China Insight – Chinese Tax Regulation Update

Circular Number	Issuance Date	Effective Date	Topic	What is new?
SAT Announcement [2025] No. 19	2025-08-11	Sino–Cameroon Double Taxation Treaty ("DTT"): 2025-07-26 Protocol for amending the Sino-Brazilian DTT and its associated protocol ("Protocol to the Sino-Brazilian DTT"): 2025-06-14	Effectiveness of the Sino-Cameroon DTT and the protocol for amending the Sino-Brazilian DTT and its associated protocol	According to the Announcement, the Sino-Cameroon DTT applies to the incomes received on and after 1 January 2026 and the Protocol to the Sino-Brazilian DTT applies to the taxes withheld-at-source of the payments or accruals and other applicable taxes levied on or after 1 January 2026. Both documents above incorporate the Principal Purpose Test provision to prevent treaty shopping. In addition, both documents grant the eligibility for treaty benefits to incomes received by the tax residents through tax transparent or partially transparent entities. Other key points of respective document include the following: 1. Key Provisions – Sino–Cameroon DTT • The types of tax covered by the DTT at Cameroon side include, besides normal income taxes, special taxes on income received by non-residents, land loan tax and other wage-based taxes. • The time threshold for constituting a construction permanent establishment ("PE") is 6 months and for constituting a normal service PE is 183 days during any 12-month period. For the purpose of anti-fragmentation of contracts, the time period of construction-related activities carried out on the same site by the closely affiliated companies of the service provider shall also be counted for

				construction PE assessment, if the aggregate time spent by the service provider exceeds 30 days and each time span spent by the closely affiliated companies exceeds 30 days. • The dividend Withholding Tax ("WHT") rate is capped at 10% if the beneficial owner is a tax resident of the other contracting state. • The interest WHT rate is capped at 10% if the beneficial owner is a tax resident of the other contracting state, but the interest paid to government-related financial institutions is tax-exempted. • The royalty WHT is capped at 10% if the beneficial owner is a tax resident of the other contracting state. • The capital gain WHT derived from share transfer can be triggered if over 50% of the value of the shares for transfer stems from the immovable properties located in the other contracting state or the transferor held at least 25% capital of the invested company directly or indirectly at any time of a 365-day period prior to the share transfer. 2. Key Provisions – Protocol to the Sino-Brazilian DTT • The time threshold for constituting a construction PE is extended from 6 months to 9 months. In addition, the same clause for the purpose of anti-fragmentation of construction-related contracts under the Sino-Cameroon DTT also applies under the Sino-Brazilian DTT. • The tax levied on PE shall not exceed 10%, as opposed to 15% under the superseded clause under the Sino-Brazilian DTT, of the net-of-tax profit attributable to the PE. • The dividend WHT rate is capped at 5% for the beneficial owner as the government / sovereign funds / central banks of the other contracting state, 10% for the beneficial owner as the tax resident company of the other contracting

				state which holds directly at least 10% capital of the invested company during a 365-day period prior to the dividend distribution and 15% for other situations. • The interest WHT rate is capped at 10% if the beneficial owner is a tax resident bank of the other contracting state and provides loans with a term of at least 5 years for procurement of equipment for public projects, or 15% for other situations. Certain interest paid to the government or sovereign institutions is tax-exempted. • The royalty WHT rate of trademark license is capped at 15%, as opposed to 25% under the superseded clause under the Sino-Brazilian DTT, if the beneficial owner is a tax resident of the other contracting state. The royalty WHT of other licenses is capped at 10%, as opposed to 10% under the superseded clause under the Sino-Brazilian DTT. • The protocol clarifies the applicability of the DTT to prevent the enterprises from engaging in tax avoidance through establishing PEs in third-party low-tax jurisdictions.
Qiong Fu [2025] No. 43 released by Hainan Provincial Government Announcement [2025] No. 24 released by Hainan Provincial Finance Bureau, Tax Authority, Human Resources and Social Security Bureau, Administration for Market Regulation and Talent Development Bureau of the	2025-08-02 2025-09-01	2025-01-01 2025-01-01	Preferential Individual Income Tax ("IIT") policy and list-based administration for high-end and urgently needed talents in the Hainan Free Trade Port ("FTP")	These circulars, compared with the previous Interim Measures (i.e., Qiong Fu [2022] No.3), further clarify the preferential tax policies and the substantive operation requirements for employers and adjust the calculation of residence days for the purpose of evaluating the eligibility for the preferential tax treatment. The key points include the following: • For qualified high-end and urgently needed talents working in the Hainan FTP, the portion of IIT burden exceeding 15% will be exempted. The general rationale of calculation of the reduced tax burden is as follows: *Tax reduction amount = (total tax payable – total taxable income × 15%) × FTP-sourced income ÷ total income* • Qualified talents should (1) reside for at least 183 days in the Hainan FTP during a tax year and (2) be recognized by the

CPC Hainan Provincial Committee				competent Hainan authorities or have an annual Hainan FTP-sourced income of at least RMB 300,000. • Reasonable number of days spent outside the Hainan FTP for business trips, vacation or training can also be counted as the number of residence days, but the number of days of actual stay in the Hainan FTP must be at least 90. For the personnel who actually stays for at least 90 days but no more than 183 days, the relevant evidence for the purpose of leaving the Hainan FTP during the assessment period should be verified, publicly displayed for at least 5 working days by the employer or operating organization and submitted by June 30 of the following year. Personnel in industries such as aviation, shipping, and offshore oil & gas exploration who cannot meet the 183-day residence requirement may still qualify if he / she contributes to pension insurance in Hainan for at least 6 consecutive months within the year (including December, no lump-sum or dual-location payments) and signs a labor contract or hiring agreement with a substantively operating enterprise in Hainan for a term of at least one year. • The employer of the qualified talents must substantively operate in the Hainan FTP, with business activities aligned with the talents' tax benefits and helping achieve the relevant industrial development goals in Hainan.
Announcement [2025] No.10 jointly released by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation	2025-10-17	2025-11-01	Adjustment of VAT policies on wind power generation and other industries	The Announcement repeals or modifies several preferential VAT policies across multiple industries. In particular, the preferential VAT policies relating to financial leasing, aircraft maintenance, platinum and related products, diamonds, new wall materials and coalbed methane extraction will be repealed or cancelled. Certain preferential policies are still kept for wind power generation and nuclear power generation: • Wind Power ✓ Effective 1 November 2025, the VAT refund-upon-levy policy for onshore wind power generation will be cancelled. ✓ 50% VAT refund-upon-levy will continue to be valid for offshore wind power generation from 1

				November 2025 to 31 December 2027. • Nuclear Power ✓ Existing nuclear units in operation as of 31 October 2025 will continue to be subject to the current 15-year-phased VAT levy-first-and-refund-later policy (75%, 70%, 55%). ✓ Nuclear units approved before 31 October 2025 but not used for operation yet by this date can be subject to a 50% VAT levy-first-and-refund-later policy within a 10-year period from operation. ✓ Nuclear units approved after 1 November 2025 will no longer be eligible for the VAT levy-first-and-refund-later policy.

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