

## Deed tax exemption clarified

### Description

The China State Administration of Taxation issued on May 26, 2008 the Circular on Deed Policy relating to Assignment of Assets to Wholly Owned Subsidiary from Parent Company, clarifying a situation where deed tax is exempted.

The circular is to the effect that, where a company increases the registered capital of its wholly owned subsidiary through contributing its rights in the land or buildings under its name during restructuring process, it shall be deemed as internal circulation of assets within one investing entity, and therefore no deed tax shall be imposed on the acceptance of assets by the wholly owned subsidiary from its parent.

According to PRC Regulation on Deed Tax, a deed tax is levied when the ownership in real property, namely, land and buildings is transferred. Transfer for purpose of deed tax, includes grant of land use right by state, alienation of land use right, the sale and purchase, gift, exchange of buildings.

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