



中國注册税务师協會

# Fully Play the Important Role in Certified Tax Agent Services

September  
2014

- 
- ◆ Overview of China Certified Tax Agents Association
  - ◆ Overview of China Certified Tax Agents Industry
  - ◆ The Important Role of Certified Tax Agents in Tax-related Fields
  - ◆ Utilizing Practical Experience in Tax Industry to Actively Involved in Management of International Tax Rules

# Overview of China Certified Tax Agents Association

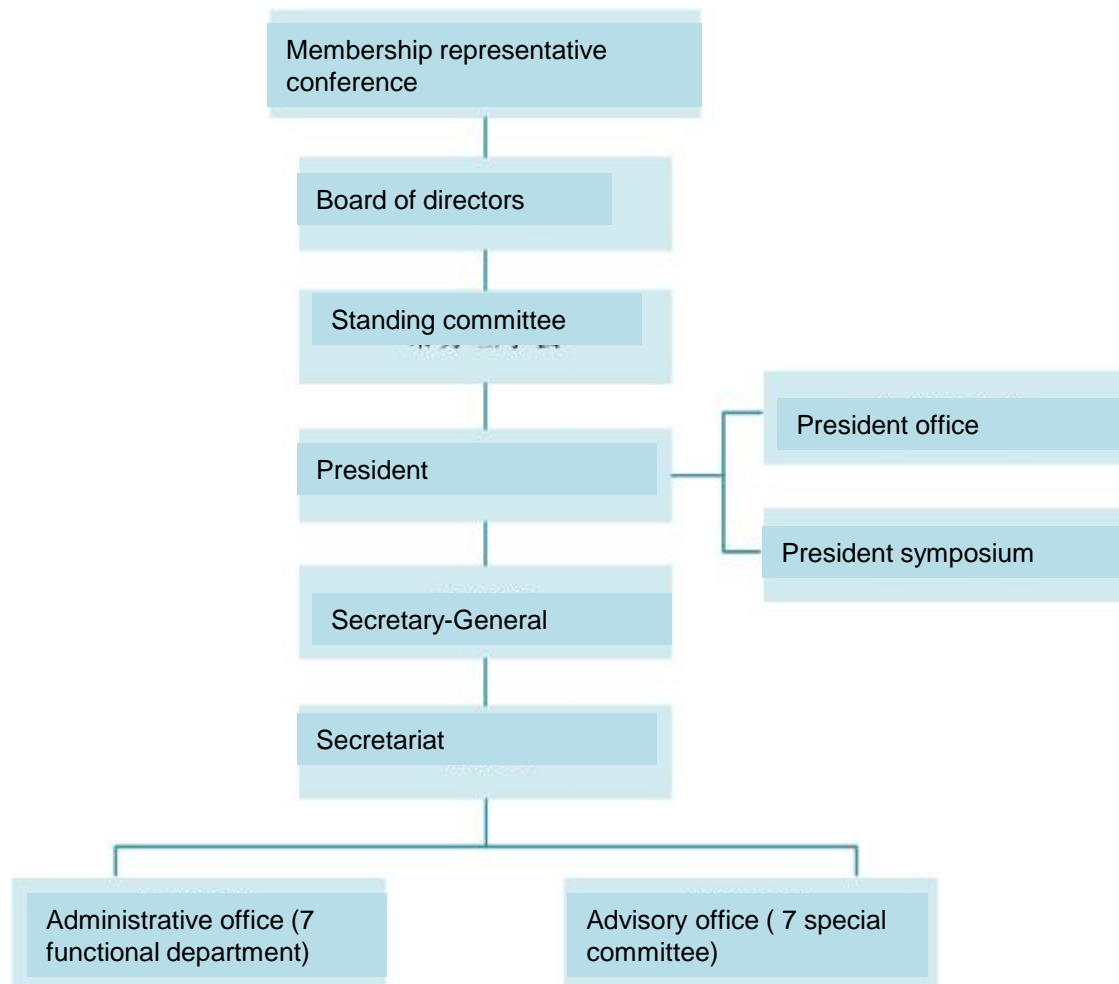
- ◆ China Tax Association is a National level association approved by Ministry of Civil Affairs
- ◆ It is an industry private self-regulatory organization composed by registered tax agents and tax accountants firms
- ◆ It is bearing business guidance and supervision & administration of the State Administration of Taxation and the Ministry of Civil Affairs.

**In November 2014, this association formally joined in Asia-Oceania Tax Agents Association (AOTCA)**

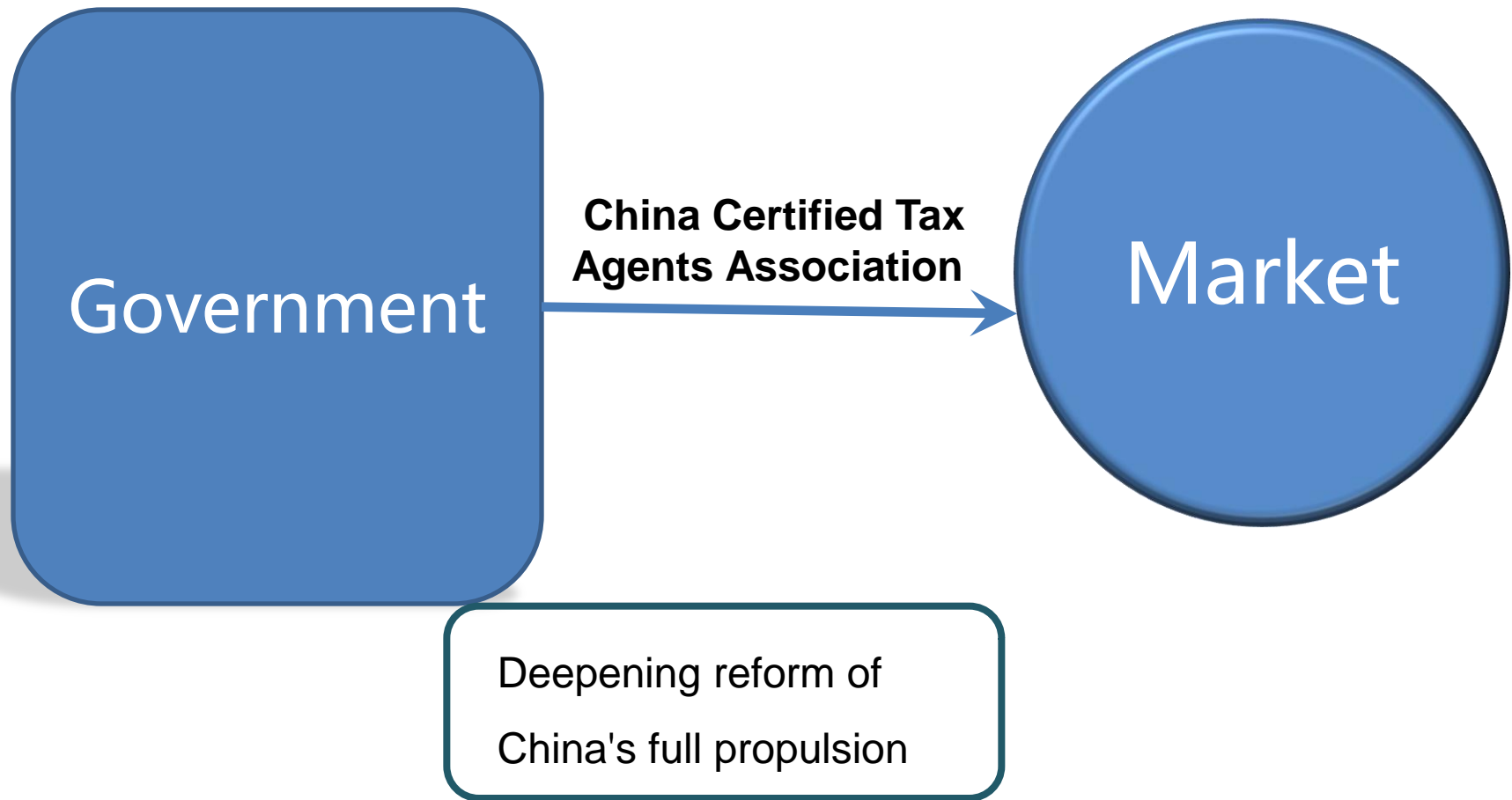


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# Overview of Chinese Certified Tax Agents Association



# Overview of China Certified Tax Agents Association



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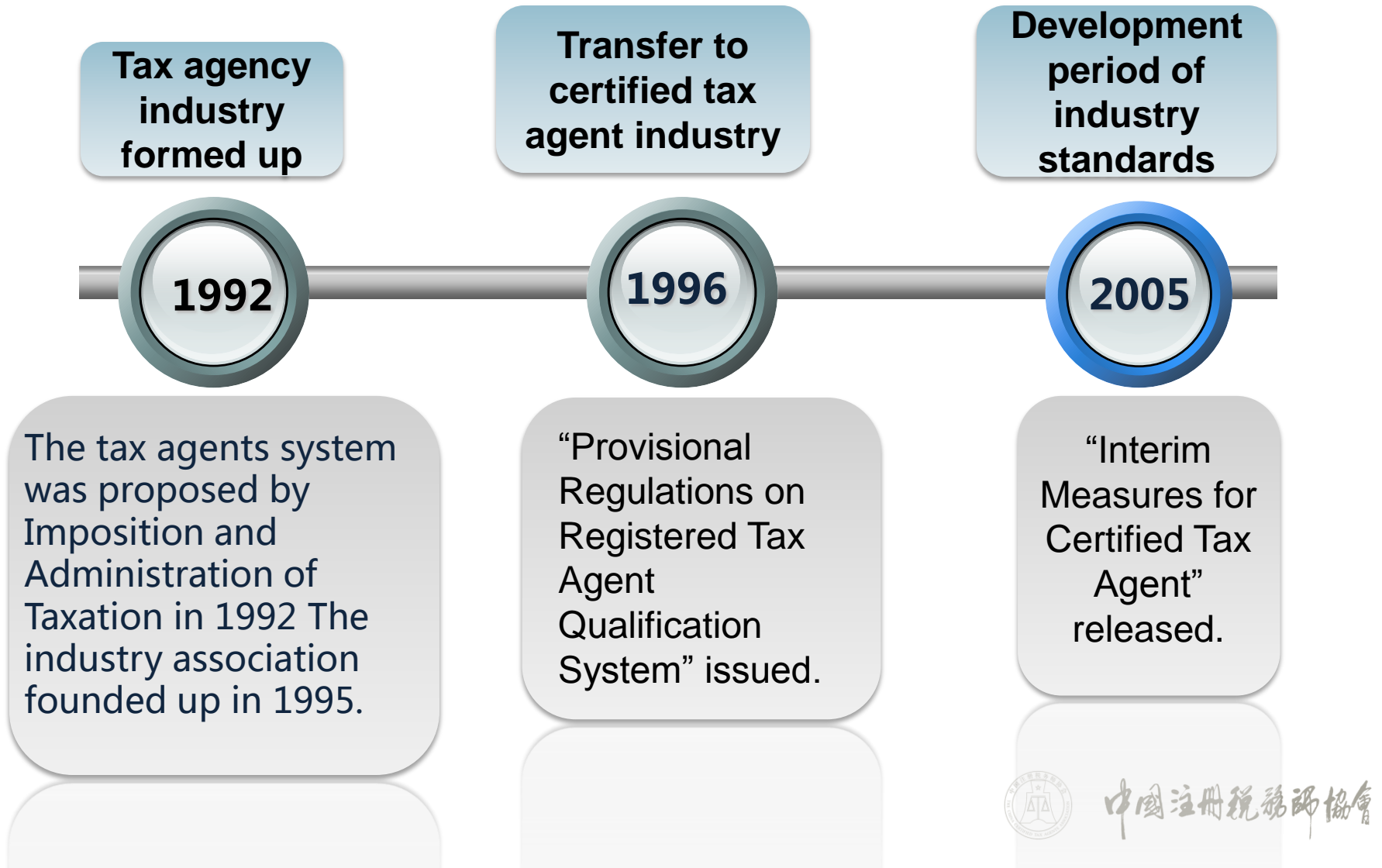
# Overview of China Certified Tax Agents Industry

1. Historical Evolution
2. Current Development  
Situation
3. Regulatory Mechanism



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# 1. Historical Evolution





# 1. Historical Evolution

## Cancel

On August 12<sup>th</sup>, State Council released “Decisions on Canceling & Adjusting a Number of Administrative Approval Items”, which abolished eleven items of vocational qualification license & identification on registered tax agents etc.

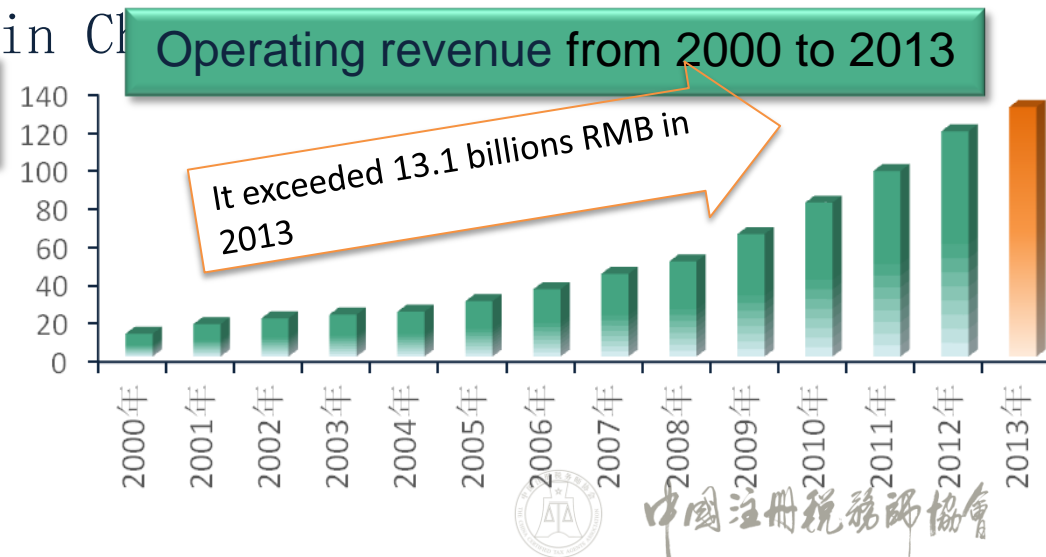
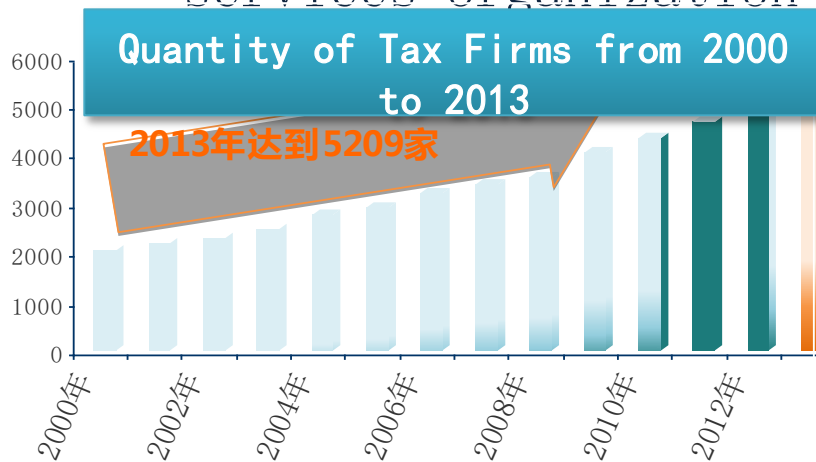
## Pro

State Council issued files of [2014] No. 20, *Several Opinions of the State Council on the Promotion of Fair Competition and Maintaining the Normal Order of the Market*, No. 21, *Notice about Printing and Issuing the Framework of the Construction and Planning of the Social Credit System*, No. 26, *Directive Opinions of Accelerating the Development of Producer Service Industry to Promote the Adjusting and Upgrading of the Industrial Structure* and No. 654, *Provisional Regulations on the Disclosure of Company Information*, all the above files put forward supporting tax agency do verification on corporate tax situation and do inspection on corporate publicized information and so on.

- ◆ It is conducive to transformation of government functions, beneficial on better playing the decisive role of market in the allocation of resources, and in favor of innovating social management system on the macro level.
- ◆ It is good for extending the reserve personnel team of registered tax agent industry, and conducive to promotion of the transformation and upgrading of the industry. It is also in favor of expanding the business scope and good for promoting the upgrading of the core competitiveness of the industry on micro level.

## 2. Current Development Situation

- ◆ In this certified tax agent industry, there are 5,209 tax agent firms and more than 100,000 employees by the end of 2013. Among the employees, there are 38,000 professional certified tax agents. Operating revenue of this industry exceeded 13.1 billions RMB. After more than 20-year exploration, registered tax agency has developed to be the third biggest professional services organization in China.



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### 3. Regulatory Mechanism

#### **Develop industry self-regulation system Regulate the behavior of practitioners**

- The association developed twenty-four systems like “Self-management Measures on Registered Tax Agent Industry (Pilot)”, “Professional Ethics of Registered Tax Agent” and so on. .

#### **Enhance education and training Improve the quality of practitioners**

- The association valued education and training, so that 9369 people participated in face-to-face education and 87693 people attended on-line training just during 2011 to 2013.

#### **Increase the efforts on inspection seriously dealt with the problems**

- The association also random checked a quarter of firms nationwide annually, and seriously dealt with the problems they found. There were 538 firms and 771 registered tax agents punished in the past three years.

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# The Important Role of Certified Tax Agents in Tax-related Fields

- ◆ certified tax agents push taxpayers to legally pay taxes
- ◆ registered tax agents help to reduce the tax cost for both sides.
- ◆ registered tax agents supervise the tax authorities on legal taxing.
- ◆ registered tax agents help on monitoring the authenticity of corporate information.
- ◆ registered tax agents serve the public welfare.



# The Important Role of Certified Tax Agents in Tax-related Fields

## Push taxpayers to legally pay taxes

- Certified tax agents are agents and assistants helping the taxpayers deal with tax-related affairs. They provide tax law publicity and consultant service, which effectively helps taxpayers to understand tax laws correctly.

## Reduce the tax cost for both sides

- With the extensive expertise and fully understanding on tax laws they have, certified tax agents can help taxpayers to declare payment legally. This service not only reduces the burden of taxpayers, but is good for avoiding tax risks and reducing paying costs. At the same time, by implementing businesses like tax-related identification and government procurement, certified tax agents also play the role in assisting the tax administration and reducing collection costs.

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# The Important Role of Certified Tax Agents in Tax-related Fields

## Supervise the tax authorities on legal taxing

- Certified tax agents have the operational capacity of professional supervision and keep working on the frontline of tax collection and management, which ensures them to have the advantage on supervising enforcement & independent commission of the tax authorities. Furthermore, it is conducive to playing the role in social supervision.

## Monitor the authenticity of corporate information

- Certified tax agents have the advantage of profession, independence and impartiality. They can not only find information distortion of accounting or false accounting in time, but promote the authenticity of corporate information by tax adjustment.

## Serve the public welfare

- China Tax Association established “Concentric Service Group” on August, 2013, which is assembled by the volunteer unit and volunteers from this tax industry. It is a nonprofit organization and an important platform that provides welfare activities. After its foundation, they carried out several of activities on public interest, fulfilling their social responsibilities.



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# Utilizing Practical Experience in Tax Industry to Actively Involved in Management of International Tax Rules

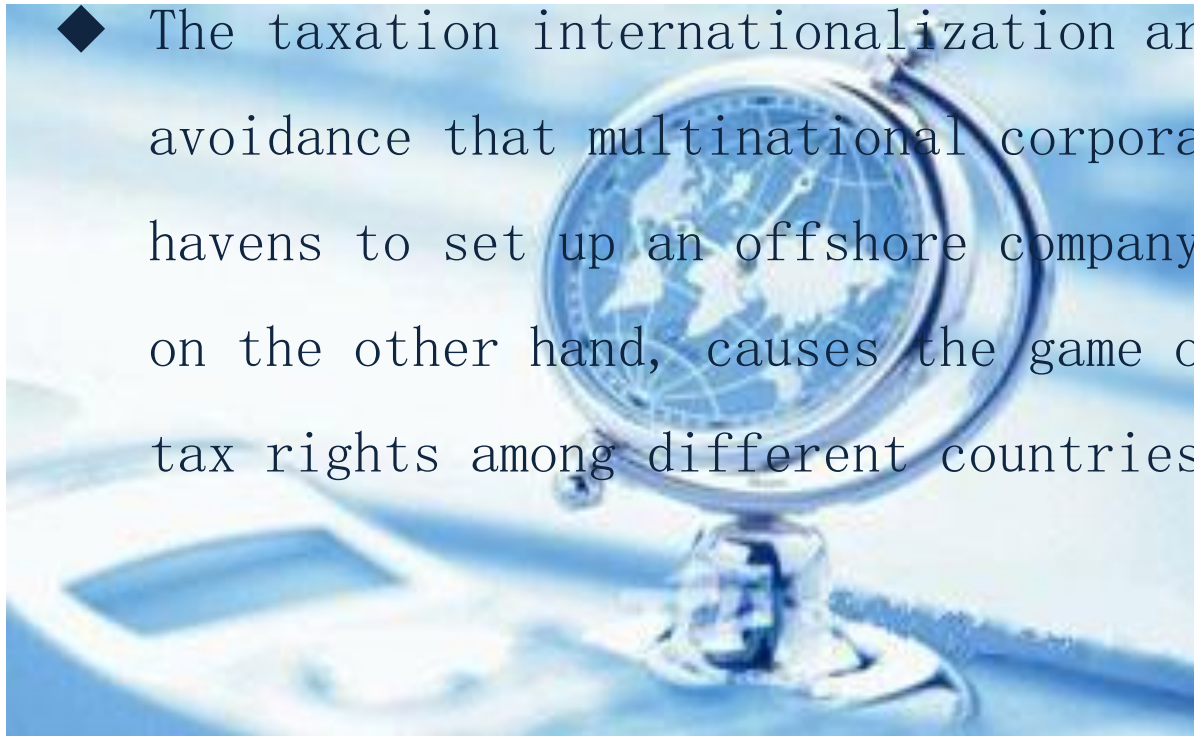
1. Changes in International Tax Situation
2. China is Facing the Challenge of International Tax Rules
3. Certified Tax Agent Industry be Actively Involved in the Management of International Tax Rules



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# Taxation Internationalization

- ◆ Multinational Corporation is the protagonist of economic globalization, which is the foundation of taxation internationalization.
- ◆ The taxation internationalization arises malicious tax avoidance that multinational corporation utilizes tax havens to set up an offshore company on one hand, and on the other hand, causes the game of multinational tax rights among different countries.



# 1. Changes in International Tax Situation

◆ Some factors, for example, business innovation of Multinational Corporation, changes in organization structure, changes in degree of precision on tax planning and tax avoidance, have led to increasingly complex international tax environment.

Firstly, it is the contradiction between Multinational Corporation pursuing minimum burden of international tax and sovereign states seeking maximum shares of their tax sources.

Secondly, it is the contradiction between Multinational Corporation operating global business and difference of tax administration in different countries.

Thirdly, it is the conflict that Multinational Corporation, as the Representative of which, has advancement of digital & technical economy while current international tax rules based on traditional business has lagging.

Fourthly, it is the conflict that developed countries play the leading role in adjustment of making international tax rules while developing countries have limitation on ability & means of protecting their own interests.





# 1. Changes in International Tax Situation

**From the perspective of developing countries, BEPS is worthy of recognition**

- First of all, this report pointed out that, influences of tax avoidance are huge to developing countries, not only affected economic development, but people's livelihood.
- Secondly, it proposed the idea that economic substance is much more important than form of principles. The economic behaviors must take the same place as where you declare to pay taxes.
- Thirdly, the report raised the opinion that different countries should synchronized match on confirmation of transnational income and taxation & cost are incurred.
- Fourthly, it put forward the decision problem of permanent establishments under this digital economy, providing some ideas on solving problems in developing countries.
- Fifthly, it increased transparency of transfer pricing documentation, and encouraged enterprises to prepare organizational structure of its international group, economy activities, profit distribution and tax-related information of other countries, besides its own related information.

# 1. Changes in International Tax Situation

BEPS is mainly focusing on developed countries which deviates the decision of G20.

First of all, developed countries are not willing to fundamentally change the global income tax system. That is to say, they are adhering to the principle of independent trade and against the introduction of a global formula allocation method. However, it is currently digital & technical economy leading, we can not find comparable objects under the principle of independent trade.

Secondly, developed countries are not willing to share profits with developing countries. The problems like restrict royalties are incurred, increasing the withholding tax rate according to the national tax law, have not been solved by BEPS.

Thirdly, BEPS says the core of value creation is an intangible asset which appears its technology, researching & marketing channels, and sales skills at upstream and downstream of global value chain is controlled by the interest group of developed countries.

**BEPS only compresses the existence of tax havens, without concerning on the principles of cost-saving and market premium for developing countries.**



# 1. Changes in International Tax Situation

With the development of economic globalization, the environment & rules of international taxation are in a pattern of new replacing the old, big differentiation, major reorganization. The traditional international tax rules were based on avoiding double taxation, while the current new international tax rules emphasize to focus on the problems like not levy taxes of multilateral, less taxing, taxing buffer and so on. Facing the behavior that developed countries occupying the commanding heights of the global distribution of profits and controlling the initiative of the distribution of profits, we, developing countries should take actions, understand the situation, and brave enough to defend their own interests.



## 2. China is Facing the Challenge of International Tax Rules

- ◆ China is big at economic volume and has much proportion on export-oriented economy, which makes China the biggest victim country from worldwide tax base erosion and transferred tax sources of taxation avoidance. Multinational Corporations intercept or transfer the profits & tax incomes which are originally belong to China, via tax havens or low-tax operation.
- ◆ Regards to this point, China has introduced several related systems on anti-tax avoidance, especially defined adjustment provisions for special taxation in “Enterprise Income Tax Law in People’s Republic of China”. At the same time, the number of anti-tax avoidance cases and APA negotiation-signature in China stands forefront of the worldwide, but it has no big effect. In this respect, China, as the only one permanent member of the UN Security Council in developing countries, should on behalf of developing ones fight for more benefits on making the



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## 2. China is Facing the Challenge of International Tax Rules

- ◆ First, we need to participate in the progress of making the international tax rules in time, and fight for reasonable benefits.
- ◆ Second, we encourage Chinese enterprises to participate in the cost sharing agreement on global technology intangible assets and to enjoy the results of technology applications synchronously.
- ◆ Third, we need to emphasize market premium rules, take part in worldwide profit distribution and strengthen residents' jurisdiction on “Going out” enterprises.



## 2. China is Facing the Challenge of International Tax Rules

- ◆ Fourth, learning “Safe Harbor Rule” from BRIC countries like India, Brazil and so on, we should get rid of the shackles of independent trade principle and adopt more powerful & simpler measures on the competition of global profits and tax incomes.
- ◆ Fifth, we must strive to resolve the problem that on anti-tax avoidance investigations and advance pricing negotiations there is asymmetric information on Multinational Corporation. Furthermore, we have to enhance the exchange of tax information with the tax authorities in developed countries and strengthen the cooperation on tax collection and administration.
- ◆ Sixth, we should upgrade the management level of anti-tax avoidance, improve relevant laws and implement team coping and tax information management.



### 3. Certified Tax Agent Industry be Actively Involved in the Management of International Tax Rules

- ◆ The certified tax agent industry can provide services to enterprises in the following areas:

#### Tax risk management

First, Chinese enterprises should follow up the development of BEPS rules and corresponding measures of other countries. This action needs to be brought in the internal management system, especially in the tax risk management system.

#### International tax system

Second, on formulation and arrangements for international trade, we should fully understand related state tax jurisdiction and relevant policies, especially pay attention on special problems of digital products and service areas. We need to make proper arrangement on global trade according to this point.

#### Avoid tax risk

Third, in the process of international M & A transactions or reorganization, we have to review taxation and tax planning arrangements in reason, in order to avoid tax risks.

#### Prospective analysis

Fourth, we should strengthen research on the tax problems of new business models, especially on the problems, such as e-commerce, the use of financial derivatives, international trade and so on. We need to do prospective analysis and make layout in advance.



### 3. Certified Tax Agent Industry be Actively Involved in the Management of International Tax Rules

- ◆ Due to the vast difference of situations on tax laws & rules, there is certainly discretion of it existing. For example, the independent transaction principle in transfer pricing, which is affected by kinds of external environment and the factors, leads an imprecise real price in the independent transaction. In certain aspects, such as international control, tax planning and related transaction reporting, material preparation in the same period, investigation agency on anti-tax avoidance, and negotiation & signature on advance pricing of Multinational Corporations, with their professional business knowledge & skills, registered tax agents can help Chinese enterprises and Multinational Corporations achieve the targets of legally paying tax and business development according to international tax rules.



### 3. Certified Tax Agent Industry be Actively Involved in the Management of International Tax Rules

- ◆ OECD is now collaborating with those governments to balance business environments in all parts of the world, on pre-condition that they ensure fair and effective tax systems. For this reason, we, certified tax agent industry should actively participate in making & changing the international tax rules, assisting the enterprises to improve the level of adapting the order of international taxation, and promote the enterprises developing in a healthy way.





A photograph of a wind farm at sunset. Several white wind turbines are visible, receding into the distance along a path. The sky is a mix of blue and orange, with soft clouds. The foreground shows a dirt path and some low vegetation.

Thank you!