

Tax raid on share transfer in Beijing

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In brief

- » In August, Beijing's Chaoyang District has kicked off a desk-top check on share transfer cases.
- » A similar exercise could be extended to other areas in China.

Feedback

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In Detail

On 14 August 2019, Beijing's Chaoyang Tax Bureau held a briefing to enterprises in the district, announcing a tax raid against individual's share transfer cases.

The check aims to regulate the share transfer tax filing procedures and comprehensively intensify the inspections.

Per the guidelines disclosed in meeting, the tax authorities mainly focus on the following four types of share transfer cases:

- Those resulting in a large tax payment;
- Those carrying a consideration value;
- Those requiring no actual payment;
- Those resulting in a lower taxable basis without bona fide reasons.

The tax authority will firstly run through all the tax filing records concerning share transfers. Further information exchanges with other tax bureaus will take place on any special issues identified during the check, and a schedule will be set for rectification or tax collection. It is expected that the checks outcome will help establish a consistent working approach in handling the case involving individuals transferring shares in enterprises, and to improve the filing management.

WTS Observation

It was the Chaoyang district in Beijing which has organized the tax raid in mid-August 2019. We have not yet heard of any similar exercise in other districts or cities, and thus believe that it should be a district practice, rather than a national movement. Still, we have observed in recent years that share transfer involving individuals has always been a popular subject to tax audits, under the persistent urge from the State Administration for Taxation (SAT) for intensifying tax collection from high net-worth individuals (HNWI). It cannot be ruled out that similar raids may have existed in other cities and areas, though not publicly disclosed. Anyhow, it suffices to ring the bell to those share transfer cases bearing some of the high-risk characteristics as described by the Chaoyang tax authority. Precaution and preparation is advised, in case a tax enquiry has come up.

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