



Top Tips: How to Ensure Safe Payment into and out of China

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Top Tips: How to Ensure Safe Payment into and out of China

China has foreign exchange regulations that restriction how funds can be transferred into Mainland China and transferred out of Mainland China. Whilst it is bureaucratic still because of the regulations set by the State Administration of Foreign Exchange ("SAFE"), the banks and the Tax Bureau, the good news is that it can be done in the course of normal business as long as the purpose and supporting documentation is in place. This article provides a summary and tips on in and out transfers of funds from China.

- Make sure any funds coming into China have supporting documentation, and the appropriate filings have been made. All funds coming into China should be appropriately registered as to what they are: revenue from services, products or investment.
- Investment can be either registered capital or an investment loan – needs to be registered in advance, forming part of the articles of association and, where a joint venture, the joint venture contract. Dividends can be paid on post-tax profits and interest on investment loans.
- Dividends can be paid from retained earnings where these have been audited, and Corporate Income Tax paid and declared, less a reserve requirement.
- The Chinese entity can only repay loans if they were registered with the State Administration of Foreign Exchange ("SAFE"). These need a loan agreement to be sign and it needs to be registered. If the funds were paid to China as an intercompany loan and the total investment does not include a provision for a loan, and the loan has not been registered with the SAFE, then future repayment would not be possible.
- SAFE does not allow repayment of expenses to overseas companies, where they are recharging expenses, unless under a cost-sharing agreement. Therefore, the Chinese company should incur and pay for their expenses directly, or they should be charged as services fees under the current structure.
- All service agreements for services done externally, or by an associated company, have to clearly state the nature of the service and the method of charging, and should not be worded in a way that could be considered management fees, which are classified as non-deductible by the Tax Authorities.
- In order to avoid a challenge by the tax authorities in relation to the creation of a "permanent establishment", and which would cause the withholding of Corporate Income Tax ("CIT"), it is important to keep the number of days or a project and or personnel in China under 183 days or where in existence per the Double Tax Avoidance Agreement ("DAT"). Where services are provided both in and out of China two different services agreements should be signed or two sections of one agreement, one for services provided in China by overseas personnel, and one for services provided totally outside of China.
- All unpaid taxes must be cleared with the tax bureau before any overseas transaction is made. Alternatively, a triple agreement between a Chinese Permanent Establishment, bank and local tax bureau can be made to deduct any withholding tax routinely, guaranteeing all tax requirements are met facilitating transactions out of China.

- For any overseas transactions including paying for services and royalties, If the amount of payment is below USD50,000 per payment then payment can be made with tax bureau's approval and by presenting the contract (registered where required) and invoice to the bank. Above USD50,000 per payment, the Record for Overseas Payment Form must be acquired from the Tax Bureau with its official seal and submitted to the bank, and above USD200,000 the bank will have to report to SAFE for authorization. To keep it simple, it makes sense to keep payments below this figure so as to avoid SAFE, or for larger and ongoing contracts to do SAFE clearance first.
- Payment of Royalties also follows similar rules on registration except agreements need to be registered first with the respective Ministry covering the nature of Royalty.

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综合多年的国际经验和对中国市场的深刻理解和实践体验, 我们向广大国内外的客户提供高质量的专业服务和意见帮助。在雷博国际会计的服务过程中, 我们作为市场中的佼佼者, 您将得到来自中国本土以及其它国家的高级资深专家热忱的咨询帮助。

我们深刻认识到每一位客户都是独一无二的, 并都有其独特的业务需求。雷博国际会计承诺将根据客户的不同业务需求, 为客户提供个性化的财务解决方案。我们的专业人员将密切与您合作, 以充分了解您独特的业务需求, 从而提供满足您所需要的高时效、高质量的专业服务。

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[China Statutory Audit](#)

US GAAP Audit

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Chop Custodian Services

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Annual Inspection & Reporting

Company Secretarial Services

Company Ownership Transferring/Corporate

Restructuring Background/Credit Checking

Company Deregistration & Bankruptcy

HR Support Services

China Visa Services for Expatriates

Social Welfare Structures

Outsourcing Services

Accounting & Bookkeeping

Budgeting & Forecasting Financial Statement

Preparation Head Office Reporting

Financial Management

Interim Financial Management Finance

Manager Function

CFO Function

Treasury Management

Set-up of Bank Account

Payroll Services

Payroll Processing Setup

Expatriate Employees

Local Employees

Secondment & Temping Service

Taxation Services

Individual Tax Planning (IIT)

Tax Immigration & Investment Review

US & Overseas Personal Income Tax Planning

& Filing IIT Tax Payment Facilitation

Application for Individual Income Tax Refund

Expatriate Staff Individual Income Tax Staff

Filing Local Staff Individual Income Tax

Company Taxation (CIT)

[Tax Consulting](#)

Corporate Tax Planning

Business Restructuring

Value Chain Review

Onshore / Offshore Investment

Transfer Pricing

[Tax Compliance](#)

Tax Due Diligence

Tax Deregistration

Negotiation of Tax Penalties

Tax Refund Application

Tax Representatives for Tax Audit

VAT & Customs Duty Clearance

PRC Tax Receipt Verification

VAT Application

VAT & Sales Tax Filing

Corporate Income Tax Reporting

Specialist Accounting & Risk Management

Internal Controls

Systems

Risk Management

Sarbanes - Oxley (SOX 404)

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[US GAAP](#)

US GAAP Financial Statement Preparation

US GAAP Conversion

[Other GAAP](#)

GAAP Conversion

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