

Doing Business in China

GGI World Conference

Toronto, Canada

October 27 – 30, 2011

Brian Rowbotham
Cindy Hsieh

br@rowbotham.com
chsieh@rowbotham.com

China Tax Update

Tax Rates

	<u>Tax Revenue in %</u>
VAT	31
Excise Taxes	5
Business Taxes	13
Corporate Income Taxes Domestic & Foreign Investments	23
Individual Income Taxes	7
Custom Imports	12
Startup, Securities	2
Vehicles	2
Other	<u>5 (1)</u>
	100%

Source: State Administration of Taxation, 2007

(1) Land taxes, Stamp tax [stock transfers]

China Tax Update

Personal Tax Categories

Personal Income Tax Rates & Brackets

Grade	RMB Monthly Income	Average Dollar	%
1	0 – 1,500	115	3
2	1,500 – 4,500	460	10
3	4,500 – 9,000	2,245	20
4	9,000 – 35,000	3,400	25
5	35,000 – 55,000	6,200	30
6	55,000 – 80,000	10,400	35
7	over 80,000	12,300	45

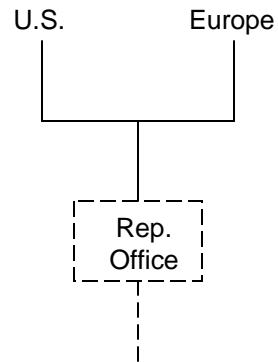
Minimum + maximum / 2 x exchange rate of \$1USD to 6.5RMB

Personal Service Income	20 – 40%
Proprietorship	5 – 35%
Investment Income	20%

China Tax Update

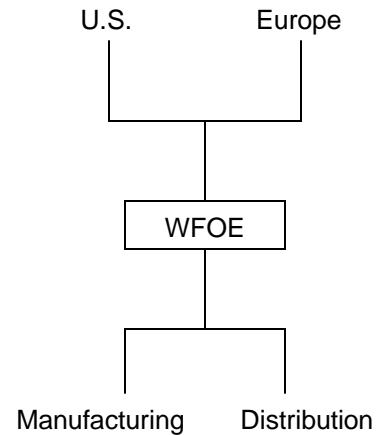
Ways to Operate in China

Representative Office



- No tax
- Government will cover employee costs
- Limits on business activities – Cannot:
 - Employ
 - Manufacture
 - Sell

Wholly Foreign Owned Entity

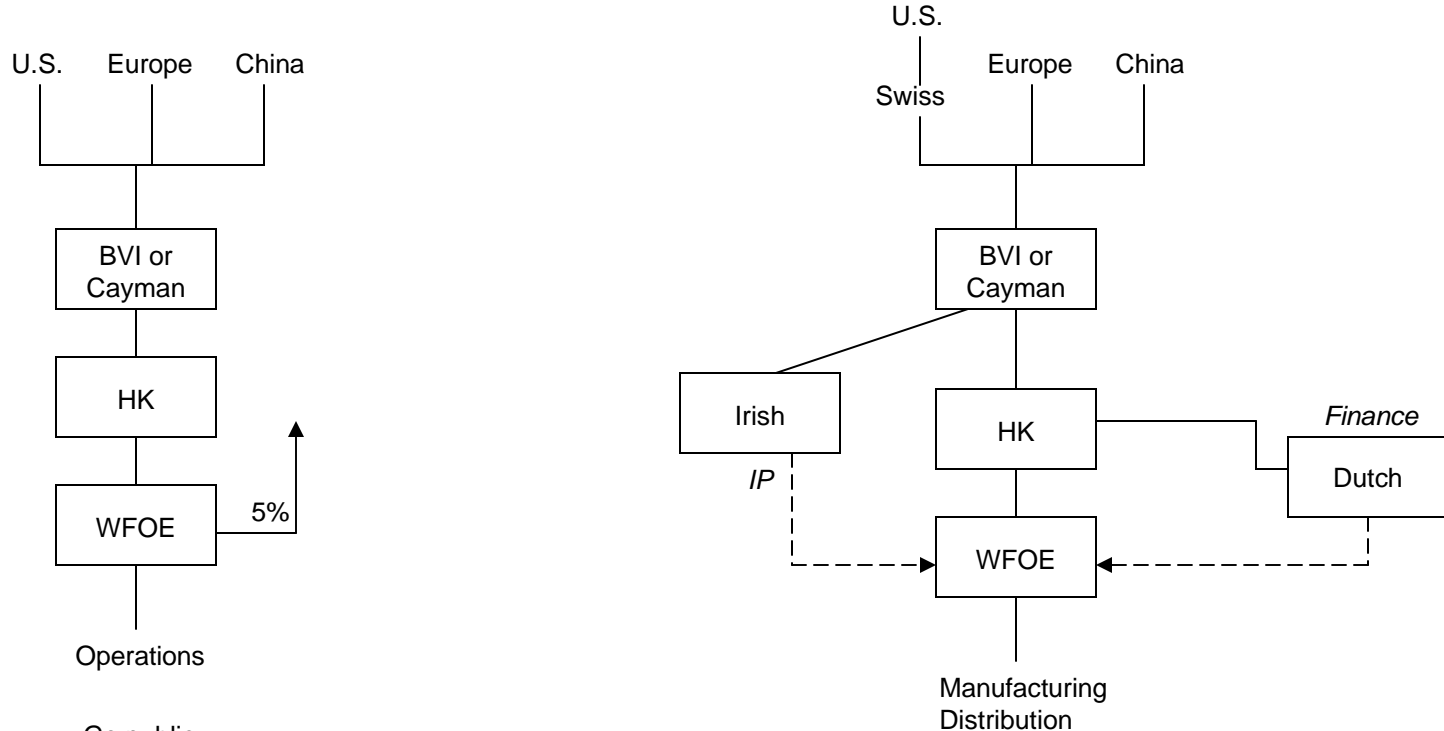


- Simple Structure
- OK for IPO
- Stamp tax - transfers
- Complicated
- Fully disclosed

China Tax Update

Ways to Operate in China

Holding Structures

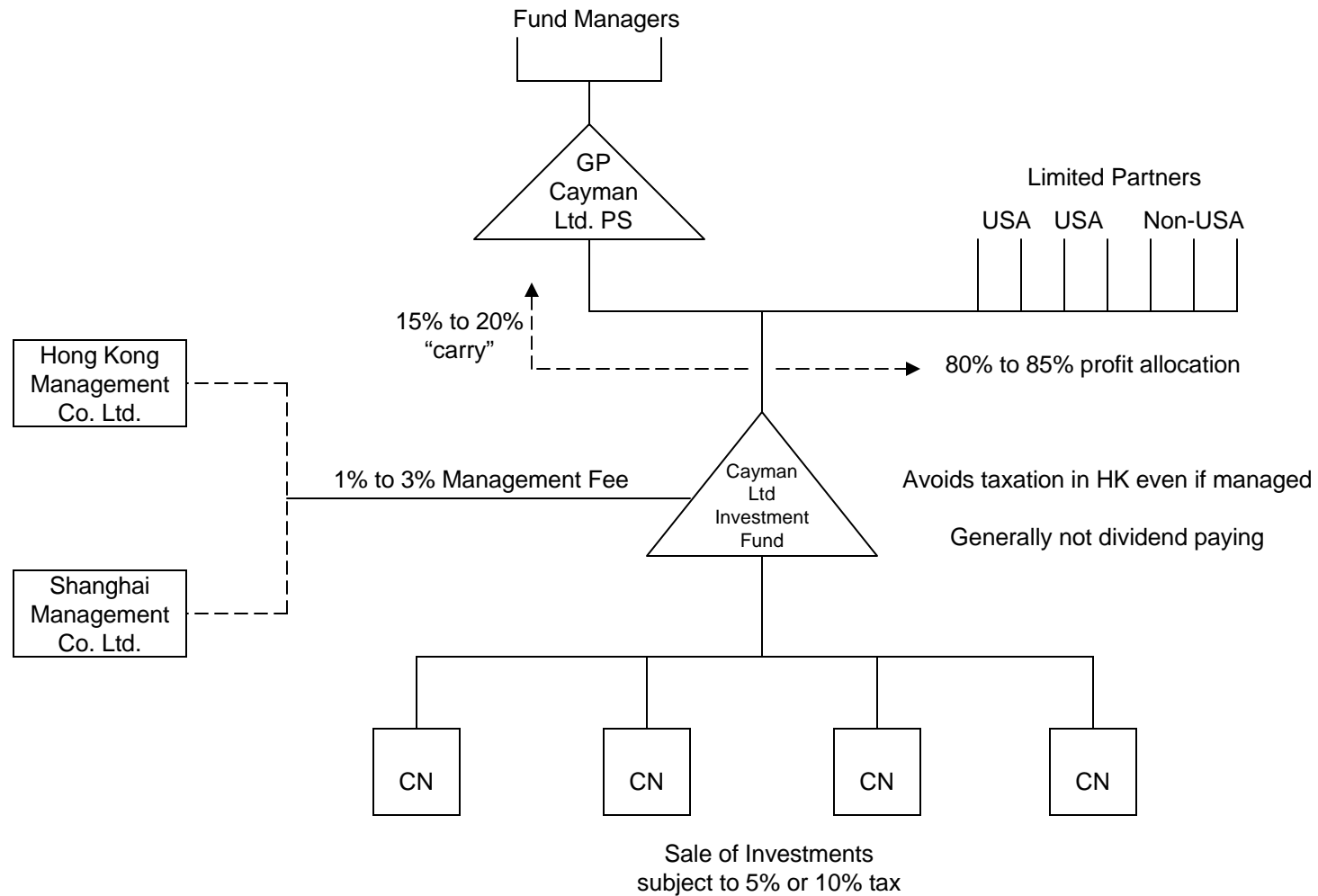


- Go public
China
HK
- Payments to HK ST 5%
- Transfer of share present to have substance

- Licensing
- Finance

China Tax Update

Investment Funds



About Us

Rowbotham & Company is a Certified Public Accounting firm that provides accounting services and domestic and international tax consulting to individuals and businesses of all sizes, including large multi-national companies. The firm takes a global approach to client services and responds to complex business challenges with experience and care.

The firm provides a full range of audit and tax services. Frequent engagements include:

- ❖ Income and estate planning for executives and investors – domestic and international
- ❖ Audit services, Pre-IPO consulting services, and Sarbanes-Oxley compliance
- ❖ Merger and acquisition services, including due diligence and business valuations
- ❖ International tax planning and compliance
- ❖ Litigation support
- ❖ Assistance with federal and state tax audits

The firm works closely with client audit committees, CEOs, CFOs, and controllers and coordinates with foreign accountants or service providers, as needed. Industry experience includes:

- ❖ Distribution
- ❖ Financial Services
- ❖ Information Technology
- ❖ Investment Funds
- ❖ Life Sciences
- ❖ Real Estate
- ❖ Software

Founded in 1991, Rowbotham & Company has offices in San Francisco and Santa Clara and is a member of the Geneva Group International, a worldwide network of accounting and consulting firms. The firm is a member of the American Institute of Certified Public Accountants and is also registered with the Public Company Accounting Oversight Board, which entitles it to practice before the SEC. The firm maintains close ties to the legal, banking, and venture capital communities and frequently makes strategic introductions for its clients.

