

**CCH EXECUTIVE EVENTS**  
presents



**Foreign Exchange Control in China 2008:  
Pitfalls and Opportunities in utilization of  
RMB in China and Funds Repatriation**

**Tuesday, 14 October, 2008**

**JW Marriott Hong Kong**





a Wolters Kluwer business

# Foreign Exchange Control in China 2008: Pitfalls and Opportunities in utilization of RMB in China and Funds Repatriation

Tuesday 14 October 2008, 0900 - 1730, JW Marriott Hong Kong

China's foreign exchange reserves, the world's largest has climbed to a record of US\$1.81 trillion by the end of July 2008. Moving to contain growth in its foreign exchange reserves and curb speculative inflows due to fuelling inflation, the State Council has amended PRC Foreign Exchange Control Regulations with effect from 5th August. In order to have a better control on transfers of foreign currencies, transactions including inflow and outflow of funds, should be genuine and supported with evidences. In addition, there are stringent controls over conversion of foreign exchange capital into RMB. Starting from 14th July 2008, there are new measures to monitor foreign currency flowing into China for import and export, which result in pressures in importers /exporters of China on fund management.

On top of that, there are various changes in the tax law recently, for example: the new Corporate Income Tax (CIT) law was effective from 1st January 2008. The previous exemption of dividend withholding tax to foreign investors has been removed while the distribution of pre-2008 retained earnings can be grandfathered. Hong Kong SAR has concluded the Second Protocol of the Avoidance of Double Tax Arrangement and the relaxation of the definition of Permanent Establishment may reduce the PRC tax cost of remittance of service fee from China.

CCH Executive Events is proud to have **Bolivia Cheung, Partner, KPMG China** and **Barry Cheung, Manager, KPMG China** sharing with us their expertise on the pitfalls and opportunities in utilization of RMB in China and funds repatriation in a seminar in the morning and a workshop in the afternoon to further deepen your understanding of the issues covered in the morning via case study. You can join us either for the morning seminar or full-day with the workshop in the afternoon.

## Our Speakers

**KPMG** is a global network of professional firms providing audit, tax and advisory services, with an industry focus. With more than 123,000 people worldwide, the aim of KPMG member firms is to turn knowledge into value for the benefits of clients, people, and the capital markets. Today, KPMG China has more than 7,000 professionals working in 12 offices.

### **Bolivia Cheung - Partner KPMG China**

Bolivia Cheung joined KPMG in 1996 and is a Partner with KPMG in Guangzhou. Bolivia advises multinational clients on taxation, customs duty and business regulations in respect of the structure of investment and assists clients on business activities in China. She also advises clients on cross-border transactions and the repatriation of funds from China. She has assisted clients in tax due diligence and advised on mergers, acquisitions and IPO projects. She also assists clients remitting funds from China in a tax efficient manner. She has written articles on taxation and customs issues for various journals.

### **Barry Cheung - Manager KPMG China**

Barry Cheung has extensive experience in advising multinational clients on China taxation, foreign exchange control and business matters. His experience includes advice on a number of substantial group restructurings in China, funds remittance, setting companies, merger and acquisition, tax due diligence and IPO advisory. He has been the tax manager in-charge of various domestic and overseas listing, restructuring and property investment tax advisory projects. He provides China tax advisory to several multinational companies for their investments and fund flow matters in China.

Presented By



## Seminar in the morning

In the seminar, we will focus on the following issues:

- The new Foreign Exchange Regulations and the implications to cross-border charges, payments and collections on behalf, control over flowing of hot money in China and potential penalties
- The control over "capital account" and "current account" items are different. For examples, foreign currency remitted into China under capital account cannot be converted into RMB without proper evidence and reasons Understanding the differences and controls over capital account and current account items is essential for fund flow planning
- The latest control over conversion of forex receipt under capital account into RMB.
- The financial structure (ie debt vs capital) planning is important when setting up a foreign investment enterprise (FIE). What is the maximum amount of foreign currency loan that an FIE can borrow? What are the differences between short-term, medium-term and long-term loans?
- Foreign investment in real estate is restricted. What are the differences between "property development" and "property investment" from loan financing perspectives? Will a logistics company holding a warehouse be considered as a property investment company? What are the major issues to be considered before investing in real estate? Is there any alternative structure to invest in property market?
- A proper investment holding structure will affect not only tax, but also profit repatriation. What is meant by cash trap? How to reduce cash trap? Is there any other means to utilize the RMB kept in China? Is it possible to have inter-company loans? If so, what are the tax and business risks?
- The new CIT law allows cost-sharing arrangement. What are the tax and administration costs to implement cost-sharing in China? Is it possible to allocate management fee to subsidiaries in China?
- How to remit cross-border fees from China? Will China tax authorities levy tax on PRC-offshore service fees? What are the administrative controls over remittance, eg the documents to be provided to substantiate remittances? Without PRC tax invoice, can overseas charges be deductible for tax purposes?
- What are the major controls over trade-related items? Is it possible to receive advanced payments for exports? Is it possible to pay deposit to overseas suppliers before importation of goods? Is it possible to pay commissions to agents overseas?
- Common pitfalls:
  - Charges / recharges, from tax and foreign exchange perspectives
  - Mismatches in import / export amounts and forex remittances
  - Payment of pre-setup and pre-operating expenses from overseas

## Workshop in the afternoon

The afternoon session will further deepen the understanding of the issues covered in the morning via case study. The cases will be in the following areas:

- Remittance of inter-company fees and charges from China
  - The proper way in structuring the arrangement
  - The different between a Hong Kong service providers and those from other countries
  - The essential items in a service agreement
  - An analysis of taxation cost
  - The flexibility in the foreign exchange rules in reclassifying certain items
  - The procedures to be completed before remittance
  - The new Filing System in the Six Pilot Areas for Services Fees Remittances changed the procedures in remittances in Shanghai, Tianjin, Jiangsu Province, Fujian Province, Sichuan Province and Hunan Province)
- Pre-investment capital vs debt analysis and financial modeling
  - Treaty planning for loan financing
  - The critical factors to be considered before investment
  - The methodology to be adopted in determining an optimal capital vs debt requirements
  - Pitfalls in tax assumptions in financial modeling
- M&A: migration from a non-compliance business to a new business for future fund raising
  - The key factors to be considered before determining the investment holding structure
  - An analysis of branch structure and subsidiary structure from tax, customs and fund flow perspectives
  - The tax, fund flow and forex issues in the migration process
- Utilization of funds in China
  - Identifying alternatives to utilize funds in China (including RMB and forex)
  - Cash pool for RMB and forex
  - Analyzing the taxation costs involved and possibility to reduce the cost

**SEMINAR DETAILS**
**Foreign Exchange Control in China 2008:  
 Pitfalls and Opportunities in utilization of RMB  
 Remittance and Funds Repatriation**

DATE Tuesday, 14 October 2008  
 TIME Seminar 0900 - 1230  
 Workshop 1400 - 1730  
 LANGUAGE English  
 VENUE JW Marriott Hong Kong  
 FEE

	Corporate Member	CCH Subscriber	Clients of KPMG	Non Subscriber
<b>Seminar ONLY</b>	HK\$1,530	HK\$1,620	HK\$1,620	HK\$1,800
<b>BOTH Seminar &amp; Workshop</b>	HK\$2,975	H\$3,150	HK\$3,150	HK\$3,500

**CCH Executive Events Corporate Membership**

Our Corporate Membership (Annual Fee of HK\$1,500) is aimed to offer your organisation a flexible and cost effective investment in training and development. As a corporate member, all your employees are entitled to our membership privileges. To become a member, please call us for details.

**TERMS & CONDITIONS**

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 39 Gloucester Road  
 Wanchai, Hong Kong

**Registration and Payment**

Reservations may be made by fax/email. Payment must reach us before the event.

**Cancellation and Substitution Policy**

A substitute delegate is welcome at any time and no extra charge if you are unable to attend. Full payment will be imposed if cancellation is made after **7 Oct 2008**. This also applies to no show on the day of event. All notices of cancellations or replacements must be made in writing and acknowledged by CCH Hong Kong via email or fax.

**Programme Changes**

CCH reserves the right to amend or cancel the event due to unforeseen circumstances.

**[ THE ORGANISER ]**

CCH Executive Events is the seminar and conference arm of CCH Asia. We offer opportunities for our delegates to receive business critical information and timely insight and analysis from our expert presenters. Our events also provide a platform for discussion to allow delegates to explore the intricacies of the information presented while interacting and exchanging news and experiences with their peers. Our programmes are conducted by industry practitioners and academics who are able to provide participants a well-balanced blend of theoretical fundamentals and practical applications.

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**REGISTRATION FORM**

- Yes! Please register me for the event
- Seminar only (48HKTE)
- Both Seminar & Workshop (49HKTE)

Registration fee for delegate joining for both seminar & workshop includes lunch.

**DELEGATES' DETAILS**

Company \_\_\_\_\_

Address \_\_\_\_\_

Delegate 1: Full Name  Dr  Mr  Mrs  Ms

Job Title \_\_\_\_\_

Tel \_\_\_\_\_ Email \_\_\_\_\_

Delegate 2: Full Name  Dr  Mr  Mrs  Ms

Job Title \_\_\_\_\_

Tel \_\_\_\_\_ Email \_\_\_\_\_

Contact Person \_\_\_\_\_

Tel \_\_\_\_\_

Email \_\_\_\_\_

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- Please debit my  
 Mastercard  Visa

Card Number \_\_\_\_\_

Cardholder's Name \_\_\_\_\_

Expiry date \_\_\_\_\_ HKD \_\_\_\_\_

Signature \_\_\_\_\_

- Please send me the invoice.

I have read the delegates terms & conditions and agree to abide by them.

Signature & Company Stamp \_\_\_\_\_ Date \_\_\_\_\_