

CORPORATE INCOME  
TAX LAW AND PRACTICE  
IN THE PEOPLE'S  
REPUBLIC OF CHINA

FULI CAO

OXFORD

*Oxford University Press, Inc., publishes works that further Oxford University's objective of excellence in research, scholarship, and education.*

Oxford New York

Auckland Cape Town Dar es Salaam Hong Kong Karachi Kuala Lumpur Madrid Melbourne  
Mexico City Nairobi New Delhi Shanghai Taipei Toronto

With offices in

Argentina Austria Brazil Chile Czech Republic France Greece Guatemala Hungary Italy  
Japan Poland Portugal Singapore South Korea Switzerland Thailand Turkey Ukraine  
Vietnam

Copyright © 2011 by Oxford University Press, Inc.

Published by Oxford University Press, Inc.

198 Madison Avenue, New York, New York 10016

Oxford is a registered trademark of Oxford University Press

Oxford University Press is a registered trademark of Oxford University Press, Inc.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of Oxford University Press, Inc.

---

Library of Congress Cataloging-in-Publication Data

Cao, Fuli.

Corporate income tax law and practice in the People's Republic of China / Fuli Cao.

p. cm.

Includes bibliographical references and index.

ISBN 978-0-19-539339-2 ((pbk.) : alk. paper)

1. Business enterprises—Taxation—Law and legislation—China. 2. Corporations—Taxation—Law and legislation—China. 3. Income tax—Law and legislation—China. 4. Taxation—Law and legislation—China.

I. Title.

KNQ3592.C36 2011

343.5105'267—dc22

2010046919

---

1 2 3 4 5 6 7 8 9

Printed in the United States of America on acid-free paper

**Note to Readers**

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is based upon sources believed to be accurate and reliable and is intended to be current as of the time it was written. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional person should be sought. Also, to confirm that the information has not been affected or changed by recent developments, traditional legal research techniques should be used, including checking primary sources where appropriate.

*(Based on the Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers and Associations.)*

<p>You may order this or any other Oxford University Press publication by visiting the Oxford University Press website at <a href="http://www.oup.com">www.oup.com</a></p>
--

---

## Preface

THE OBJECTIVE OF this book is to provide a comprehensive guide to China Corporate Income Tax Law, to help business people, professionals, and students to better understand the China Corporate Income Tax system. A new Corporate Income Tax Law came into effect on January 1, 2008. The new tax law has unified the two former corporate income tax systems, one of which was applicable to domestic enterprises and one of which was applicable to foreign enterprises and foreign invested enterprises. The new tax law applies to all enterprises. Since the promulgation of the tax law and its implementation rules, the Ministry of Finance and the State Administration of Taxation have issued various interpretation circulars. A large portion of this book summarizes those circulars along with relevant sections of law. Lawyers, accountants, and other professionals may find the mapping of sections of tax law, regulations, and circulars and the areas of business transactions and operations useful. Detailed citations will allow readers to find the authorities at their original sources. I have also included some introductory and historical information for those who seek general knowledge of China tax law. Readers who are interested in narrowly-focused issues may choose to read selectively.

A chapter is devoted to addressing major areas of tax treaties and arrangements between China and other countries or regions. Tables summarizing treaty treatments such as permanent establishment, dividends, interest, royalties, and capital gain can provide readers with easy reference and comparison. Whilst the issues of administration and enforcement of specific tax rules are discussed in various chapters, separate chapters cover tax compliance and tax audit and appeals.

Throughout the book, the author comments on various tax rules and offers his view of possible tax treatments in the areas that have not been addressed or clearly addressed by the law, regulations, and other authorities. Such commentary and interpretations, of course, are subject to error and may not necessarily agree with the interpretation of the Chinese tax authorities.

The book is written based on the materials available to the general public through November 26, 2010. Some of the tax rules or their interpretations may change subsequent to such date.

Finally, I would like to thank Megan Fu, Jiang Zhou, and Sindy Meng for their assistance in the production of this book

Fuli Cao  
Beijing, China  
November 2010

# Contents

Preface xiii

## *1. Introduction* 1

- 1.1 Legal Framework—Sources of Law and Regulations and Their Implementation 1
  - 1.1.1. Tax Laws 1
  - 1.1.2. Tax Regulations Issued by the State Council 2
  - 1.1.3. Tax Regulations Issued by the MOF and the SAT 3
- 1.2 Development of Corporate Income Tax System 8
  - 1.2.1. 1949–1980: Early Taxation System of New China 8
  - 1.2.2. 1980–1990: Multiple Tax Systems in Early Years of China's Open Door Policy and Economic Reform 9
  - 1.2.3. Tax Reforms of 1991 and 1993—Two Corporate Income Tax Systems 10
  - 1.2.4. Tax Reform of 2007—Unification of Two Tax Systems 11

## *2. Taxpayers* 13

- 2.1 Resident Enterprise 13
  - 2.1.1. Enterprises Organized under Chinese Laws 14
  - 2.1.2. Enterprises Organized under Foreign Laws 20
- 2.2 Non-Resident Enterprise 22
  - 2.2.1. Foreign Company Carrying on Trade or Business in China 23
  - 2.2.2. Foreign Company Receiving Income from China That is not Connected with Establishment in China 26
  - 2.2.3. Representative Office of Foreign Enterprise 27

*3. Tax Base and Rate 31*

- 3.1 General 31
- 3.2 Small Scale Enterprises with Low Profitability 32
- 3.3 Deemed Profit Rate and Deemed CIT 33
  - 3.3.1. Resident Enterprise 33
  - 3.3.2. Non-Resident Enterprise with Establishment in China 36
  - 3.3.3. Foreign Representative Office 39
- 3.4 Non-Resident Enterprise without Establishment in China 42

*4. Income 44*

- 4.1 Revenue from the Sale of Goods 45
- 4.2 Revenue from the Provision of Services 47
- 4.3 Revenue from Transfer of Property 49
- 4.4 Dividends 52
- 4.5 Interest Income 53
- 4.6 Rental Income 54
- 4.7 Royalties 56
- 4.8 Donation Income 57
- 4.9 Income from Real Estate Development 58
- 4.10 Other Revenue 62

*5. Deductions 65*

- 5.1 Inventories 66
- 5.2 Staff Expenses 66
  - 5.2.1. Salary and Wages 66
  - 5.2.2. Pension and Insurance Premiums 68
  - 5.2.3. Staff Welfare Expenses 68
  - 5.2.4. Labor Union Fund Contributions 69
  - 5.2.5. Staff Education Expenses 70
- 5.3 Entertainment Expenses 71
- 5.4 Interest Expenses 71
- 5.5 Research and Development Expenses 77
- 5.6 Leasing Expenses 78
- 5.7 Management fees 78
- 5.8 Donations 79
- 5.9 Sponsorship Expenses 82
- 5.10 Advertising Expenses 83
- 5.11 Foreign Exchange Losses 84
- 5.12 Dividends 84
- 5.13 Penalties 85

- 5.14 Provisions 85
  - 5.14.1. Provisions for Loan Losses for Financial Institutions 86
  - 5.14.2. Reserves for Institutions that Provide Credit Guarantee for Small- and Medium-Sized Enterprises 88
  - 5.14.3. Provisions for Securities Companies 89
  - 5.14.4. Reserves for Insurance Companies 91
- 5.15 Deduction of Reinsurance Claims 93
- 5.16 Commission Expenses 93
- 5.17 Asset Losses 94
  - 5.17.1. Time of and Approval for Deduction 94
  - 5.17.2. Evidence of Asset Losses 96
  - 5.17.3. Recognition of Monetary Asset Losses 98
  - 5.17.4. Recognition of Non-Monetary Asset Losses 100
  - 5.17.5. Recognition of Debt Investment Losses 106
  - 5.17.6. Recognition of Equity Investment Losses 111
  - 5.17.7. Loss of Managed Investment 112
  - 5.17.8. Loss on Guarantee 112
  - 5.17.9. Non-Deductible Losses 112
- 5.18 Expenses of Real Estate Development 113
  - 5.18.1. Maintenance Costs 113
  - 5.18.2. Common Facilities 114
  - 5.18.3. Financial Charges and Commission 115
  - 5.18.4. Other Expenses 115
  - 5.18.5. Calculation of Tax Basis 115
- 5.19 Net Operating Losses 119
- 5.20 Taxes 120

## 6. *Depreciation and Amortization* 121

- 6.1 Fixed Assets 121
  - 6.1.1. Tax Basis 122
  - 6.1.2. Normal Depreciation Method and Recovery Periods 123
  - 6.1.3. Accelerated Depreciation 124
- 6.2 Biological Assets 126
- 6.3 Oil and Gas Enterprises 127
  - 6.3.1. Expenses of Acquisition of Exploration Right 127
  - 6.3.2. Exploration Expenses 127
  - 6.3.3. Depreciation of Development Assets 128
  - 6.3.4. Abandonment Costs 129
- 6.4 Intangibles 130
- 6.5 Long-Term Deferred Expenses 131
- 6.6 Pre-operating Expenses 132

*7. Mergers and Acquisitions* 133

- 7.1 General 133
- 7.2 Classification of Reorganizations 134
- 7.3 Parties to Reorganization and Date of Reorganization 135
- 7.4 Ordinary Reorganizations 136
  - 7.4.1. Change of Legal Forms of Enterprise 136
  - 7.4.2. Enterprise Debt Restructuring 137
  - 7.4.3. Stock Acquisition 138
  - 7.4.4. Asset Acquisition 141
  - 7.4.5. Merger 144
  - 7.4.6. De-merger 146
  - 7.4.7. Documentation and Filing Requirements 151
- 7.5 Special Reorganization 153
  - 7.5.1. Common Requirements to Qualify as Special Reorganization 153
  - 7.5.2. Debt Restructuring 155
  - 7.5.3. Stock-to-Stock Transaction 157
  - 7.5.4. Stock for Asset Transaction 160
  - 7.5.5. Mergers 161
  - 7.5.6. De-merger 165
  - 7.5.7. Consideration Other than Qualified Stock 168
  - 7.5.8. Cross-Border Reorganization 172
  - 7.5.9. Step Transactions 178
  - 7.5.10. Filing Requirement 179
- 7.6 Tax Incentives Existing Prior to Transaction 183
- 7.7 Contribution of Assets in Enterprise Formation 187
- 7.8 Financing Acquisition 188
  - 7.8.1. Debt at the Subsidiary Level 188
  - 7.8.2. Debt at the Parent Level 189
- 7.9 Indirect Transfer of Resident Enterprise by Non-Resident Enterprise 190
- 7.10 China Implementation of Global Mergers and Acquisitions 191
  - 7.10.1. Global Merger with Direct China Subsidiaries 192
  - 7.10.2. Global Merger with Indirect China Subsidiaries 192
  - 7.10.3. Taxable Asset Acquisition 193
  - 7.10.4. Taxable Stock Acquisition 194
- 7.11 Consideration of Taxes Other than CIT 195
  - 7.11.1. Value Added Tax 195
  - 7.11.2. Business Tax 200
  - 7.11.3. City Maintenance and Construction Tax and Education Surcharge 201
  - 7.11.4. Land Appreciation Tax 202
  - 7.11.5. Deed Tax 202

- 7.11.6. Stamp Duty 203
- 7.11.7. Customs Duty 204

## 8. *Tax Incentives* 205

- 8.1 Agriculture, Forestry, Animal Husbandry, and the Fishery Industry 205
- 8.2 Public Infrastructure 206
- 8.3 Environmental Protection and Resources Conservation 208
- 8.4 Super Deduction of Research and Development Expenditures 210
- 8.5 Technology Transfer 211
- 8.6 High and New Technology Enterprises 213
  - 8.6.1. Qualifications 214
  - 8.6.2. Application Procedures 219
  - 8.6.3. Application for Tax Incentives 221
- 8.7 Software and Integrated Circuits 222
- 8.8 Animation Enterprises 223
- 8.9 Venture Capital Investment Enterprises 225
- 8.10 Clean Development Mechanism Projects 227
- 8.11 Service Outsourcing Business 228
  - 8.11.1. Scope of Advanced Technology Services 229
  - 8.11.2. Qualification for Advanced Technology Service Enterprises 231
  - 8.11.3. Procedures for Recognition of Advanced Technology Service Enterprises 232
- 8.12 Employment of Disabled Personnel 232
- 8.13 Culture Enterprises 234
- 8.14 Rural Finance 235
- 8.15 Transition Rules for Tax Incentives Granted under Old Tax Law and Regulations 236
- 8.16 Local Tax Incentives 239

## 9. *Income from Foreign Countries and Regions* 241

- 9.1 Taxable Income from Foreign Country or Region 241
  - 9.1.1. Computation of Taxable Income of Foreign Branch 242
  - 9.1.2. Computation of Taxable Income from Other Foreign Sources 243
  - 9.1.3. Foreign Sourced Income of Non-Resident 244
  - 9.1.4. Allocation of Common Expenses 244
- 9.2 Foreign Tax Credit 245
  - 9.2.1. Creditable Taxes 245
  - 9.2.2. Direct Foreign Tax Credit 247
  - 9.2.3. Indirect Foreign Tax Credit 248
  - 9.2.4. Limitations on Foreign Tax Credit 254

- 9.2.5. Simplified Method 258
- 9.2.6. Sparing Tax Credit 260
- 9.2.7. Documentation for Claiming Foreign Tax Credit 261
- 9.3 Controlled Foreign Corporation 262
- 9.4 General Anti-Avoidance Provision 264

## *10. Income Tax Treaties 266*

- 10.1 Legal Authority and Interpretations of Tax Treaties 266
- 10.2 Treaty Network 268
- 10.3 Resident 272
- 10.4 Beneficial Owner 274
- 10.5 Permanent Establishment 276
  - 10.5.1. Definition 276
  - 10.5.2. Work Site of Construction, Assembly, and Installation 277
  - 10.5.3. Provision of Services 278
  - 10.5.4. Preparatory and Auxiliary Activities 280
  - 10.5.5. Conclude Contracts by Non-Independent Agent 282
  - 10.5.6. Independent Agent 283
  - 10.5.7. Relationship between Parent and Subsidiary 284
- 10.6 Dividends, Interest, and Royalties 285
- 10.7 Capital Gains 292
- 10.8 Elimination of Double Taxation 303
- 10.9 Non-Discrimination 304
- 10.10 Mutual Agreement Procedures 305
- 10.11 Exchange of Information 305
- 10.12 How to Obtain Treaty Benefits 310
  - 10.12.1. Claims for Treaty Benefits for Dividend, Interest, Royalty, and Gains on Transfer of Properties 311
  - 10.12.2. Claims for Benefits under Other Treaty Provisions 314
  - 10.12.3. Record Retention, Examination, and Penalties 315

## *11. Transfer Pricing 317*

- 11.1 General Principle 317
- 11.2 Related Parties 318
- 11.3 Types of Transactions Covered 320
- 11.4 Transfer Pricing Methodologies 320
  - 11.4.1. Comparable Uncontrolled Price Method 321
  - 11.4.2. Resale Price Method 323
  - 11.4.3. Cost-Plus Method 323
  - 11.4.4. Transaction Net Margin Method 324
  - 11.4.5. Profit Split Method 325

11.5 Reporting and Contemporaneous Documentation	326
11.5.1. Annual Filing	326
11.5.2. Contemporaneous Documentation	326
11.6 Transfer Pricing Audit and Adjustment	329
11.7 Advance Pricing Arrangement (APA)	332
11.8 Cost-Sharing Agreement (CSA)	339
11.9 Corresponding Adjustments and International Negotiation	342
11.10 Penalties, Interest, and Statute of Limitation	343
 12. <i>Withholding of Tax at Source</i>	345
12.1 Income not Effectively Connected with Establishment in China	345
12.2 Interest Paid to Foreign Bank and Foreign Branch	349
12.3 Income of Foreign Service Providers	349
12.4 Withholding on Payment to Individuals	350
12.5 Penalties on Withholding Agent	351
12.6 Enforcement in Conjunction with Foreign Exchange Regulations	351
 13. <i>Liquidation</i>	354
13.1 Definition	354
13.2 Tax Year	356
13.3 Treatment to Liquidating Company	357
13.4 Treatment to Shareholders	359
13.5 Tax Withholding on Liquidation	361
13.6 Liquidation of Company Whose Shares are Traded on Stock Exchanges	362
 14. <i>Tax Filings and Payments</i>	364
14.1 Tax Bureaus	364
14.2 Tax Registration	368
14.3 Provisional Tax Filing and Payment	370
14.4 Annual CIT Filing	377
14.5 Translation of Foreign Currency	378
14.6 Filing of Withholding Tax	378
14.7 Interest and Penalties	379
14.7.1. Late Payment Charge and Interest	379
14.7.2. Administrative Penalties	380
14.7.3. Criminal Penalties	381
14.8 Statute of Limitation	382
14.9 Confidentiality of Tax Information	383

15. *Tax Audit and Appeal* 385

- 15.1 Offices in Charge of Tax Audit 385
- 15.2 Types of Tax Audits 386
- 15.3 Procedures of Tax Audits 387
  - 15.3.1. Jurisdiction of Audit Bureau 387
  - 15.3.2. Audit Target Selection 388
  - 15.3.3. Tax Inspection 389
  - 15.3.4. Review and Decision of Tax Audit 392
  - 15.3.5. Enforcement of Tax Audit 393
- 15.4 Tax Administrative Appeal 394
- 15.5 Tax Litigation 398
  - 15.5.1. Juridical System 398
  - 15.5.2. Judicial Trial in First Instance 398
  - 15.5.3. Judicial Trial in Second Instance 401
  - 15.5.4. Petition for Review of Legally Effective Judgment 402
  - 15.5.5. Role of Procuratorate 403
  - 15.5.6. Enforcement of Judgment 403
  - 15.5.7. Compensation to Taxpayers 404

APPENDIX

Corporate Income Tax Law of the People's Republic of China (unofficial English translation) 405

Corporate Income Tax Law of the People's Republic of China (Chinese version) 414

The Implementation Rules for the Corporate Income Tax Law of the People's Republic of China (unofficial English translation) 421

The Implementation Rules for the Corporate Income Tax Law of the People's Republic of China (Chinese version) 446

GLOSSARY 463

KEY WORDS 465

TABLE OF AUTHORITIES 469

INDEX 505

# 1

## INTRODUCTION

### 1.1 Legal Framework—Sources of Law and Regulations and Their Implementation

---

China taxes are collected by different tax authorities based on various bodies of law and regulations. This section introduces the sources of tax laws and regulations in general, and the authority of relevant government agencies in relation to promulgation and enforcement of tax laws and regulations. This tax legislation and these regulatory frameworks apply to all categories of taxes, including Corporate Income Tax (the CIT).

#### 1.1.1 TAX LAWS

Tax laws are promulgated by the National People's Congress of the People's Republic of China (the NPC) and the Standing Committee of the NPC. The NPC is the unicameral body vested with the authority to establish laws in China.<sup>1</sup> The NPC is composed of deputies elected by the provinces, autonomous regions, municipalities directly under the central government, and special administrative regions, as well as the armed forces.<sup>2</sup>

---

<sup>1</sup> Article 58 of Constitution of the People's Republic of China (PRC).

<sup>2</sup> Article 59 of Constitution of the PRC.

The NPC holds a session once every year.<sup>3</sup> The powers of the NPC include the formulation and amendment of fundamental laws related to criminal offenses, civil affairs, state institutions, and other matters.<sup>4</sup>

The Standing Committee of the NPC can enact and revise laws other than those properly formulated by the NPC. When the NPC is not in secession, the Standing Committee can enact amendments and additions to the laws passed by the NPC, provided that the basic principles of these laws are not contravened. The Standing Committee can interpret all the laws.<sup>5</sup>

Fundamental tax systems must be in the form of law.<sup>6</sup> Corporate Income Tax Law (the CIT Law) is one of the important tax laws passed by the NPC.

### 1.1.2 TAX REGULATIONS ISSUED BY THE STATE COUNCIL

The State Council is the executive branch of China, the highest organ of state power and of state administration.<sup>7</sup> The State Council is given a number of functions and powers, including but not limited to the adoption of administrative measures, rules, and orders.<sup>8</sup> The tax regulations issued by the State Council mainly consist of following three types:

#### (1) Implementation Rules of Tax Law

A tax law enacted by the NPC or the Standing Committee of the NPC usually sets forth principles and some important provisions. The law often authorizes the State Council to issue the implementation rules of the law. The State Council then issues detailed implementation rules interpreting some of the articles contained in the tax law. Such implementation rules must be consistent with the principles provided in the tax law. However, the tax law often gives the State Council broad power to interpret the law. Accordingly, the implementation rules sometimes provide new rules where the law is silent, such as the Detailed Rules for the Implementation of PRC Corporate Income Tax Law (the CIT Implementation Rules).

#### (2) Provisional Tax Regulations

China Legislation Law requires that major taxes be regulated by law.<sup>9</sup> However, in the event that no law has been enacted regarding certain matters, the NPC and the Standing

---

<sup>3</sup> Article 61 of Constitution of the PRC.

<sup>4</sup> Article 62 of Constitution of the PRC.

<sup>5</sup> Article 67 of Constitution of the PRC; Article 7 of the Legislation Law of the PRC.

<sup>6</sup> Article 8 of the Legislation Law of the PRC.

<sup>7</sup> Article 85 of Constitution of the PRC.

<sup>8</sup> Article 89 of Constitution of the PRC.

<sup>9</sup> Article 8 of the Legislation Law of the PRC.

Committee of the NPC may authorize the State Council to enact administrative regulations concerning the relevant matters as needed.<sup>10</sup> Accordingly, the State Council in practice exercises the power to introduce and abolish taxes and change tax rates in the areas in which no tax law has been enacted. Various indirect taxes have been introduced and governed by provisional tax regulations issued by the State Council. These taxes currently include, et alia, Value-added Tax, Business Tax, Consumption Tax, City Maintenance and Construction Tax, Resources Tax, Land Appreciation Tax, Property Tax, Vehicle and Ship Tax, Stamp Duty, and Deed Tax.

### (3) Interpretational Tax Circulars

The State Council may issue notices or other forms of circulars interpreting tax implementation rules and the provisional tax regulations. These circulars often address principal areas, while detailed tax circulars are issued by the Ministry of Finance (the MOF) and the State Administration of Taxation (the SAT).

#### 1.1.3 TAX REGULATIONS ISSUED BY THE MOF AND THE SAT

The MOF is directly under the State Council. One area of responsibility of the MOF is to propose and implement tax policies. It can propose tax legislation plans; review and submit tax laws and regulations working together with the SAT; make tax revenue plans; propose the increase or decrease of categories of taxes, adjustment to tax rates, and tax incentives; participate in international tax and customs negotiations; and sign international tax treaties. It is also responsible for day-to-day work for the State Council Tariff Committee. The organization chart of the MOF is shown in Diagram 1.1.3-1. Tax Policy Department is the main office in charge of tax policy matters with the MOF. The department works closely with the SAT in proposing tax policies, drafting tax law and regulations, and issuing tax interpretation circulars. Diagram 1.1.3-1. details major divisions of Tax Policy Department of the MOF and their responsible areas of taxes.

The SAT is a ministry-level department directly under the State Council in charge of the tax policy and tax collection. SAT's responsibilities include, among others, drafting tax laws and regulations, formulating detailed implementation rules for tax laws and regulations, working together with the MOF to propose tax policies, organizing collection and administration of taxes, negotiating and implementing international tax agreements, overseeing the tax authorities at provinces, autonomous regions, and municipalities. The organization chart of the SAT is shown in Diagram 1.1.3-2.

---

<sup>10</sup> Article 9 of the Legislation Law of the PRC.

# Organization of the ministry of finance

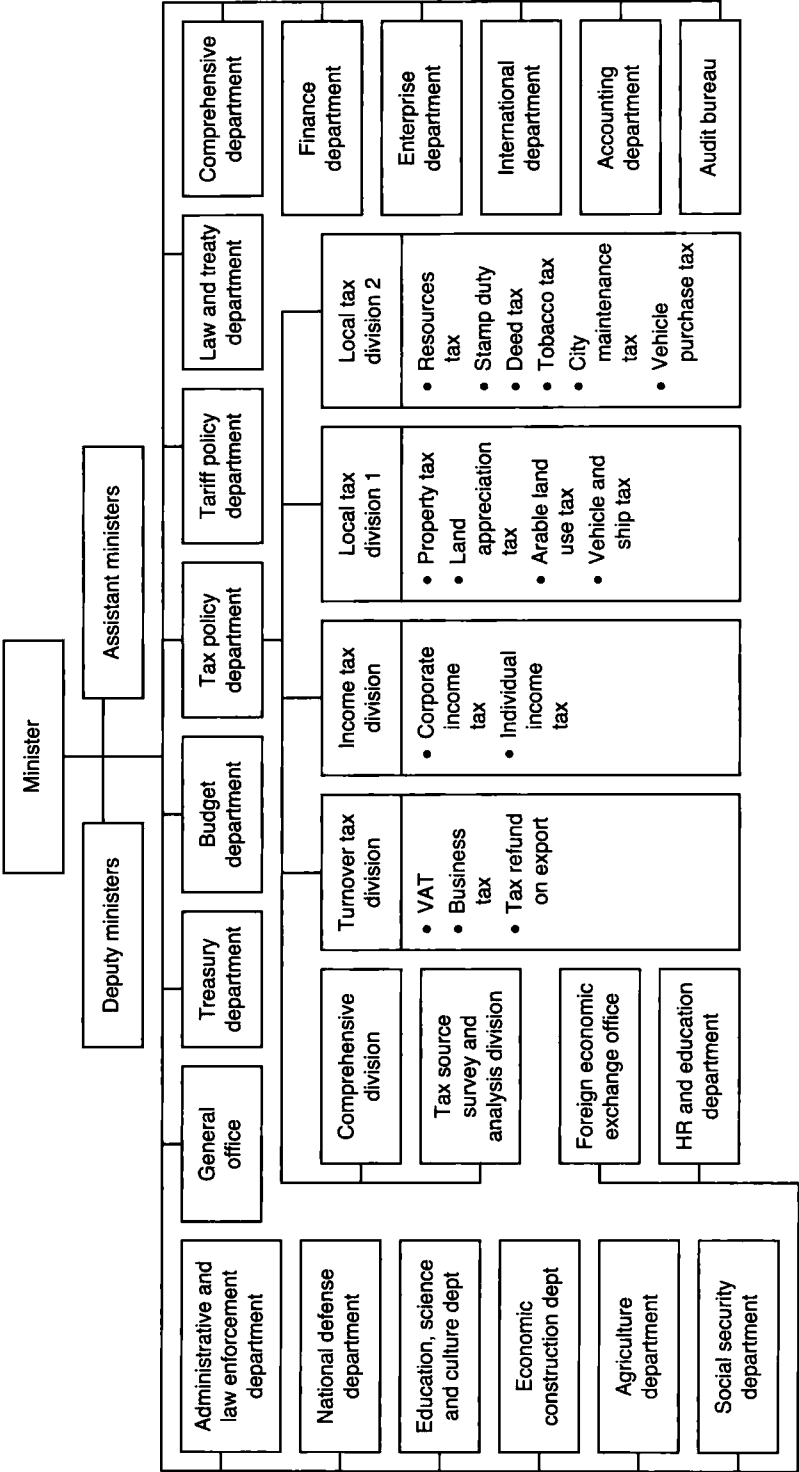


DIAGRAM 1.1.3-1 Organization of the Ministry of Finance

Source: <http://www.mof.gov.cn>

Organization of the state administration of taxation

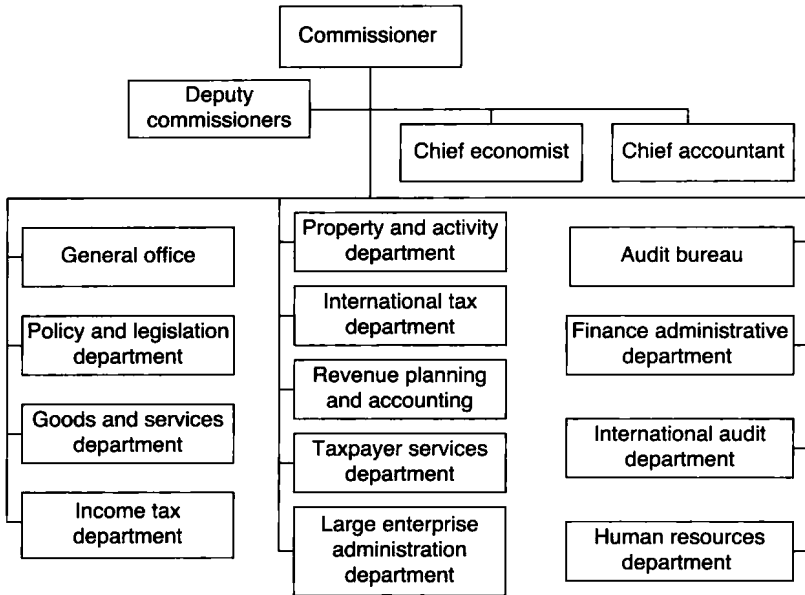


DIAGRAM 1.1.3-2 Organization of the State Administration of Taxation

Source: <http://www.chinatax.gov.cn>

Both the MOF and the SAT issue tax administrative rules and regulations. The major forms of these rules and regulations are as follows:

(1) The Implementation Rules of Provisional Tax Regulations

As discussed in 1.1.2, the State Council issues various administrative regulations on indirect taxes in the form of provisional tax regulations where no tax law has been enacted. The MOF and the SAT issue detailed rules for implementation of these provisional tax regulations issued by the State Council. In the past, some of the implementation regulations were issued by the MOF alone. In recent years, those implementation regulations were often jointly issued by the MOF and the SAT.

(2) Tax Interpretation Circulars

In addition to the detailed rules for implementation regulations, the MOF and the SAT have issued various documents to interpret tax law and regulations. Those documents, which are often called tax circulars, include order, notice, opinion, measures, reply, and letter reply. The SAT alone issues many tax circulars; many of those concern CIT issues. For important issues, tax circulars are often jointly issued by the MOF