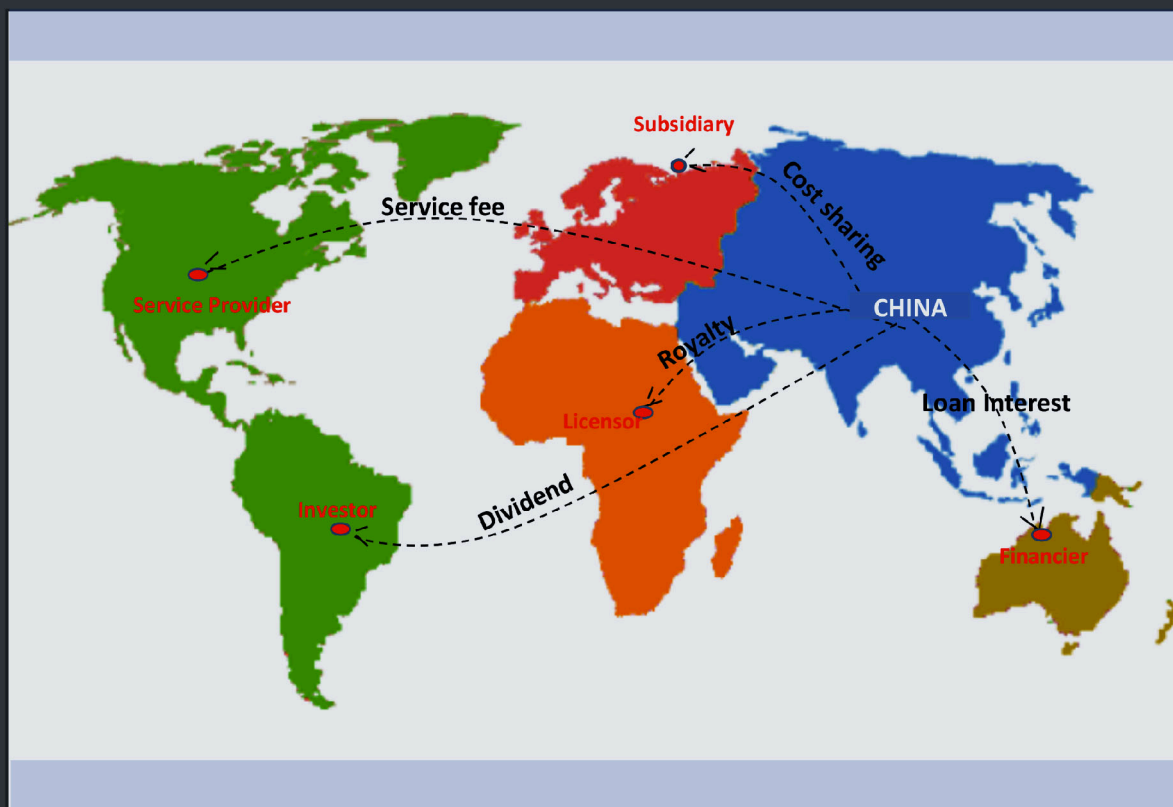
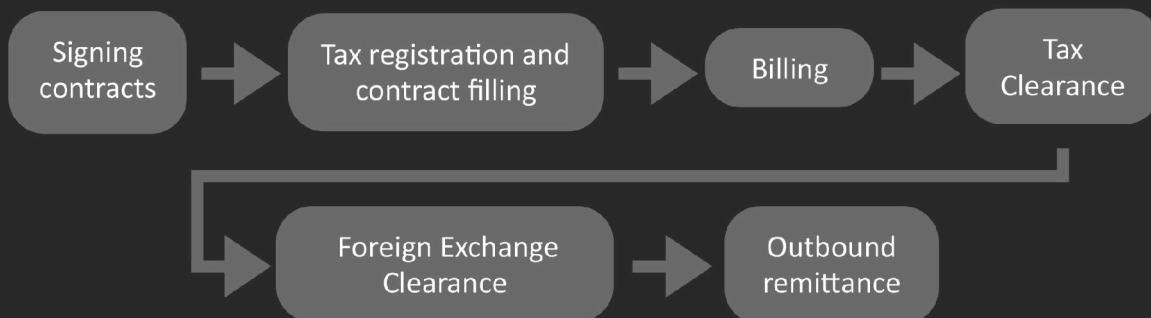


Cash repatriation from China

Common strategies multinational companies may use to improve cash flow from China



General Remittance procedures



WAYS TO REPATRIATE CASH OUT OF CHINA

DIVIDEND

**Key restriction:**

Repatriation is allowed only with respect to profit made in previous years.

**Key caution:**

Obtain tax resident certificate on a timely basis.

ROYALTY

**Key restriction:**

Intercompany transactions must follow "arms-length principle", and royalty price must be determined based on local practice.

**Key caution:**

Plan and study documents on the reasonableness of the royalty rate being charged.

SERVICE FEE

**Key restriction:**

If service fee to be remitted overseas is over 50,000 USD, the remitter will be subject to tax assessment from the appropriate tax authority in China.

**Key caution:**

Be prepared to prove the reasonableness of the service fee being charged and keep cost sharing appropriate, in case of intercompany transactions.

LOAN INTEREST

**Key restriction:**

Inter-company loan must be registered with the Chinese authority, and the borrowing capacity is limited to a certain proportion of the total investment in China.

**Key caution:**

Keep interest rates at par with the commercial lending rates in China and the interest payable may be tax deductible.

LEVEL OF DIFFICULTY



Low Risk



Moderate Risk



High Risk



Third party transaction



Intercompany transaction



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