**Hong Kong Citizens May Have to Pay Tax for Transfer of Mainland Stocks**

Chinese version China's State Administration of Taxation (SAT) specified that for incomes of any Hong Kong citizens generated from the transfer of the shares or other equities held in the mainland citizen companies, if the beneficiaries have ever directly or indirectly held over 25% of the shares of the said mainland companies within the 12 months prior to the transfer, the mainland tax authorities will require tax payment for the incomes in line with the rules of related laws and regulations.

The rule is contained under the SAT's circular on issues concerning the implementation of the second protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income.

The SAT also outlined, for the rule of Article 4 of the second protocol stipulating that at least 50% of the property of related companies must be real property within 3 years prior to the share transfer by related share holders, the second clause of the exchange letter between the mainland and Hong Kong tax authorities emphasized that in practice, the calculation should be based on the book data at the end of a fiscal year.

(Source: State Administration of Taxation)