



A Small Change in Tax Practice, a Great Facilitation for Business

Source: JFU

9 September 2013

On 9th July 2013, the State Administration of Taxation and the State Administration of Foreign Exchange issued a Joint Notice No. 40 of 2013, which modifies the tax administration's practice that requires a person wishing to make an overseas remittance to produce a tax clearance certificate before they can do so. The new practice, which became effective this month on 1 September 2013, is welcomed as it allows persons and businesses with legitimate needs to make overseas remittances to do so more efficiently.

The new practice only requires a local payer to put on record that an overseas remittance will be made by filing a registration form with the tax office where the amount of remittance is over USD50,000. On receipt of a duly completed registration form along with supporting documents, the tax office is required to stamp the form as acknowledgement and give the payer a stamped copy of the form to facilitate an application for overseas remittance at designated foreign exchange banks. According to the notice, the supporting documents required are copies of duly stamped / authorized contracts or related transaction papers.

This new practice should greatly simplify the compliance obligations for both taxpayers and withholding agents making payments overseas as, according to the notice, taxpayers can conduct foreign currency business and fulfill tax obligations as they arise, without the need to obtain tax approval in advance. The Tax administration can subsequently assess if the taxpayers' liabilities to tax are properly discharged.

Although all the administrative details of the new practice are not yet available, it goes without saying that to benefit from the practice persons wishing to make overseas remittances should ensure that the foreign currency business is within their business scope. They should also ensure that the documentation and the registration they file accurately reflect the transaction being undertaken. This will enable the tax office to easily assess the taxpayers' tax liabilities so that implementation of the new practice will run smoothly, benefiting the payer and the tax administration alike.