

China (People's Republic of)

1. China was first reviewed during the 2017/2018 peer review. This report is supplementary to China's 2017/2018 peer review report (OECD, 2018^[1]). The first filing obligation for a CbC report in China commences in respect of financial years beginning on or after 1 January 2016.

Summary of key findings

2. China's implementation of Action 13 minimum standard meets all applicable terms of reference (OECD, 2017^[2]) relating to the domestic legal and administrative framework, except for the following:

- China's 2017/2018 peer review included a recommendation that China clarify the exact scope, conditions and legal basis under the minimum standard and/or the exchange of information framework for the filing exemption in relation to information relating to National Security. This recommendation remains in place.
- China's 2017/2018 peer review included a recommendation that China amend its legislation or otherwise takes steps to ensure that local filing is only required in the circumstances contained in the terms of reference. This recommendation remains in place.

3. It is recommended that China should continue to work actively towards putting in place qualifying competent authority arrangements with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which China has an international exchange of information agreement in effect that allows for the automatic exchange of tax information.

4. It is recommended that China take steps to implement processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework ahead of its first exchanges of information.

5. The 2017/2018 peer review included a recommendation that China take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. China now has processes which have enabled it to answer yes to all 6 questions on appropriate use identified in the OECD *Guidance on the Appropriate Use of Information contained in CbC Reports* (OECD, 2017^[4]). The recommendation is therefore removed

Part A: The domestic legal and administrative framework

6. China has primary and secondary laws in place to implement the BEPS Action 13 minimum standard, establishing the necessary requirements, including the filing and reporting obligations.

(a) Parent entity filing obligation

7. China's 2017/2018 peer review included a recommendation that China clarify the exact scope, conditions and legal basis under the minimum standard and/or the exchange of information framework for the filing exemption in relation to information relating to National Security. This recommendation remains in place. China confirm that, as at 31 March 2019, no MNEs have been exempted from filing under this provision.

(b) Scope and timing of parent entity filing

8. No changes were identified with respect to the scope and timing of parent entity filing.

(c) Limitation on local filing obligation

9. China's 2017/2018 peer review included a recommendation that China amend its legislation or otherwise takes steps to ensure that local filing is only required in the circumstances contained in the terms of reference. This recommendation remains in place. China confirm that, as at 31 March 2019, no foreign MNEs have been required to comply with local filing rules.

(d) Limitation on local filing in case of surrogate filing

10. No changes were identified with respect to the limitation on local filing in case of surrogate filing.

(e) Effective implementation

11. No changes were identified with respect to the effective implementation

Conclusion

12. There is no change in relation to the domestic legal and administration framework for China since the previous peer review.

13. China's 2017/2018 peer review included a recommendation that China clarify the exact scope, conditions and legal basis under the minimum standard and/or the exchange of information framework for the filing exemption in relation to information relating to National Security. This recommendation remains in place.,

14. China's 2017/2018 peer review included a recommendation that China amend its legislation or otherwise takes steps to ensure that local filing is only required in the circumstances contained in the terms of reference. This recommendation remains in place.

Part B: The exchange of information framework***(a) Exchange of information framework***

15. As at 31 May 2019, China has 44 bilateral relationships activated under the CbC MCAA. Within the context of its international exchange of information agreements that allow automatic exchange of information, China should continue to take steps to have Qualifying Competent Authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions.

(b) Content of information exchanged

16. China does not have a process or written procedures in place that are intended to ensure that each of the mandatory fields of information required in the CbC reporting template are present in the information exchanged.

17. It is recommended that China implement a process to ensure that each of the mandatory fields of information required in the CbC reporting template are present in the information exchanged.

(c) Completeness of exchanges

18. China has processes in place that are intended to ensure that CbC reports are exchanged with all tax jurisdictions listed in Table 1 of a CbC report with which it should exchange information as per the relevant QCAA. It has provided details in relation to these procedures.

(d) Timeliness of exchanges

19. China has processes or written procedures in place that are intended to ensure that the information to be exchanged is transmitted to the relevant jurisdictions in accordance with the timelines provided for in the relevant QCAs. It has provided details in relation to these procedures.

(e) Temporary suspension of exchange or termination of QCAA

20. China has processes in place that are intended to ensure that a temporary suspension of the exchange of information or termination of a relevant QCAA would be carried out only as per the conditions set out in the relevant QCAA. It has provided details in relation to these procedures.

(f) Consultation with other Competent Authority before determining systemic failure or significant non-compliance

21. China has processes in place that are intended to ensure that its Competent Authority consults with the other Competent Authority before making a determination of systemic failure or significant non-compliance with the terms of the relevant QCAA by that other Competent Authority. It has provided details in relation to these procedures.

(g) Format for information exchange

22. China confirms that it uses the OECD XML schema and User Guide (OECD, 2017^[3]) for the international exchange of CbC reports

(h) Method for transmission

23. China indicates that it uses the Common Transmission System to exchange CbC reports.

Conclusion

24. It is recommended that China should continue to work actively towards putting in place qualifying competent authority arrangements with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which China has an international exchange of information agreement in effect that allows for the automatic exchange of tax information.

25. China does not yet have in place the necessary processes and written procedures to ensure that each of the mandatory fields of information required in the CbC reporting template are present in the information exchanged. It is recommended that China implement a process to ensure that each of the mandatory fields of information required in the CbC reporting template are present in the information exchanged.

Part C: Appropriate use

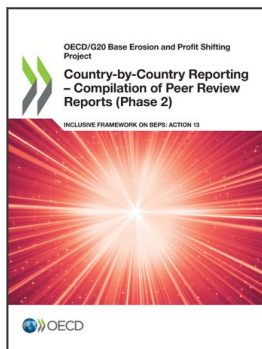
26. The 2017/2018 peer review included a recommendation that China take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. China now has processes which have enabled it to answer yes to all 6 questions on appropriate use identified in the OECD *Guidance on the Appropriate Use of Information contained in CbC Reports* (see Appendix A). The recommendation is therefore removed.

Conclusion

27. China meets all the terms of reference in relation to appropriate use.

Summary of recommendations on the implementation of Country-by-Country Reporting

Aspect of the implementation that should be improved		Recommendation for improvement
Part A	Domestic legal and administrative framework	It is recommended that China clarify the exact scope and legal basis under the minimum standard and/or the exchange of information framework for the filing exemption in relation to national security.
Part A	Domestic legal and administrative framework	It is recommended that China amend its legislation or otherwise take steps to ensure that local filing is only required in the circumstances contained in the terms of reference.
Part B	Exchange of information framework	It is recommended that China should continue to work actively towards putting in place qualifying competent authority arrangements with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which China has an international exchange of information agreement in effect that allows for the automatic exchange of tax information.
Part B	Exchange of information framework	It is recommended that China implement a process to ensure that each of the mandatory fields of information required in the CbC reporting template are present in the information exchanged.
Part C	Appropriate Use	-



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