	Administrator, Advocacy and Practice Development

Agenda Items

A. Enterprise Income Tax ("EIT")

1. Corporate restructuring: [2009] No. 59

   a. Special tax reorganization

   Special tax treatment should apply if an absorption merger of PRC corporations satisfies the five conditions under Article 5 of Caishui (2009) No. 59 (Circular 59). Assuming that there is an absorption merger between PRC Company A and B (i.e. Company B does not exist after the transaction), would the special tax treatment under Circular 59 still apply if these PRC companies are wholly-owned subsidiaries of an overseas company? Alternatively, would the special tax treatment apply if an overseas parent company splits its wholly-foreign-owned enterprise (e.g. PRC Company C) into two separate entities in China?

   On the other hand, if a vertical absorption merger takes place between a PRC holding company and its wholly-owned PRC company and this does not involve any consideration, would the special treatment apply under this circumstance?

   SZLTB: Articles 5 and 7 of Caishui [2019] No. 59 (Circular 59) are the relevant provisions for determining whether special tax treatment is applicable on the acquisition of equity and assets between enterprises within and outside China.

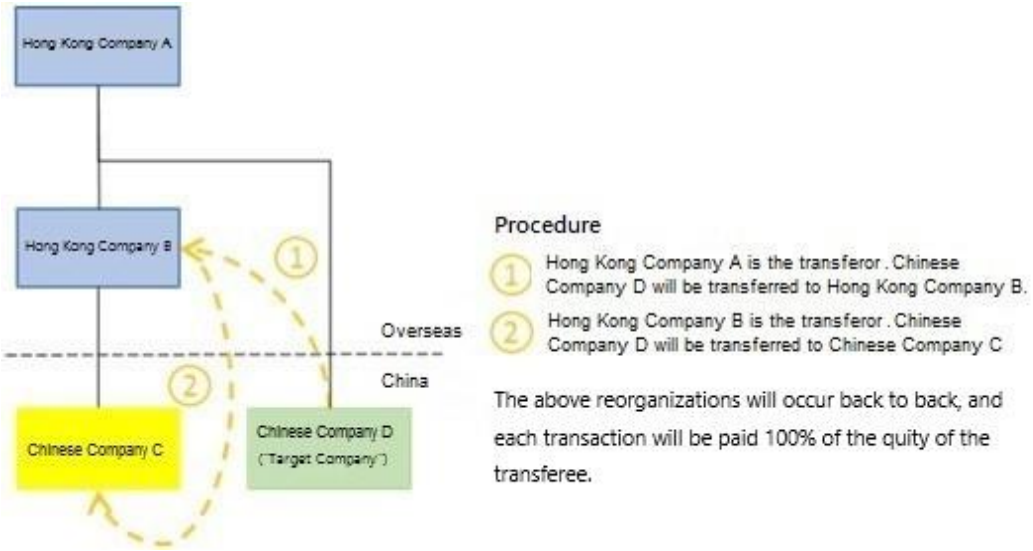
   In the case quoted in the question, i.e. an overseas company owns 100% equity of both company A and B and the two companies went through an amalgamation, it can be treated as if the overseas parent company sells 100% equity of company B to its 100% holding company A. If the equity payment proportion and other conditions satisfy the requirements under Articles 5 and 7 of Circular 59, special tax treatment will apply.

   When a foreign parent company spins off a foreign subsidiary (i.e. company C) into two separate entities, it does not fulfil the requirements of Article 7 of Circular 59.

   The special tax treatment on restructuring applies when a wholly-owned Chinese resident enterprise undergoes a vertical merger (i.e. the parent company absorbed its subsidiary) without consideration.

   b. Group reorganization

   Assume that a group is undergoing a reorganization, which is expected to be completed in two separate steps within 12 months, and the group would like to apply for special tax treatment under Caishui (2009) Circular 59. Please refer to the detailed steps below:



Hong Kong Company A transferred its shareholding in Chinese Company D to its Chinese Company C by two separate steps within 12 months as indicated above.

Some tax bureaus may treat the above transactions as a single transaction from an anti-tax avoidance perspective, under Article 10 of Circular 59. It states that where an enterprise has carried out transactions for transferring its assets and equity progressively within 12 consecutive months, before and after the reorganization, all these transactions shall be treated as one single transaction based on the principle of "substance over form".

In the present case, Hong Kong Company A would be considered as transferring its shareholding in Chinese company D directly to the Chinese company C, which is not a wholly-owned subsidiary directly held by Hong Kong Company A. In this regard, the conditions under Article 7 of Circular 59 are not satisfied, i.e. the transferee must be a wholly-owned subsidiary of the transferor directly.

We consider that Article 10 of Circular 59 should aim to benefit taxpayers rather than be primarily for tax anti-avoidance purposes. It also provides authority to tax bureaus to determine the final outcome of multiple step transfers in a reorganization. Accordingly, special tax treatment could arguably be allowed after the first transaction is completed (refer to the note below), on a case-by-case basis. If local tax bureaus interpret Article 10 too strictly, this may lead to an undue tax burden on taxpayers in relation to internal reorganizations. Could the tax bureau shed some more light on this issue?

Note:

According to the State Administration of Taxation (SAT) Public Notice (2015) No. 48 ("PN48"), Article 10 of Circular 59 should be interpreted as follows:

Where:

- A restructuring involves multiple step transactions within 12 consecutive months straddling across two tax years; and

- The parties in the restructuring negotiated and agreed to opt for special tax treatment when the entire restructuring is expected to satisfy the conditions under the special tax treatment upon completion of transaction in the first tax year,

Special tax treatment may apply temporarily.

Written declaration materials must be submitted at the time of filing tax returns for EIT for that year.

SZLTB: The two stage cross-border reorganization stated in the example (i.e. firstly company A transfers its equity in company D to company B. Then company B transfers its equity in company D to company C), is regarded as two equity transfers. If conditions like shareholding ratio, transfer ratio, equity payment ratio, and holding period in each transfer satisfy the requirements of Articles 5 and 7 of Circular 59, special tax treatment will apply.

2. [2015] Public Notice No. 7 ("PN7")

   a. Equity-like interests

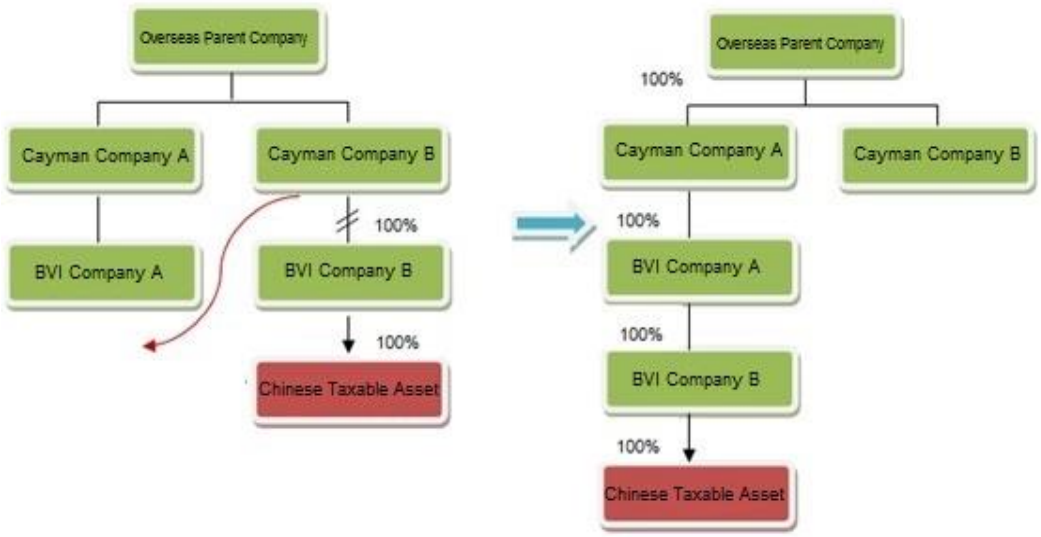
   What are interests in equity-like instruments? These interests are mentioned under Item 3 of Article 1 of PN7. It is about transfer of equity and other similar interests of an overseas enterprise, which directly or indirectly holds taxable properties in China, by a non-resident enterprise.

   In practice, would transfers of preference shares, interests in partnerships, stock options, convertible bonds, and issues of new shares fall within the reporting scope under PN7? Is there any case that you can share?

SZLTB: SAT has not provided detailed guideline on "equity-like interests" as of now. In practice, we make reference to the definition of equity asset. We consider that preferred stocks, issuances of new shares, interest in partnerships, stock options, and convertible bonds are all equity-based assets and within the reporting scope of PN7. However, in accordance with Article 5 of PN7, Article 1 of the same PN is not applicable to situations where non-resident enterprises acquire or dispose of equities of listed foreign companies, which hold China taxable assets, in the open market, resulting in indirect transfers of these assets. Therefore, article 1 is also not applicable to the purchase and disposal of stock options in the open market.

b. Equity payment

The 3rd condition of Article 6, PN7 stipulates that the underlying considerations must be equities/ shares. Therefore, considerations should not contain cash element. In addition, equities/ shares of listed companies cannot be included in the considerations because these equities/ shares are highly liquid assets. Assuming that Cayman Company B transfers its interests in BVI Company B, where company B owns China taxable properties, to BVI Company A at "nil" consideration such that cash is not involved. Does this transaction qualify under the "equity payment" requirement under the 3rd condition of Article 6, PN7?



SZLTB: We believe that, as long as there is no potential tax risk involved in the transfer of equity in the corporate restructuring arrangement where the consideration for the transfer is "nil", we should follow the substance over form principle, and the “equity payment” treatment under Circular 59 and PN7 could be applied.

c. Share subscription of equity of overseas enterprises

i. Calculation for income attributable to China taxable property

According to PN7, in a transfer of equity of an overseas enterprise which owns both China and overseas taxable properties, a reasonable basis should be adopted to attribute values to these properties. Taxes should only be levied on the China taxable properties. However, different bases have been used by tax authorities in different regions as there is no clear guidance on what bases are considered as acceptable. Would the tax bureau consider issuing clear guidelines in this regard?

In some cases in certain locations, the in-charge tax authorities made adjustments to the consideration in the calculation basis. The adjustment was to exclude assets and liabilities of the overseas intermediate holding companies.

After the adjustment, the registered capital of a Chinese company became the cost of investment.

In the following example, Overseas Company A originally held 100% of the equity of a Chinese Company C through its wholly-owned overseas subsidiary, i.e. Overseas Intermediate Holding Company B. In this transaction, the equity interest in Overseas Company A was transferred out. Consideration for the transfer was RMB 51, which was the amount of net asset shown under the consolidated financial statements of Company A.

To calculate the value of Chinese Company C, the in-charge tax bureaus made adjustment to the consideration, i.e. RMB 51, by adding (or subtracting) the net liabilities (net assets) of the intermediate holding company (i.e. Overseas Company B). RMB 150 was then computed as the value of Chinese taxable properties (i.e. Chinese Company C).

Do you agree with the above calculation basis? Could you please share with us the work practices of Shenzhen tax bureaus on this issue?

	A (Transferred Overseas Company)	B (Overseas Intermediate Holding Company)	C (Chinese Company)	A+B+C (Consolidated Financial Statements)
Assets:				
Cash	200	141	110	451
Long-term equity investment	1	100	0	
Intercompany receivables	100	60	0	
Investment property	0	0	100	100
Liabilities				
Intercompany receivables	-100	-100	-60	-100
Payable	-400	0	0	-400
Total net assets	-199	201	150	51
Registered capital	100	1	100	100
Undistributed profit	-299	200	50	-49
Equity of shareholders	-199	201	150	51
Net assets which excluded long-term equity investment				

A
100% ↓
B
100% ↓
C

Tax calculation method	51
Original transfer price (Net assets under the consolidated Financial Statements)	-99
Net assets of the Intermediate holding company but excluding long term equity investment	150
Adjusted transfer price (equal to the net assets of Chinese companies)	100
Transfer costs (registered capital of Chinese companies)	50
Transfer Income	5
Tax payable (10%)	

SZLTB: The SAT has not provided clear guidance on the calculation basis for value attributable to the China taxable properties in indirect equity transfer as at now. However, we note that SAT finds a value attribution calculation based on the consideration for the shares minus the actual investment or amount paid for acquiring the China taxable properties to be acceptable.

In practice, the equity transfer price should be determined based on the fair market value. Net asset value can be used as a reference, but it does not mean that value of the China taxable property equals the net asset value.

ii. Ascertaining the consideration

If a consideration includes an amount of contingency fee payable to the seller (e.g. an additional amount will be paid by a buyer to a seller depending on the profitability of a property development project in China), should this contingency fee be treated as part of the consideration? As a fee of this nature cannot be estimated accurately in advance, and will not be settled at the time of the transfer, is it acceptable to make additional tax payment when the fee is paid?

SZLTB: According to item 3 of Article 7 of “Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises" (State Administration of Taxation Announcement [2017] No. 37), when a non-resident enterprise receives consideration for a transfer of property by instalments, the earlier instalments, equivalent to the initial costs of the investment are not subject to withholding tax. Tax should be calculated, withheld and paid after the costs are fully recovered.

iii. Ascertaining the costs

PN7 is not applicable to individuals who conduct indirect transfers of Chinese taxable properties. Could an enterprise use the amount paid to the individual seller as the cost of investment for calculating gains/ losses in any future disposal (where the individual has not reported the transaction nor made any tax payment)?

SZLTB: The SAT has not provided clear guidance whether the cost of buying the intermediate holding company by a non-Chinese resident enterprise can be treated as cost of investment in the indirect transfer. In practice, the substance over form principle should be used to reasonably calculate the income and costs attributable to China taxable property.

B. Land Value-added Tax

1. Restructuring and Reorganization

Article 4 of Circular 5 states that "where an entity or individual uses state-owned land or house to invest in an enterprise during restructuring, Land Value-added Tax (LVAT) will be temporarily exempted."

Some tax bureaus consider that, where a non-real estate enterprise contributes its land as an investment, this does not fall into the scope of Article 4 of Circular 5. What is your view on this interpretation?

SZLTB: According to Article 4 of Caishui [2015] No. 5, where a non-real estate company uses state-owned land or house to invest in an enterprise during restructuring, the transfer of the state-owned land-use right or house ownership is temporarily exempt

from Land Value-added Tax.

2. Second Settlement

A real estate enterprise settled its LVAT in relation to its property development projects by August 2017, as per the request of the tax bureau. As a lot of invoices had not been collected at the time of settlement, the cost base for LVAT calculation was small and hence, the taxpayers had paid more LVAT than it should be. The taxpayer expected that it should be able to collect most of the invoices before May 2018. Hence, it would like to do a revised LVAT settlement in May 2018. At present, revised settlements are available in Beijing, Chongqing, Hubei, Guangxi and Qingdao. There is, however, no clear guidance from SAT. In practice, is the option of a second settlement available in Shenzhen?

SZLTB: At present, Golden Tax Phase III Project does not support tax settlement twice.

3. Calculation for land costs and compensations for demolitions

Caishui [2016] No. 43 (Circular 43) concerns the Provisional Regulations of the People's Republic of China on LVAT. Input VAT, which is allowed to be deducted from the output VAT, shall be excluded from the deductible items of LVAT. Where it is not allowed to be deducted from the output VAT, it may be included in the deductible items.

Circular 43, however, does not deal with the deductible items under LVAT, the corresponding land costs and compensation for demolitions. We would like to know the correct deductible amounts for the latter two items, i.e. whether the amounts should be:

- The actual payments or
- The actual payments excluding the relevant output VAT.

Which method is more appropriate in the following example?

		Situation 1: To deduct the amount of land use rights based on the actual amount	Situation 2: To deduct the amount of land use rights excluding the amount of output VAT as a result of paying the land use right
Income from sales of real estate (including VAT)	x	1,200,000	1,200,000
Actual payment of land costs and compensation for demolitions	y	500,000	500,000
The amount of output VAT arising from purchase of land use right (y/(1+11%)*11%)	t	49,550	49,550

The amount of input VAT arising from the sales of real estate (x/(1+11%)*11% - t)	z	69,369	69,369
The amount of sales of real estate (excluding VAT)	x-z	1,130,631	1,130,631
Total amount of deductible items			
The cost of obtaining land use right	r	500,000	450,450
		The cost of land use rights is computed based on the actual payment	The cost of land use rights is computed based on the actual payment, excluding the underlying output VAT (r-t)
The cost of real estate development		100,000	100,000

SZLTB: We tend to allow a deduction based on the actual payment for the land.

c. **Individual Income Tax ("IIT")**

1. Non-Chinese persons providing services in China

Though performance of services by foreign individuals did not constitute a permanent establishment in China, it is often that EIT is calculated on a deemed basis without applying the tax treaty protection. This could be due to the request of the in charge tax bureau or for ease of operation.

Since there has been more information exchange between state and local tax bureaus, local tax bureaus have strengthened their administration against individual taxpayers whose presence constitutes a permanent establishment in China. If the service fee is subject to EIT on a deemed basis, the individuals will be subject to IIT. This is the case whether or not there is a permanent establishment based on the tax treaty definition. Is it a trend? Does SZLTB hold a similar view?

SZLTB: Taxpayers can enjoy tax treaty benefits when their applications are approved. If a non-resident enterprise that provides labour services in China does not apply to the tax authority for tax treaty treatment, the tax authority can collect tax based on the domestic tax law. According to CIT Law, non-resident enterprises will be treated as constituting a place of business in the Mainland where they have provided labour services, i.e. they have established place of business in China. This place of presence will pay CIT on a demand basis. Accordingly, the place of presence would be deemed to have borne the wages and salaries of these foreign individuals. According to the IIT law, these wages and salaries are regarded as China-sourced income of

foreign individuals. Even if the physical presence of the foreign individual does not exceed 90 days or 183 days in China, the foreign individual is still required to pay IIT on this China-sourced income.

2. Equity transfer by individuals where they had not made capital contributions

The registered capital of a company refers to the actual amount paid. If an individual shareholder has paid only part of the capital he subscribed for, should we only take the actual amount paid as the cost base for the transfer transaction? Assuming that the individual shareholder has not paid any capital but has subsequently transferred his/ her equity interest, would there be any basis for tax bureaus to impose IIT on the transfer? Are there any specific cases that you can share?

SZLTB: According to Announcement of the State Administration of Taxation on Promulgation of the Administrative Measures on Individual Income Tax on Income Derived from Equity Transfer (Trial Implementation) (State Administration of Taxation Announcement [2014] No. 67), item 1 of article 15, "for equity obtained via capital contribution in cash, the original value of the equity shall be the sum of the price actually paid and the reasonable taxes and fees directly related to obtaining of the equity". Following this principle, the original value should be calculated according to the amount of funds actually paid by the individual. If the individual had not made any capital investment, the original value at the time of the transfer is zero. When a taxpayer transfers equity, income should equal to the consideration received. If there is no reasonable basis in ascertaining the fair value of the transfer or the transfer is done below fair market value, a deemed basis can be adopted for estimating the consideration.

3. Individual Income Tax Subsidy Policy in Qianhai, and signing of the Framework Agreement among Guangdong, Hong Kong and Macau in the Development of the Greater Bay Area (The Framework Agreement)

What is the status of implementing the IIT subsidy policy in Qianhai this year? Now that the Framework Agreement has been concluded, will there be any beneficial IIT policies/ measures for individuals working in the Greater Bay Area?

SZLTB: The subsidy policy for high-end talents and talents in short supply in the Qianhai region is a financial subsidy in nature. For our better understanding regardingthe number of individuals who enjoy the subsidies and the big picture of the subsidy policy, we checked the personnel information provided by the Qianhai Administration Bureau. According to the Qianhai Administration, a total of 250 people have enjoyed this policy since the implementation of the policy 4 years ago, and the subsidy so far amounts to 84.4 million yuan. As for the Greater Bay Area ("GBA") IIT policy, we have studied IIT policies for Hong Kong and Macau citizens working in the GBA and for Chinese nationals working in Hong Kong and Macau. We have also taken the opportunity to provide feedback and relevant information to the SAT. However, the Central Government and the SAR Government have been driving this policy. We have no further information for the

time being.

4. Registered taxpayers who do not physically work in Qianhai

Many enterprises have already registered new branches and hired employees in Qianhai. Although these employees have registered with the Qianhai tax bureau, the branches do not operate in Qianhai. If the employees were later sent to work in Shanghai, where should they pay IIT?

SZLTB: According to the IIT Law, the individual receiving the income is the person liable for paying IIT. The payers of the income to the individuals should be the withholding agent. The employees' IIT payments should be made to the tax authority where the employer is located.

5. Chinese national executives in China purchase shares in overseas enterprises

Where foreign companies allow their Chinese executives in China to acquire their shares below market price, these executives enjoy the same rights and interests as other shareholders and share same business risks.

If the executives are local IIT taxpayers, would they be subject to IIT on the difference between the purchase price and the market price? Should the acquisition be treated as investments by the executives and therefore the difference should not be subject to IIT? If the executives dispose of the shares in future, what should be used as the cost base for the "investment"? Should it be the market price or actual payment at the time of acquisition?

SZLTB: Notice of the State Administration of Taxation on the Issue of Personal Income Tax Collection on the Basis of Personal Discounts or Subsidy Income Obtained by Individuals for the Purchase of Securities and Other Securities (State Administration of Taxation Announcement [1998] No. 9), states that, when securities which carry value (including individually subscribed stocks) are obtained with different forms of discounts or subsidies (e.g. the acquisition cost of the said securities is lower than the issue price or current market price) due to the good performance of employees in their employment, this would be considered as a part of salary of the employees. Hence, it should be included in the calculation basis of IIT. The difference in the share price should be treated as a taxable item.

When a senior executive invests in overseas companies and holds their shares, it is considered that he/ she is holding securities which carry value. According to the IIT law, income derived from a transfer of overseas shares would be treated as a taxable item. According to item 1 of Article 19 of IIT law, the original value of securities carrying value should be the purchase price with the relevant fees paid in accordance with regulations. So this amount should be used as the original value.

Under the same circumstances, if overseas independent directors (non-Chinese tax residents) of the overseas companies enjoy the same benefits as above or receive stock

options as remuneration, would these directors be subject to IIT in China?

SZLTB: Independent directors of overseas companies who purchase shares of the companies below market value do not fall within the scope of China IIT.

D. Stamp Duty

1. Tax base for equity transfer

According to the Stamp Duty Provisional Regulations, the duty shall be calculated at 0.05% of the equity transfer amount. Unlike EIT, there are no anti-tax avoidance rules under the Regulations. If the amount paid for an equity transfer is significantly less than the market value and therefore the in-charge tax bureau adjusted the amount for EIT purposes, would the stamp duty be calculated based on the original transfer amount per the contract, or in accordance with the adjusted amount for EIT purposes?

2. Adsorption merger

Suppose that Overseas Company A is the ultimate holding company of Overseas Company B which directly owns Chinese Company C. Subsequently, Overseas Company A merged with Overseas Company B without any cash payments or other forms of consideration, and there is no formal equity transfer agreement in the merger transaction. Would stamp duty be imposed in this case?

SZLTB: According to Article 2 of the "Provisional Regulations of the People's Republic of China on Stamp Duty," stamp duty shall be levied on the documents listed in the legislation. Equity transfer contracts are dutiable documents and therefore stamp duty payable. If the taxpayer use an incorrect basis for duty calculation, or if the basis for tax calculation is obviously unreasonably low and there is no justification for this, the tax authority may make adjustments according to Article 35 of LATC.

E. Deed tax

1. Transfer of the ownership of land and buildings

Caishui [2015] No. 37 stipulates that deed tax will be exempted for internal transfers of land or building title among the enterprises owned by the same investors. However, there is no clear guidance and applicable conditions for the transfer.

Enterprises often have the following enquiry: Does "transfer" under deed tax carry the same meaning as under the EIT preferential policies? Are there any other qualifying conditions? For instance, are there any specific requirements in relation to the considerations for the transfers? Would the land investment of a parent in its subsidiary be treated as a transfer? This investment would be treated as a transfer under the repealed Guoshuihan [2008] Circular 514.

SZLTB: The deed tax laws and regulations do not provide a clear explanation for the "transfer" ("划转") and we will reply to you after further consideration.

2. Administrative adjustments

Circular 37 also states that change of state-owned land and building titles due to administrative adjustments, or transfer by government at or above the county level, or state assets management departments, will be exempted from deed tax. However, the said administrative adjustments have not been defined.

For instance, whether strategic relocation of enterprises is under the scope of administrative adjustments? Is land exchanged by the government due to relocation exempted from deed tax?

SZLTB: The strategic relocation of enterprises is not within the scope of the "administrative adjustment" specified in Circular 3. The land exchanged land by the government due to relocation does not qualify for deed tax exemption.

F. Others

1. Common Reporting Standard ("CRS")

Could the tax bureau advise us how would information obtained under CRS be used and analyzed?

SZLTB: SAT has not indicated any specific data format for the CRS or provided information on how the data will be used.

2. Environmental tax

Environmental tax will be implemented soon. Is there a platform to share information and coordinate work between the local environmental protection departments and the relevant tax bureaus? Would the environmental protection departments periodically provide the tax authorities with information about the licences of pollutant dischargers, pollutant emissions data, etc.?

SZLTB: On September 20, the local taxation bureau and the Human Settlements and Environment Commission of Shenzhen Municipality signed a memorandum of environmental tax collection and management cooperation, establishing a clear cooperation mechanism for inter-departmental work. The two departments are actively promoting the establishment of tax-related information sharing platforms. The environmental protection department will regularly transmit information in relation to environmental protection, such as on pollutant discharge permits and pollutant discharges to the tax authorities through the sharing platform.

3. "Tax Analysis of the Thousands of Households Program"

In 2015, SAT launched a programme namely "Tax Analysis of the Thousands of Households Programme". This programme takes into account operating data, profit indicators and the tax status of central government enterprises, state-owned enterprises, private enterprises and multinational corporations. In 2016, SAT issued the requirements about registering the thousand group enterprises for the programme.

a. Work plan and the related impact in 2018

Could SZLTB inform us about its work plan in 2018 and how it will impact enterprises?

SZLTB: In October 2015, the General Office of the CPC Central Committee and the General Office of the State Council issued "Reform Plan for Deepening the Collection of National Taxes and Local Taxes Management System" and clearly proposed to upgrade tax management in relation to large enterprises. SAT quickly implemented the reform and raised the complex issues of big companies to the State Administration of Taxation and provincial (city, district) level tax authorities and formed the mechanism of Thousand Enterprises. “Thousand Enterprises” refers to 1062 large-scale enterprise groups that have an annual tax payment of over 300 million yuan, involving 180,000 companies. In order to implement the spirit of the Nineteenth National Congress, deepen the requirements for the reform “to delegate power, streamline administration and optimize government services” in the taxation system, and effectively optimize the tax service for large enterprises, recently, SAT has decided to expand the work of the Thousand Enterprises Programme to enterprise taxpayers that have an annual tax payment of over 100 million yuan and have not yet been included in the programme, so that they can also enjoy the same level of services. The Group's services and management model implement unified management.

In 2018, we will follow the steps indicated by SAT in dealing with large enterprises, by carrying out risk management, personalized service, economic analysis, and data information collection in relation to large enterprises.

As for the impact on the enterprises: Firstly, it will help the company to discover and resolve tax-related risks and improve tax compliance. The tax authorities can make use of big data to integrate their management and services; provide risk management services for large companies through risk analysis, especially in enhancing risk prevention. Meanwhile, it will encourage the enterprise to improve its management, internal control and risk analysis, in order to reduce risks, and provide healthy development. The second is that companies will receive a better service. The bureau will use big data, Internet+, e-tax bureaus and other modern methods to provide large enterprises with better personalized services, such as carrying out risk alerts, conducting internal control testing, providing consistent policy implementation, and conducting periodic meetings with large enterprises . The third is to use the credit evaluation system to improve the group's credit level.

SAT will complete the credit rating system, establish a credit linkage relationship between the corporate group headquarters and members, explore the use of the group as a benchmark to evaluate the tax credit status, and improve the overall integrity level of the group and its members.

b. Tax services for large enterprises

What kind of measures will be undertaken by tax bureaus to help large enterprises avoid their tax risks, after obtaining the relevant information?

The main tasks outlined in the “Plans for Deepening the Reform of the State Tax and Local Tax Collection ” require the transformation of the tax collection and management methods, classification of the management of taxpayers, and the improvement of the management level of large enterprises. In order to concentrate resources in the tax management of these few large corporate taxpayers, we will use big data to provide large companies with modern and specialized tax services. The tax administration department of large enterprises pays more attention to improving the self-compliance level of taxpayers by providing personalized and high-quality services.

For the Thousand Enterprises Programme, the tax authorities provide general services such as tax returns and also personalization services. Personalized service is the focus provided by the large enterprise management department, and it is also a feature of the large enterprise tax service. It mainly includes: multi-level multi-channel communications with taxpayers which are corporations, certainty and uniformity of tax policies, risk reminding, guiding large enterprises to establish and improve their internal control system in relation to tax risks, innovation and expansion of tax compliance. The taxation department is now studying how to construct a scientific system with the cooperation of tax companies, in order to help large companies continue their healthy development based on the actual needs of large corporate taxpayers.

SZLTB: Large enterprises are the backbone of Shenzhen's economic development. They play a key role in steady growth, structural adjustment, and transformation. They are also the main source of sustainable tax revenue growth. At the same time, due to the characteristics of large-scale corporate management, cross-regional and transnational operations, and highly concentrated decision making, large companies generally have a higher propensity towards tax compliance; but any changes in tax policies often have a greater impact on large enterprises once they occur. Therefore, most developed countries and developing countries have adopted different tax management methods for large enterprises than for SMEs.