

Guide to PRC cash repatriation

Remitting cash flows offshore from an affiliate in China has become one of the key objectives for many investors and multinationals. Below is an overview on the primary cash repatriation methods with the key documentation and points to note.

Cash repatriation methods	Key documentation / evidence required for remittance	Points to note	Frequency	Level of difficulty
Dividend repatriation	<ul style="list-style-type: none"> ✓ Audit report ✓ Board resolution for dividend declaration ✓ Corporate Income Tax ("CIT") duly paid with statutory fund appropriated 	<ul style="list-style-type: none"> • With distributable profits • Registered capital paid-up on schedule • Prior year losses have all been set off • Interim dividend is possible but not common 	Once a year (or twice a year at most)	Low
Service fees	<ul style="list-style-type: none"> ✓ Service agreement ✓ Tax clearance certificate 	<ul style="list-style-type: none"> • Registration of agreement normally not required, except for technical service that is considered to be technology import • Tax clearance with tax bureaus required • Management fee may not be tax deductible to the PRC entity 	No restriction	Low to Medium
Repayment of shareholder's loan	<ul style="list-style-type: none"> ✓ Loan agreement registered with SAFE ✓ SAFE approval for loan repayment ✓ Tax clearance certificate for loan interest payment 	<ul style="list-style-type: none"> • Should have foreign loan quota available • SAFE's approval for repayment of loan principal and interest required • Loan repayment should be in accordance with the terms of the loan agreement 	In accordance with relevant terms of the loan agreement	
Trading between overseas and PRC entity	<ul style="list-style-type: none"> ✓ Sales and Purchase agreement ✓ Customs declaration documents 	<ul style="list-style-type: none"> • PRC entity should have import and export rights • Prior registration via SAFE online system is needed for deferred and advance import payment • Should be mindful about TP implications for related party buy-sell transactions 	No restriction	
Royalty payments / Technical service fees	<ul style="list-style-type: none"> ✓ Licensing agreement ✓ Approval or registration certificate issued by relevant PRC authorities ✓ Tax clearance certificate 	<ul style="list-style-type: none"> • Registration with relevant authorities required; the exact authority depends on the types of payment involved • Charging basis and payment terms should be acceptable to the approval and tax authorities 	No restriction	Medium
Capital reduction	<ul style="list-style-type: none"> ✓ Board resolutions ✓ Approval from the original approval authorities regarding capital reduction ✓ Approval notice issued by SAFE 	<ul style="list-style-type: none"> • Cash to extract is capped under the paid-up registered capital • Registered capital after reduction cannot be lower than the statutory minimum capital required • Resistance from local government • Need to notify creditors and arrange public announcements 	Not applicable	High
Offshore lending	<ul style="list-style-type: none"> ✓ Loan agreement ✓ Approval notice on MNC status 	<ul style="list-style-type: none"> • Potential resistance from local SAFE due to very limited experience and unclear guidance 	Not applicable	Very High

These are generic methods for repatriating cash. However, each situation will involve different dynamics, issues and risks which need to be fully understood. Please feel free to contact one of our team below for an in-depth discussion.

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