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China Foreign Asset Reporting Requirements

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This is a short note to let you know that China will impose reporting requirements for foreign assets, liabilities and cross border transactions for residents of China (including foreign nationals) commencing January 1, 2014. China issued the Measures for the Reporting of Statistics on International Receipts and Payments ("Circular 642") on November 9, 2013 which sets out the general framework of disclosure required for Chinese individual residents as well as enterprises and corporate entities.

Under Circular 642, residents of China will need to report to the State Administration of Foreign Exchange details of:

1. foreign financial assets (对外金融资产) and liabilities (负债); and
2. transactions conducted with non-residents directly or through financial institutions.

It is unclear what assets constitute "foreign financial assets" or "对外金融资产", what liabilities constitute "foreign liabilities" or "对外负债" and also what "transactions" need to be reported. We await further clarification on this.

It should also be noted that the definition of "residence" for individuals used in the context of Circular 642 is more inclusive than that used for individual income tax purposes.

For the full text of the Circular 642, please click through this:

http://www.gov.cn/zwqk/2013-11/22/content_2532452.htm

Detailed implementation rules are yet to be announced and we will try to keep you apprised of the changes. Please let us know if you have any questions on the above.

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