China

Transfer Pricing Country Profile[1]

October 2025

		SUMMARY	REFERENCE
The Arm's Length Principle			
1	**Does your domestic transfer pricing framework[2] make reference to the arm's length principle?**	☒ Yes ☐ No	Enterprise Income Tax Law, Chapter 6, Article 41
2	**Does your domestic transfer pricing framework give the OECD Transfer Pricing Guidelines any role or status (e.g. legal binding effect, subsidiary application in the absence of domestic legislation, source of interpretation of domestic legislation and/or treaty provisions, other)?**	☐ Yes ☒ No There is no explicit reference to the OECD Transfer Pricing Guidelines in China's domestic transfer pricing framework. That being said, China respects OECD TPG and incorporates the basic aspects of OECD TPG in the domestic legislation.	
3	**Does your domestic transfer pricing framework provide for a definition of related parties applicable for transfer**	☒ Yes ☐ No	Public Notice of the State Taxation Administration [2016] 42

[1] Information in transfer pricing country profiles is provided directly by jurisdictions. By publishing the transfer pricing country profiles on the OECD website, the OECD does not certify the accurateness of the information provided therein. Importantly, transfer pricing country profiles published on the OECD website are made available to stakeholders for information purposes only, and are not intended to be used in substitution to a jurisdiction's legal instruments, jurisprudence, or administrative guidance or practice nor relied on as an accurate and complete description of domestic law.
[2] For purposes of transfer pricing country profiles, the term "domestic transfer pricing framework" refers to a jurisdiction's domestic legislation, regulations, administrative guidance or practice, jurisprudence or governing general principles in the jurisdiction.

	pricing purposes? If so, please provide the definition contained under your domestic transfer pricing framework.	Any of the following relationships of an enterprise (one party) with other enterprises, organisations or individuals (the other party) shall constitute a "related party relationship": (i) One party directly or indirectly owns 25% or more shares of the other party; or a common third party directly or indirectly owns 25% or more of shares of both parties. (ii) One party owns shares of the other party, or a common third party owns shares of both parties, even though the percentage of shares held in either situation is less than the percentage as specified in item (i), the total debt between both parties accounts for 50% or more of either party's total paid-in capital, or 10% or more of one party's total debt is guaranteed by the other party (except for loans or guarantees from or between independent financial institutions). (iii) One party owns shares of the other party, or a common third party owns shares of both parties, even though the percentage of shares held in either situation is less than the percentage as specified in item (i), the business operations of one party depend on the proprietary rights, such as patents, non-patented technological know-how, trademarks, copyrights, etc., provided by the other party. (iv) One party owns shares of the other party, or a common third party owns shares of both parties, even though the percentage of shares held in either situation is less than the percentage as specified in item (i), the business activities, such as purchases, sales, receipt of services, provision of services, etc., of one party are controlled by the other party. (v) More than half of the directors or senior management (including secretaries of the board of directors of listed companies, managers, deputy managers, financial controllers and other personnel specified in the company's articles of association) of one party are appointed or assigned by the other party, or simultaneously serve as directors or senior management of the other party; or more than half of the directors or senior management of both parties are appointed or assigned by a common third party. (vi) Two natural persons who are spouses, related by lineal consanguinity, siblings, or in other custodianship/family maintenance relationships have one of the relationships as specified in items (i) to (v) with one party and the other party respectively. Two parties substantially have common interests in other ways.	(Public Notice on Matters Regarding Refining the Filing of Related Party Transactions and Administration of Contemporaneous Transfer Pricing Documentation)

Transfer Pricing Methods			
4	**Does your domestic transfer pricing framework provide for transfer pricing methods to be used in respect of transactions between related parties?**	☒ Yes ☐ No If affirmative, please check those provided for in your legislation**:** CUP ☒ | Resale Price ☒ | Cost Plus ☒ | TNMM ☒ | Profit Split ☒ | Other (*If so, please describe*) ☒ Other methods may refer to assets appraisal methods like cost approach, market approach and income approach, and some other methods that are in line with the principle of "profits should be taxed in the jurisdiction where economic activities occur and value is created".	Public Notice of the State Taxation Administration [2017] No.6 (Public Notice of the State Taxation Administration on Issuing the "Administrative Measures of Special Tax Investigation and Adjustment and Mutual Agreement Procedure")
5	**Which criterion is provided for in your domestic transfer pricing framework for the application of transfer pricing methods?**	Please check all that apply: ☐ Hierarchy of methods ☒ Most appropriate method ☐ Other (*if so, please explain*) Tax authorities should select the appropriate transfer pricing method(s) to analyse and examine enterprises' related party transactions based on comparability analysis.	Public Notice of the State Taxation Administration [2017] No.6, Article 16-22
6	**Does your domestic transfer pricing framework contain specific guidance on commodity transactions?**	☐ Yes ☐ For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed. ☐ Domestic transfer pricing framework provides for the use of a specific method for controlled transactions involving commodities (*if so, please explain*) ☒ No No specific guidance on commodity transactions is provided in China's domestic framework.	

Comparability Analysis			
7	**Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?**	☒ Yes ☐ No	Public Notice of the State Taxation Administration [2017] No.6, Article 15
8	**Is there a preference in your jurisdiction for domestic comparables over foreign comparables?**	☐ Yes ☒ No	
		There is no general preference for domestic comparables, but it really depends on the facts and circumstances. For cases where geographical proximity/local market feature is an important factor that needs to be taken into account in the comparability analysis, domestic comparables can be favored over foreign comparables. However, foreign comparables can be acceptable too, as long as they meet the comparability criteria or appropriate comparability adjustment can be made.	
9	**Does your domestic transfer pricing framework permit the use of secret comparables for transfer pricing assessment purposes?**	☒ Yes ☐ No	Public Notice of the State Taxation Administration [2017] No.6
		Tax authorities are allowed to use both public and secret comparables for transfer pricing assessment purpose.	
10	**Does your domestic transfer pricing framework allow or require the use of an arm's length range and/or statistical measure (e.g. the interquartile range or other percentiles) for determining arm's length remuneration?**	☒ Yes ☐ No	Public Notice of the State Taxation Administration [2017] No.6, Article 25
		When analysing and evaluating whether a related party transaction is consistent with the arm's length principle, tax authorities may calculate different statistics, such as arithmetic average, weighted average or the inter-quartile range to determine the point or range of the profit or price of the comparables. The calculation can be done on a year-by-year basis or multiple-year average basis.	
11		☒ Yes ☐ No	Public Notice of the State Taxation Administration [2017] No.6, Article 17-20

	Are comparability adjustments required under your domestic transfer pricing framework?	If there are significant differences between related party transactions and unrelated party transactions, reasonable adjustments should be made to account for the effect of these differences.	
Intangible Property			
12	**Does your domestic transfer pricing framework contain guidance specific to the pricing of controlled transactions involving intangibles?**	☒ Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VI of the TPG? ☒ Yes ☐ No (please provide further explanations below) ☐ No	Public Notice of the State Taxation Administration [2017] No.6, Article 30-32
		The guidance on intangibles in China is structured differently from Chapter VI of the TPG, but some important concepts such as the value contribution in the development, enhancement, maintenance, protection, exploitation (DEMPE) of the intangibles have been introduced into the guidance. Consistent with China's view on the intangibles, value contribution to promotion of the intangibles is also recognized in the guidance. The followings are some other important provisions taken from the guidance. If an enterprise pays royalties to a related party that merely owns the intangible assets but does not contribute to the value of the assets, and the arm's length principle has not been followed, the tax authorities may make a special tax adjustment. Royalties received from or paid to related parties must correspond to the economic benefit the intangible assets bring to the enterprise and its related parties. If there are no economic benefits and the arm's length principle has not been followed, the tax authority may make a special tax adjustment.	
13	**Are there any other rules outside your transfer pricing framework that are relevant for the pricing of controlled transactions involving intangibles?**	☐ Yes ☒ No	

Hard-to-Value Intangibles[3]			
14	**Does your domestic transfer pricing framework contain guidance specific to hard-to-value intangibles (HTVI)?[4]**	☐ Yes. If so, does your domestic transfer pricing framework follow the guidance on HTVI in Chapter VI of the TPG? ☐ Yes ☐ No (please provide further explanations below) ☒ No	
Intra-group Services			
23	**Does your domestic transfer pricing framework provide guidance specific to intra-group services transactions?**	☒ Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VII of the TPG? ☐ Yes ☒ No (please provide further explanations below) ☐ No	Public Notice of the State Taxation Administration [2017] No.6, Article 34-36
		Fees paid by subsidiaries that receive intra-group services should not simply be regarded as fees for low value-adding services to which the safe harbor rule applies, but instead, the following "six tests" should be used to determine the arm's length nature of the services: "benefit test," "necessity test," "duplication test," "value creation test," "remuneration test," and "authenticity test." In the following circumstances, if the arm's length principle is not followed, the tax authorities may make a special tax adjustment: • Where an enterprise makes payments to its related parties for non-beneficial services; • Where an enterprise makes payments to an overseas related party that does not perform functions, does not bear risks, and has no substantial operating activities; • Where an enterprise establishes a holding company or financing company overseas for the main purpose of financing and listing, and the enterprise	

[3] Please note that questions in this section are imported from the HTVI questionnaire and integrated into this TPCP to centralise all jurisdiction-related transfer pricing information.
[4] In the case of jurisdictions that do not apply the HTVI approach (i.e. they responded “no” to question 14), it is not necessary to respond to the remaining questions in the HTVI section and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

		pays royalties to an overseas related party due to the spinoff benefits generated from the relevant financing and listing activities.	
24	**Does your domestic transfer pricing framework provide for or allow the application of a simplified approach for low value-adding intra-group services?**	☐ Yes. If so, does it follow (largely follow) the low value-adding services approach in Chapter VII? ☐ Yes ☐ No (please provide further explanations below) ☒ No	
25	**Are there any other rules outside your transfer pricing framework for pricing intragroup services?**	☐ Yes ☒ No	
Financial Transactions			
26	**Does your domestic transfer pricing framework provide guidance specific to financial transactions?**	☐ Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter X of the TPG? ☐ Yes ☐ No (please provide further explanations below) ☒ No	
27	**Are there any other rules outside your transfer pricing framework that are relevant for the tax treatment of financial transactions?** *(e.g. whether your jurisdiction has implemented the measures in BEPS Action 4 to limit interest deductions and other financial payments or any similar rules)*	☒ Yes ☐ No The thin capitalization rule set out in the Implementation Measures of Special Tax Adjustments (Trial Version) (more commonly known as the "Circular 2") requires that the related party debt-to-equity ratio should not exceed the standard ratio. Otherwise, the interest expense will not be deductible for income tax purposes unless it can be demonstrated that the related party pricing is consistent with the Arm's Length Principle. The standard ratio is explicitly provided in Circular Cai Shui [2008] No.121 as 2:1 for business in most industries and 5:1 for companies in the financial services sector. The thin capitalization rule in this sense is not considered other rules outside transfer pricing rules.	Circular Cai Shui [2008] No.121

Cost Contribution Arrangements			
28	**Does your jurisdiction allow cost contribution arrangements?**	☒ Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VIII of the TPG? ☐ Yes ☒ No (please provide further explanations below) ☐ No The cost incurred in joint development of intangibles by related parties shall be determined by arm's length principle.	Enterprise Income Tax Law, Chapter 6, Article 41
Transfer Pricing Documentation			
29	**Does your domestic transfer pricing framework require the taxpayer to prepare transfer pricing documentation?**	☒ Yes ☐ No *If affirmative, please check all that apply:* ☒ Master file consistent with Annex I to Chapter V of the TPG ☒ Local file consistent with Annex II to Chapter V of the TPG ☒ Country-by-country report consistent with Annex III to Chapter V of the TPG ☒ Specific transfer pricing returns (separate or annexed to the tax return) ☐ Other (specify):	Public Notice of the State Taxation Administration [2016] 42
30	**Please briefly explain the relevant requirements related to each transfer pricing documentation requirement (i.e. timing for preparation or submission, languages, etc.)**	A master file shall be completed within 12 months of the fiscal year end of the ultimate holding company of the enterprise group. Local file and special issue file shall be completed by 30 June of the year following the year during which the related party transactions occur. Contemporaneous documentation shall be submitted within 30 days after receiving a request from the tax administrations. Contemporaneous documentation shall be prepared in Chinese. The source of information used should be specified. The filing requirement of the country-by-country report is consistent with the OECD guidance. Country-by-country report shall be submitted in both Chinese and	Public Notice of the State Taxation Administration [2016] 42

		English. Non-submission is subject to the general penalty that applies to any non-submission of tax relevant information in China.	
31	**Does your domestic transfer pricing framework provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?**	☒ Yes ☐ No For enterprises that file related party transactions, submit contemporaneous documentation and other relevant information in accordance with relevant provisions, when additional tax is imposed by the tax administrations during the special tax investigation, an interest can be levied based on the People's Bank of China central base lending rates for the same period to which the tax payment is related, in accordance with the provisions under Article 122 of the implementation regulations of the Enterprise Income Tax Law.	Public Notice of the State Taxation Administration [2016] 42, Article 25
32	**Does your domestic transfer pricing framework provide for exemption from transfer pricing documentation obligations?**	☒ Yes ☐ No Enterprises with effective advance pricing agreements in place may choose not to prepare local file and special issue file with respect to the related party transactions covered by such advance pricing agreements.	Article 18 Public Notice of the State Taxation Administration [2016] 42
Administrative Approaches to Avoiding and Resolving Disputes			
33	**Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?**	Please check those that apply: ☐ Rulings ☐ Enhanced engagement or cooperative compliance programmes ☒ Advance Pricing Agreements (APA) ☒ Unilateral APAs ☒ Bilateral APAs ☒ Multilateral APAs ☐ International Compliance Assurance Programme (ICAP) ☒ Mutual Agreement Procedures ☐ Other (*please specify*):	Public Notice of the State Taxation Administration [2016] 64 (Public Notice on Matters Regarding Enhancing the Administration of Advance Pricing Arrangements) Public Notice of the State Taxation Administration [2017] No.6 China's MAP Profile

		APAs are allowed under domestic laws. Rollback of an APA is allowed. MAPs regulations, procedures and guidance can be found in Public Notice of the State Taxation Administration [2017] No.6. For further information, please refer to China's OECD MAP Profile.	
Simplified and Streamlined Approach for Baseline Marketing and Distribution Activities			
34	**Does your domestic transfer pricing framework allow the application of the simplified and streamlined approach for baseline marketing and distribution activities in the relevant Annex of Chapter IV of the TPG?**	☐ Yes ☒ No ☐ Other (please elaborate)	
35	**If your domestic transfer pricing framework allows the application of the simplified and streamlined approach, how is it implemented?**	☐ In-scope tested parties resident within the jurisdiction can elect to apply the simplified and streamlined approach (i.e. safe harbour) ☐ In-scope tested parties resident within the jurisdiction are required to follow the simplified and streamlined approach for in-scope qualified transactions and tax administrations are allowed to impose the application of the simplified and streamlined approach to in-scope qualified transactions of tested parties resident within their jurisdiction (i.e. rule) ☒ N/A	
36	**If your domestic transfer pricing framework allows the application of the simplified and streamlined approach, what is the operating expense to sales (OES) upper bound chosen by your jurisdiction regarding scoping criterion 13.b?**	☐ 20% ☐ 30% ☐ Other (please specify) ☒ N/A	
37	**Does your jurisdiction respect the outcome of the application of the simplified and streamlined approach by a covered jurisdiction in line with the Inclusive Framework political commitment?**	☒ Yes ☐ No	

38	**If your domestic transfer pricing framework allows the application of the simplified and streamlined approach for resident in-scope tested parties, does your jurisdiction respect the outcome of the application of such approach by another jurisdiction that is not a covered jurisdiction?**	☐ Yes ☐ No N/A	
Safe Harbours and Other Simplification Measures			
39	**Does your jurisdiction provide for any safe harbours or other simplification measures in respect of certain industries, types of taxpayers, or types of transactions (not listed in other sections of this questionnaire)?**	☐ Yes ☒ No	
Other Legislative Aspects or Administrative Procedures			
40	**Does your domestic transfer pricing framework allow downward corresponding adjustments in the absence of a mutual agreement procedure (e.g. unilateral corresponding adjustments)?**	☐ Yes ☒ No	
41	**Does your domestic transfer pricing framework allow or require taxpayers to make year-end adjustments?**	☐ Yes. Year-end adjustments are required. ☒ Yes. Year-end adjustments are allowed. ☐ No	
42	**Does your domestic transfer pricing framework provide for secondary adjustments?**	☐ Yes ☒ No	

<table>
<tr><th colspan="4">Attribution of Profits to Permanent Establishments</th></tr>
<tr><td rowspan="2">43</td><td rowspan="2">Which version of Article 7 of the OECD Model Tax Convention on Income and on Capital do your tax treaties contain?</td><td>☒ Article 7 as it read before 2010.
☒ If so, please indicate in how many treaties: 111
☐ Article 7 as it reads after 2010.
☐ If so, please indicate in how many treaties:
☐ Other (please provide additional details)</td><td rowspan="2"></td></tr>
<tr><td>China has concluded 111 tax treaties, all of which are based on the pre-2010 version of Article 7. Among these, 60 treaties adopt the exact wording of the pre-2010 Article 7; the remaining 51 treaties generally follow the pre-2010 Article 7 but include certain modifications, such as some treaties incorporate the latter part of paragraph 4 of Article 7 of the 2021 UN Model Tax Convention, some treaties do not incorporate paragraph 4 of pre-2010 version of Article 7, some treaties incorporate provisions regarding the taxation of insurance, etc.</td></tr>
<tr><td rowspan="2">44</td><td rowspan="2">For tax treaties containing Article 7 as it read before 2010, does your jurisdiction apply the authorized OECD approach (AOA)?</td><td>☐ Yes
☐ No (please explain the approach used and which tax treaties are concerned)</td><td rowspan="2">Circular of the State Taxation Administration on Issuing Administrative Measures for the Assessment of Non-resident Enterprise Income Tax (Guo Shui Fa [2010] No. 19) Article 3-4</td></tr>
<tr><td>China has made following reservation on Article 7 as it reads after 2010.

Whilst the People’s Republic of China understands and respects the separate and independent enterprise principle underlying the new version of Article 7, due to its tax administration capacity it reserves the right to adopt the previous version of the Article and, in some cases, to resort to simpler methods for calculating the profits attributable to a permanent establishment.

Please find below China’s approach to the Attribution of Profits to Permanent Establishment.

Non-resident enterprises shall set up accounting books in accordance with Tax Collection and Administration Law and relevant laws and regulations, and shall keep accounts based on valid and legal vouchers. Non-resident enterprises shall calculate taxable income accurately according to the principle of functions commensurate with risks, and file and pay enterprise income tax on an actual basis.</td></tr>
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		Where a non-resident enterprise is unable to accurately calculate and file its taxable income on an actual basis due to incomplete accounting books, insufficient data, or other reasons, the tax authority has the power to assess its taxable income.	
45	**Does your domestic transfer pricing framework contain specific guidance for the attribution of profits to permanent establishments of non-resident entities? If so, please provide a summary of the main features of this guidance.**	☐ Yes, they follow the AOA as described in the 2008 Report on the Attribution of Profits to Permanent Establishments ☐ Yes, they follow the AOA as described in the 2010 Report on the Attribution of Profits to Permanent Establishments ☐ Yes, they do not follow the AOA (please provide a summary of the main features of these rules) ☒ No	
Other Relevant Information			
46	**Other legislative aspects or administrative procedures regarding transfer pricing**	N/A	
47	**Other relevant information** (e.g. *whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire*)	N/A	

For more information, please visit: https://www.oecd.org/en/topics/sub-issues/transfer-pricing/transfer-pricing-country-profiles.html