



China: Annual APA report 2023

In brief

- » The State Taxation Administration (STA) released the “*China Advance Pricing Arrangement Annual Report (2023)*” (2023 APA Report) on 26 December 2024. The report contains statistics and analysis of China's Advance Pricing Arrangement (APA) from 2005 to 2023.

Feedback



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In detail

On 26 December 2024, the State Taxation Administration (STA), following its annual routine, released the "China Advance Pricing Arrangement Annual Report (2023)." This report provides insights into the latest trends and statistics of the advance pricing arrangement (APA) practice in China.

Number of APAs signed

From 2005 to 2023, China has signed a total of 296 APAs comprising 153 unilateral APAs (UAPAs) and 143 bilateral APAs (BAPAs), representing 51.69% and 48.31% of the total respectively. In 2023, 36 APAs were signed, including 27 BAPAs (14 new and 13 renewals) and 9 UAPAs (all new). The cumulative number of signed BAPAs is now catching up with that of UAPAs. This marks a continued momentum of bilateral agreements, which are crucial for mitigating double taxation and providing greater tax certainty for cross-border transactions.

Year	Unilateral APA	Bilateral APA	Multilateral APA	Total (renew)
2005	13	1	0	14
2006	10	0	0	10
2007	7	3	0	10
2008	6	1	0	7
2009	5	7	0	12
2010	4	4	0	8
2011	8 (4)	4 (0)	0 (0)	12 (4)
2012	3 (1)	9 (6)	0 (0)	12 (7)
2013	11 (0)	8 (4)	0 (0)	19 (4)
2014	3 (1)	6 (0)	0 (0)	9 (1)
2015	6 (0)	6 (2)	0 (0)	12 (2)
2016	8 (0)	6 (2)	0 (0)	14 (2)
2017	3 (0)	5 (3)	0 (0)	8 (3)
2018	2 (1)	7 (1)	0 (0)	9 (2)
2019	12 (1)	9 (1)	0 (0)	21 (2)
2020	15 (4)	14 (6)	0 (0)	29 (10)
2021	9 (1)	11 (3)	0 (0)	20 (4)
2022	19 (3)	15 (7)	0 (0)	34 (10)
2023	9 (0)	27 (13)	0 (0)	36 (13)
Total	153	143	0 (0)	296

APA processing time

All UAPAs signed in 2023 were completed within 24 months. For BAPAs, 13 out of 27 were concluded within 24 months, though 14 took longer than 24 months. This demonstrates STA's dedication to expediting the APA process and reducing the time burden on enterprises.

Type	Time Taken from Application to Conclusion		Total
	≤ 24 months	> 24 months	
UAPA	9	0	9
BAPA	13	14	27

Sector coverage

Manufacturing continues to dominate the APA landscape, accounting for 78.04% of all APAs signed from 2005 to 2023. Other sectors include wholesale and retail trade (33 APAs), leasing and commercial services (9 APAs), and transportation, warehousing, and postal services (7 APAs). This diversity highlights the broad applicability across various sectors.

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Transaction types

The majority of APAs involve the transfer of the right to use or ownership of tangible assets, which accounts for 55.83% of all transactions. Services and the transfer of intangibles follow, representing 23.54% and 19.51% of transactions respectively. With the accelerated formation of new quality productive forces in China and the continuous growth of strategic e-commerce, more APAs related to the transfer of usage rights or ownership of intangibles, financing, and transfer of financial assets are expected.

Transfer pricing method

The transactional net margin method (TNMM) remains the most commonly adopted transfer pricing method by 2023, used 299 times and accounting for 83.29% of all the applied methods. The most frequently used profit level indicators are the EBIT operating margin, applied in 104 APAs, and the Full Cost Mark-up, used in 191 APAs. Tax authorities are also considering other methods. However, due to the stern data requirements, the comparable uncontrolled price (CUP), resale minus, and profit split methods remain less popular.

Geographical spread of BAPAs

Asian countries continue to lead in the number of BAPAs signed with China, totaling 99 BAPAs by the end of 2023, followed by 27 BAPAs with European countries, 16 BAPAs with North American countries, and 1 BAPA with an Oceania country. This regional spread reflects China APAs' internationalization and STA's strategic focus on fostering global relationships.

WTS China's observation

STA has made significant progress in international tax cooperation, supporting China's high-level opening-up strategy and contributing to a fair and reasonable global governance system. As a result, the number of APAs is expected to increase and diversify further. STA has enhanced its commitment to win-win services, making APAs more accessible and providing tax certainty to inbound and outbound investors.

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