



Doing Business in China: - The Practice and An Update

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KPMG IN CANADA

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Agenda

- ◆ China's Foreign Investment Approval Mechanism
- ◆ Doing Business in China – Things to Note
- ◆ Questions and Answers

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China Practice in KPMG Canada

- ◆ Range of audit, tax and advisory services for any stage of business
- ◆ Management's commitment, and team up with KPMG in China
- ◆ In-depth knowledge about doing business with China
- ◆ Dedicated members based in all major Canadian cities
- ◆ Assist China-based companies in Canada

Doing Business in China - Can you invest?

Industry	Yes	No
Railway transport		
Gold Mining		
Logistical service		
Golf course management		
Telephone service		

Doing Business in China - Can you invest?

Industry	Yes	No
Railway transport	X*	
Gold Mining	X*	
Logistical service	X*	
Golf course management		X
Telephone service	X*	

Doing Business in China – Approval Mechanism

◆ Foreign Investment Guidance

- Encouraged
- Restricted
- Prohibited
- Permitted

Doing Business in China – Approval Mechanism

◆ Foreign Investment Guidance (Nov. 2007 Edition)

- Environment protection and pollution prevention
- R&D activities
- Manufacturing sector
- Third party logistic services

Doing Business in China – Common Vehicles

- ◆ Offshore service
- ◆ Contract manufacturing (contract processing)
- ◆ Representative office
- ◆ Foreign investment enterprise (FIE)

Doing Business in China - Taxes

- ◆ Customs Tariff
- ◆ Business Tax
- ◆ VAT
- ◆ Corporate Income Tax
- ◆ Individual Income Tax
- ◆ Others

Tax-efficient Supply Chain - Special Tariff Areas

- ◆ Special Economic Zone (“SEZ”)
- ◆ Free Trade Zone (“FTZ”)
- ◆ Export Processing Zone (“EPZ”)
- ◆ Bonded Logistics Park (“BLP”)
- ◆ Bonded Logistics Centres (“BLC”)
- ◆ Export Supervision Warehouse (“ESW”)
- ◆ Bonded Warehouses (“BW”)
- ◆ And more

Tax-efficient Supply Chain - Issues

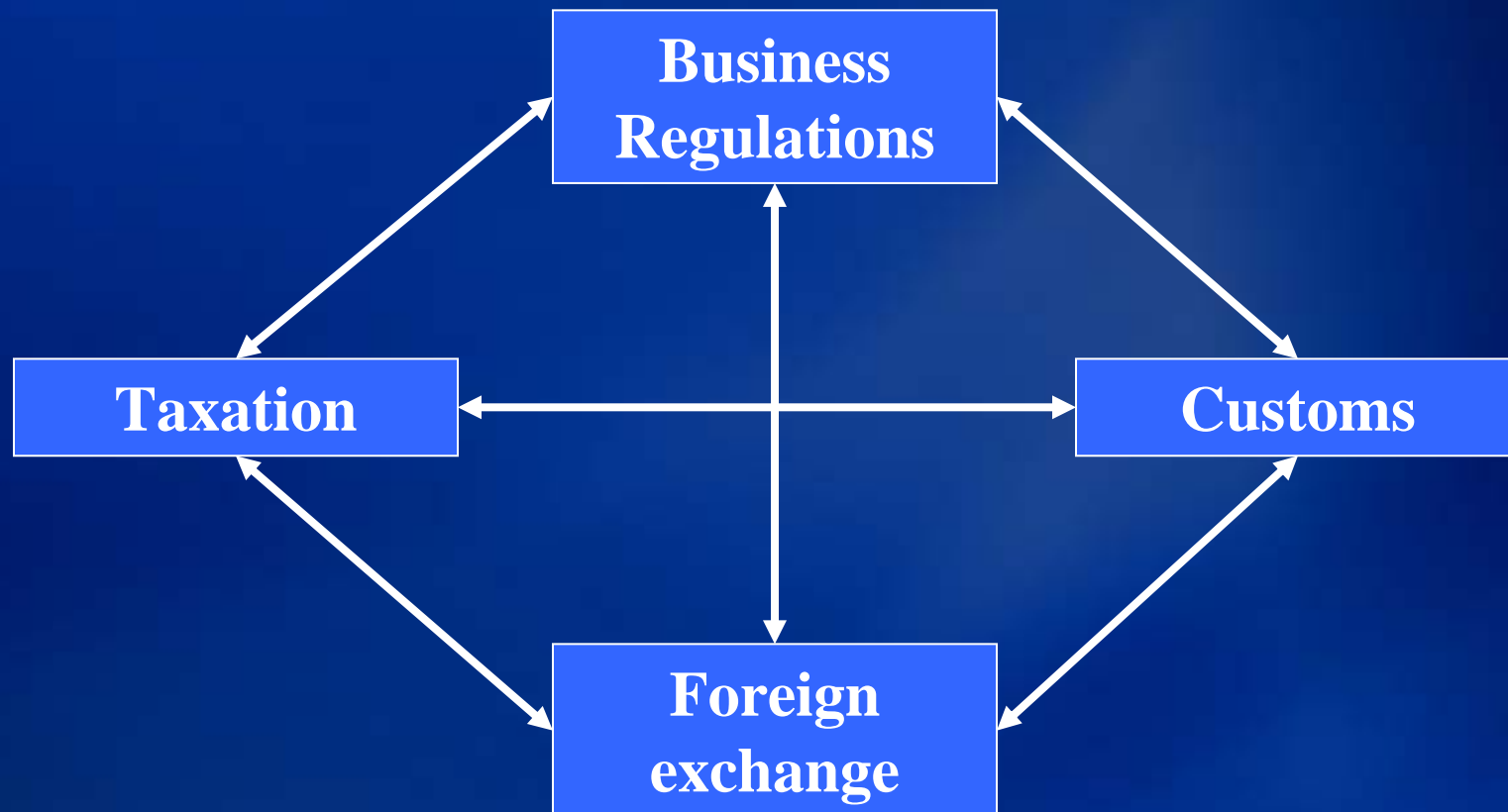
- ◆ **Business model**
- ◆ **Ownership**
- ◆ **VAT treatments**
- ◆ **Import Taxes implication**
- ◆ **Burden of Customs Control**

Doing Business in China – Fund Repatriation

- ◆ Service fees
- ◆ Leasing fee
- ◆ Interests
- ◆ Royalties
- ◆ Dividends

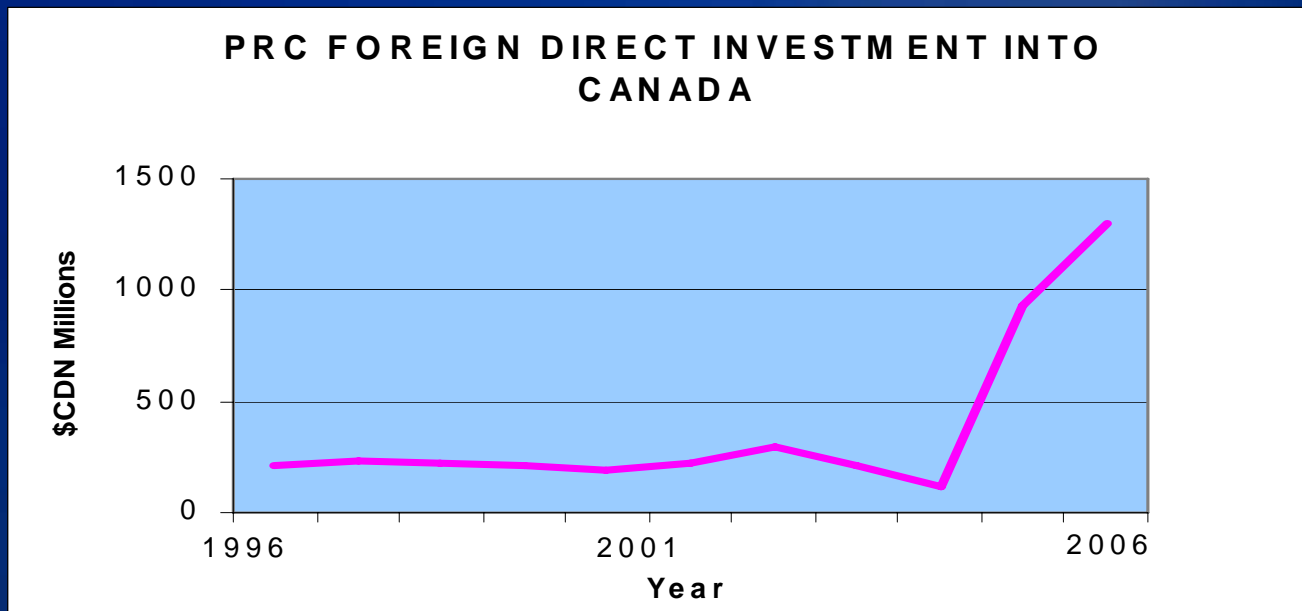
Business Tax? Withholding Tax?

Doing Business in China – the regulators



Global M&A and Chinese Companies

- Outbound investment by Chinese companies
- Canada as an investment destination
- The trend



Doing Business in China - things to note

- ◆ **Do your homework**
 - International holding structure
 - Compliances
 - Supply chain optimization
 - Transfer Pricing
- ◆ **Find a capable advisor / partner**

KPMG in China



- More than 7,000 audit, tax and advisory professionals

- Offices in 11 cities

- Hong Kong SAR operations have been established for over 60 years

- In 1992, KPMG was the first international accounting firm to be granted a joint venture license in China

Questions & Answers



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