China indirect tax – supply chain review

Current position	What to do/ potential benefits	How to proceed	Who should consider?
Multi-national companies react to their business needs through its supply chain structure Supply chain inefficiency may be caused by: • Frequently changing indirect tax legislative environment • Inconsistent interpretation of indirect tax regulations • Launching of new business operation • Adopting global business models (set by HQ) *"How are my competitors doing?"* *"What is the typical supply chain structure for my industry?"*	What to do: Indirect tax supply chain review is aiming to release the potential indirect tax benefits from the supply chain Potential benefits: Assess the current level of indirect tax efficiency by having a better gauge of the indirect tax cost of the current operation Discover potential areas where indirect tax efficiency can be improved Discover potential areas of saving	The 3-phase approach: 1. Understand the supply chain To gain understanding of the transaction and materials flows with respect to the supply chain. 2. Supply chain tax efficiency and risk assessment Review and analyse the PRC indirect tax implications of the current supply chain flow - numerical analysis and risk assessments. 3. Tax efficiency enhancement solutions identification Identifying any indirect tax efficient solutions which may be applicable to the supply chain. The cost-benefit factors of these solutions would also be considered.	Businesses with operations which involve: • Planned investment of fixed assets • Manufacturing in China using a variety of imported or "in-China" sourced materials • Sourcing activities in China • Extensive distribution network within China

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