

**CHINA ADHERES  
TO THE CONVENTION  
ON MUTUAL  
ADMINISTRATIVE  
ASSISTANCE  
IN TAX MATTERS**

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On August 21 of this year, the Organization for Economic Co-operation and Development (OECD) announced that China will be joining a group of 50 countries (which includes all G20 members) by adhering to the Convention on Mutual Administrative Assistance in Tax Matters (Convention)<sup>1</sup>. The signing took place in Paris on Tuesday, August 27, 2013. According to the OECD, the Convention will allow China to participate in global efforts to combat tax avoidance and evasion by co-operating with other states in the assessment and collection of taxes.

The Convention is an initiative of the OECD and the Council of Europe. Throughout this initiative, the OECD and the Council of Europe have developed a tool aimed at combating global tax avoidance and evasion by cooperation in the areas of joint audits, securing information sharing and simultaneous examinations and assistance in the area of tax collection.

**A glimpse into the Convention:**

In a nutshell, the Convention can be described as a multilateral agreement designed to promote international cooperation regarding tax laws. The Convention includes provisions aimed at preserving the rights of taxpayers in relation to the exchange of information between countries.

More importantly, it must be noted that the Convention embraces an extremely broad scope by covering almost all forms of compulsory payments, except for customs duties. Thus, it applies to taxes on income, profits, capital gains, and net wealth levied at the central government level. It also covers local taxes, compulsory social security contributions, estate, inheritance and gift taxes, etc., going beyond the exchange of information on request. The Convention is also a cornerstone in relation to tax assistance. It embeds rules on the exchange of information (including on request, spontaneous and automatic<sup>2</sup>), simultaneous tax examinations, tax examinations abroad, assistance in recovery and measures of conservancy, and the service of documents.

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<sup>1</sup> <http://www.oecd.org/newsroom/china-to-sign-multilateral-tax-convention--oecd-headquarters-paris-1000am-tuesday-27-august.htm>

<sup>2</sup> Article 6 of the Convention settles the rules as regards automatic exchange of information.

There is, however, a potential flip side to the Convention since it may generate additional burdens to business by introducing another mechanism in the field of automatic exchange of tax information. A salient example is the U.S.-based Foreign Account Tax Compliance Act legislation which deals with similar issues but in a different way.

Further information regarding the Convention on Mutual Administrative Assistance in Tax Matters is available on the [OECD website](#).

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