

Fees and Taxation in the Exchange Bond Market

This chapter details the typical costs incurred by issuers and investors in the exchange bond market in the PRC.

For ease of reference, the descriptions of the types of costs are given in the context of the actions taken by issuers or investors (as explained in this document) and follow the lifecycle of a bond or note in the exchange bond market.

A. Costs Associated with Debt Securities Issuance

These costs refer to those charges incurred as a result of debt securities issuance, as charged by regulatory authorities, market institutions, and market intermediaries. Other costs will or may be incurred by the issuer through services obtained from market intermediaries and supporting entities, such as law firms and accounting or audit firms.

The costs for the issuance of Panda bonds in the exchange bond market are commensurate with the typical costs shown in this chapter. Principally, foreign issuers do not incur other charges in the market when compared to domestic issuers, with the notable exception being the credit rating process (see also section 5).

1. Application for Issuance Approval to China Securities Regulatory Commission (Public Offerings)

Corporate bonds issued via public offerings in the exchange bond market are subject to the approval of CSRC. Please see Chapter II.F for a comprehensive description of the application and approval process for these issuance types.

CSRC does not charge any fees for the review of the issuance application and its approval.

2. Examination of Issuance Documentation by the Exchanges (Public Offerings to Qualified Investors only)

Corporate bonds issued via public offerings in the exchange bond market are subject to the approval of CSRC. In the event that the issuer wishes to issue debt securities via a public offering to Qualified Investors only, the exchange that the issuer has chosen to list on will examine the issuance application and supporting documents on behalf of CSRC and provide its opinion to CSRC for final consent.

In the case of a public offering to Qualified Investors only, the exchanges do not levy fees for the examination process.

3. Examination of Issuance Documentation by the Exchanges (Non-Public [Private] Placement to Qualified Investors)

Corporate bonds issued via non-public (private) placements are not subject to the approval of CSRC. The issuer needs to file a report after issuance with the SAC as the market SRO for the exchange bond market. Please see Chapter II.F for a comprehensive description of the application and approval process for this issuance type.

The exchange will examine the issuance documentation together with the listing application by the issuer and provide a no-objection letter in case of a listing approval, in which case listing fees may apply (see also section B for more information). The SAC does not charge a fee for the receiving and filing of the issuance report.

4. Underwriter Fee (Mandatory for Public Offering)

If an issuer intends to issue bonds via a public offering, an underwriter needs to be appointed. In the exchange bond market, underwriters are securities companies that are members of the respective exchange on which the bond will be listed upon issuance. Please see Chapter III.E for more information on the underwriting of bonds in the exchange bond market.

An underwriter will charge a fee commensurate with the effort and the risk of a firm commitment, standby commitment, or agency underwriting service for the debt securities of the issuer. The fee is likely to follow established market practice and may be subject to negotiations between the issuer and underwriter.

5. Initial Rating Fee (Mandatory for Public Offering)

Issuers wishing to issue their bonds via a public offering need to have their bonds rated by a domestic CRA. The rating is to be prominently featured in the public offer prospectus of the debt securities to be issued. In turn, Panda bonds (those issued by a foreign entity) will need to be rated by at least two CRAs, with at least one of them a domestic CRA. Please see Chapter III.O for more details on the credit rating requirements in the exchange bond market.

Rating agencies will charge an initial rating fee commensurate with their expected work to determine such credit rating. Given that the bond market in the PRC features a number of bond rating agencies, the initial rating fee is likely subject to market practices and commercial considerations.

6. Bond Trustee Fee (Mandatory for Public Offering)

In the event of a planned issuance of bonds via a public offering, the issuer will need to appoint a bond trustee approved by CSRC. At the same time, exchange regulations require the appointment of a bond trustee for non-public (private) placements as well. Please see Chapter III.S for more information on the bond trustee concept in the exchange bond market.

Since the role and obligations of the bond trustee are set in regulations, it should be expected that fee levels follow market practice. The actual fees may be subject to negotiations between the bond trustee and issuer.

7. Initial Registration of Debt Securities at the Depository

CSDC is the single central securities depository for the exchange market, including for the exchange bond market. As such, debt securities are required to be registered with CSDC to be eligible to be listed and traded on the exchanges.

CSDC charges its fees according to a certain proportion of the face value of the bond (Table 6.1). There is no minimum amount or upper limit for the amount to be charged. At the same time, due to product innovation and the complexity of some instruments, charging standards are constantly being reviewed by CSRC in line with market and business needs.

Table 6.1: Securities Registration Fees for Bonds at CSDC

Type of Debt Securities	Tenor	Fee Basis	Fee Amount
Corporate bonds, enterprise bonds, convertible corporate bonds, detachable convertible corporate bonds, private placement bonds, policy financial bonds, government-backed bonds, asset-backed special schemes	Up to 1 year	Registered amount	0.01
	1 year to 5 years	Registered amount	0.02
	5 years to 10 years	Registered amount	0.05
	Above 10 years	Registered amount	0.06
Convertible bonds	All	Face value	0.1

Notes: Should an issuer be listed on the Chinex market of the Shenzhen Stock Exchange (SZSE), the applicable fee amount will be halved. The above fee amounts include value-added tax.

Source: ABMF SF1 compilation based on China Securities Depository and Clearing Co., Ltd. and the SZSE.

B. Listing Fees for Bonds

Debt securities issued in the exchange bond market may be listed on the SSE or SZSE, depending on the nature of the issuer or instrument, or according to preference. Listing on the exchanges is subject to eligibility criteria for the issuer and the issuance, as well as initial and continuous disclosure requirements. Please see Chapter III.I for a comprehensive description of the listing process.

In principle, the exchanges distinguish between an initial listing fee and an annual listing fee. The next two sections detail the applicable listing fees for the SSE and SZSE, respectively.

1. Listing Fees for Bonds on the Shanghai Stock Exchange

Table 6.2 gives an overview of the listing fees on the SSE. To promote the listing of bonds on the SSE, the exchange currently waives all bond listing fees. Further details and the latest fee levels applicable to bonds are available from the SSE website.⁸⁵

⁸⁵ Listing, trading, and other fees charged by the SSE may be found at <http://english.sse.com.cn/tradmembership/tradingfees/>.

Table 6.2: Listing Fees for Bonds on the Shanghai Stock Exchange

Category		Fee Item	Fee Standard	Payer and Receiver
Listing	Cash bond (including ABS)	Initial listing fee	Temporarily no charge	Paid by issuers to the SSE
		Annual listing fee	Temporarily no charge	

Note: Fee amounts, if so charged, will include value-added tax.
 ABS = asset-backed securities, SSE = Shanghai Stock Exchange.
 Source: SSE.

2. Listing Fees for Bonds on the Shenzhen Stock Exchange

Table 6.3 gives an overview of the listing fees on the SZSE. To promote the listing of bonds on the SZSE, the exchange currently waives all bond listing fees. Further details and the latest fee levels applicable to bonds are available from the SZSE website.⁸⁶

Table 6.3: Listing Fees for Bonds on the Shenzhen Stock Exchange

Category		Fee Item	Fee Standard	Payer and Receiver
Listing	Cash bond (including ABS)	Initial listing fee	Temporarily no charge	Paid by issuers to SZSE
		Annual listing fee	Temporarily no charge	

Note: Fee amounts, if so charged, will include value-added tax.
 ABS = asset-backed securities, SZSE = Shenzhen Stock Exchange.
 Source: SZSE.

C. Ongoing Costs for Issuers of Corporate Bonds

Once an issuer has issued bonds and listed them on exchange, the issuer will incur some recurring costs throughout the lifecycle of the bonds. Costs may include the service provision of a paying agent, CRA, or bond trustee.

1. Interest Payment, Redemption, and Repurchase Processing Fees

CSDC acts in the capacity of a paying agent for issuers of debt securities in the exchange bond market. CSDC applies a so-called payout fee for the distribution of these interest payments from the issuer to its account holders (Table 6.4). The fee information is provided on the basis of applicable conditions for the SZSE securities market.

⁸⁶ Listing, trading, and other fees charged by SZSE may be found at <http://www.szse.cn/marketServices/deal/payFees/index.html>.

Table 6.4: Payout Fee for Debt Securities at CSDC

Type of Debt Securities	Fee Basis	Fee Amount
Corporate bonds, enterprise bonds, convertible corporate bonds, detachable convertible corporate bonds, private placement bonds, policy financial bonds, government-backed bonds, and asset-backed special schemes	Payment amount	0.05
Convertible bonds	Payment amount	0.5

Note: The above fee amounts include value-added tax.

Source: ABMF SF1 compilation based on the China Securities Depository and Clearing Co., Ltd. (CSDC) and Shenzhen Stock Exchange.

CSDC also applies a redemption fee upon the final payment from the issuer to the bondholders (Table 6.5). The same fee also applies should the issuer buy back a defined portion of the outstanding amount of the debt securities; in such a case, the fee is referred to as repurchase processing fee.

Table 6.5: Redemption Fee for Debt Securities at CSDC

Type of Debt Securities	Fee Basis	Fee Amount
Corporate bonds, enterprise bonds, convertible corporate bonds, detachable convertible corporate bonds, private placement bonds, policy financial bonds, government-backed bonds, and asset-backed special schemes	Redemption or repurchase amount	0.05
Convertible bonds	Redemption or repurchase amount	0.5

Note: The above fee amounts include value-added tax.

Source: ABMF SF1 compilation based on the China Securities Depository and Clearing Co., Ltd. (CSDC) and Shenzhen Stock Exchange.

2. (Annual) Credit Rating Fee

Bonds issued via a public offering by domestic issuers or those issued as Panda bonds by nonresidents will need to be rated upon issuance. In addition, such bonds are required to be monitored by CRAs during the tenor of the bonds. The review and update of the credit rating by the CRAs results in a fee to the issuer, typically on an annual basis. This rating fee is expected to be subject to negotiation between the CRA and the issuer; fee scales follow market practice.

Please also see Chapter III.O for details on the credit rating requirements in the exchange bond market.

3. Bond Trustee Fee

If a bond trustee is appointed for a bond in the exchange bond market, this bond trustee will perform its duties throughout the lifecycle of the bond. As a result, the bond trustee will bill for its services, typically on an annual basis, until the bond matures. The cost is to be borne by the issuer. Please also see Chapter III.S for more details on bond trustees.

Since the appointment of a bond trustee is mandatory for many issuances in the exchange bond market, the bond trustee fee is expected to be determined

competitively and possibly be subject to negotiation between the issuer and the bond trustee.

D. Costs for Deposit and Withdrawal of Debt Securities

The exchange bond market is completely dematerialized, and no physical securities certificates exist; all debt securities are issued on a book-entry basis only. Holders of debt securities in the exchange bond market must deposit all their debt securities with CSDC in book-entry form upon the debt securities being issued and listed for them to be tradable.

As such, the deposit of debt securities certificates at a later stage or a withdrawal of securities in physical form is not possible.

E. Costs for Account Maintenance and Safekeeping

CSDC applies fees for the opening of securities accounts in its system. At the time of compilation of this bond market guide, CSDC did not charge an account maintenance fee.

1. Account Opening Fee

Account opening charges apply, but the fee level may depend on the nature of the investor or account agencies opening the account. For example, CSDC charges a fee of CNY400 for the opening of a securities account for a QFII or RQFII, which covers the review and processing of the account opening documentation and the technical set-up in the CSDC book-entry system. The account opening fee for an individual investor is CNY40.

Pursuant to the CSDC Rules on the Management of Securities Accounts, account holders or their agencies (securities companies or commercial banks as custodians) are required to settle expenses incurred during the account opening process. This may range from the facilitation of account opening documentation (including shipping charges) to the required verification of signatures or notarization of documents to be submitted. As a result, the account opening fee is charged by the account opening agency to the investor or account holder, and the account opening agency retains half of the applicable fee.

2. Safekeeping Fee

At present, CSDC does not charge any safekeeping fees.

F. Costs Associated with Trading Bonds on the Exchanges

Securities companies and nonmember participants charge brokerage fees to their clients. The exchanges charge trading fees and regulatory levies for trades executed on their platforms, which may be passed on to investors by the members or participants as out-of-pocket expenses. Fee details and specific considerations are explained in the following sections.

1. Shanghai Stock Exchange

The SSE collects trading fees based on the trade amount from both seller and buyer. The trading fee rate is equivalent to CNY1 per million of face value, with a ceiling of CNY100 per transaction. Details on individual trading-related charges are shown in Table 6.6.

Table 6.6: Shanghai Stock Exchange Trading Fees

	Category	Fee Item	Fee Standard	Payer and Receiver
Trading	Cash bond (including ABS)	Handling fee	0.0001% of trading value (CNY100 cap per trade)	Paid by SSE members to the SSE
	Bond pledged repo	Handling fee	Temporarily no charge	Paid by SSE members to the SSE
	Treasury bond outright repo	Handling fee	Temporarily no charge	Paid by SSE members to the SSE
	Bond pledged repo on a negotiated basis	Handling fee	Temporarily no charge	Paid by SSE members to the SSE
	Pledged repo with quotation	Handling fee	Temporarily no charge	Paid by SSE members to the SSE
	Securities trading with agreed repo	Handling fee	Charged according to current standards on the initial and buyback transactions of bonds	Paid by SSE members to the SSE
Block trading	Cash bond (including ABS)	Handling fee	0.0001% of trading value (CNY100 cap per trade)	Paid by SSE members to the SSE

ABS = asset-backed securities, CNY = Chinese renminbi, SSE = Shanghai Stock Exchange.

Note: The above fee amounts include value-added tax.

Source: SSE. Trading Fees. <http://english.sse.com.cn/tradmembership/tradingfees/>.

The handling fee charged for each trade will be billed by CSDC on behalf of the SSE.

2. Shenzhen Stock Exchange

The SZSE charges trading fees and securities transaction regulatory fees to both parties based on the trade amount. The trading fee rate for convertible bonds is charged at CNY40 per million of face value; the trading fee rates for other bonds range from CNY0.1 to CNY10 per trade, depending on the value of each trade. The securities transaction regulatory fee rate is CNY10 per CNY1 million of the bond's face value. Details on individual charges are shown in Table 6.7.

The exchange levy charged for each trade is billed by CSDC on behalf of the SZSE.

Table 6.7: Shenzhen Stock Exchange Trading and Regulatory Fees

Bond type	Fee	Rates	Payer	Notes
Treasury bond	Exchange levy	CNY0.1 per trade for a trade value less than or equal to CNY1 million, or CNY10 per trade for a trade value greater than CNY1 million	Both buying and selling settlement participant	Only new participants are charged in their first year
	Settlement risk fund	0.001% of trade value		
Corporate bond, enterprise bond	Exchange levy	CNY0.1 per trade for a trade value less than or equal to CNY1 million, or CNY10 per trade for a trade value greater than CNY1 million	Both buying and selling settlement participant	
	CSRC fee	0.001% of trade value		
Privately placed SME bond	Exchange levy	CNY0.1 per trade for a trade value less than or equal to CNY1 million, or CNY10 per trade for a trade value greater than CNY1 million	Both buying and selling settlement participant	
	CSRC fee	0.001% of trade value		
Convertible bond	Exchange levy	0.004% of trade value	Both buying and selling settlement participant	
	CSRC fee	0.001% of trade value		
Repurchase	Exchange levy	CNY0.1 per trade for a trade value less than or equal to CNY1 million, or CNY10 per trade for a trade value greater than CNY1 million	Both buying and selling settlement participant	
	CSRC fee	0.001% of trade value		

CNY = Chinese renminbi, CSRC = China Securities Regulatory Commission, SME = small and medium-sized enterprise.

Note: The above fee amounts include value-added tax and are as of March 2019.

Source: Shenzhen Stock Exchange. Trading Fees.

<http://www.szse.cn/English/services/trading/tradingFees/index.html>.

The same fees apply for block trades in debt securities. The closing leg of a repo transaction does not attract a charge.

G. Costs for Settlement of Bond Transactions and Securities Transfers

As the single settlement institution and central securities depository for the exchange bond market, CSDC levies a number of fees for the services it provides when settling transactions or transferring debt securities.

1. Securities Management Fee

The settlement and transfer of bonds as a result of trades executed in the exchange bond market on the SSE and SZSE are carried out by CSDC on a book-entry basis. CSDC charges a so-called securities management fee to both settlement

counterparties based on the transaction amount.⁸⁷ The securities management fee is typically set at CNY10 per CNY1 million of the bond's face value.

2. Contribution to the Securities Settlement Risk Fund

In addition, only for transactions in Treasury bonds and for repo transactions, CSDC charges a fee as a contribution to the Securities Settlement Risk Fund.⁸⁸ The contribution from transactions in Treasury bonds amounts to CNY10 per CNY1 million of the bond's face value, while the charge for repo transactions has a tiered structure based on the tenor of the repo transaction (Figure 6.8).

Table 6.8: Repo Transaction Contribution to the Securities Settlement Risk Fund

Type of Debt Securities	Repo Tenor	Fee Basis	Fee Amount
All instruments	1 day	Turnover amount	0.0005%
	2 days	Turnover amount	0.001%
	3 days	Turnover amount	0.0015%
	4 days	Turnover amount	0.002%
	7 days	Turnover amount	0.005%
	14 days	Turnover amount	0.01%
	28 days	Turnover amount	0.02%
	91 days	Turnover amount	0.06%
	182 days	Turnover amount	0.12%

Note: The above fee amounts include value-added tax.

Source: ABMF SF1 compilation based on the China Securities Depository and Clearing Co., Ltd. and Shenzhen Stock Exchange.

The fees are billed to the account holder. If the account holder is a custodian on behalf of an investor, the custodian is likely to pass the transaction fees incurred on to the investor as out-of-pocket expenses.

3. Cross-Market Fee

In the event that a transaction occurs between participants in different market segments, CSDC charges a so-called cross-market fee of 0.005% based on the par value of the trade, with a minimum charge of CNY10 and a maximum charge of CNY10,000. This fee is charged to the investor.

⁸⁷ Securities management fee is the term used in the English version of the CSDC rules.

⁸⁸ For information on the Securities Settlement Risk Fund, please see the CSDC website at www.chinaclear.cn.

H. Taxation Framework and Requirements

Tax legislation and policy are developed jointly by the State Administration of Taxation (SAT) and the MOF, with the SAT and its provincial and municipal offices administering taxation policies. Each locality in the PRC has a state tax bureau under the SAT and a local tax bureau under both the SAT and the local government.

Taxation treatment differs for domestic investors and for investments made by QFII and RQFII, as explained in the following sections.

1. Tax Treatment for Investments by QFIIs and RQFIIs

According to circulars issued by SAT and MOF and other materials, the application of business tax and corporate income tax (CIT) and other relevant taxes for investments in central government bonds and local government bonds by QFIIs and RQFIIs is exempt.⁸⁹

Interest income from policy financial bonds and bonds issued by financial institutions is subject to a 10% withholding tax and a 6% value-added tax (VAT). Table 6.9 provides an overview of the taxation treatment for QFIIs and RQFIIs.

Table 6.9: Summary of Tax Treatment for Foreign Investors in the PRC Bond Market

Items	Corporate Income Tax (WHT)		Value-Added Tax	
	Coupon Interest		Interest (no withholding agent)	Capital Gains
	QFII and RQFII (withheld at source for exchange-traded bonds)	CIBM Direct or Bond Connect (no withholding agent)		
Government bonds and local government bonds	Exempt		Exempt	Exempt
Other nongovernment bonds, including policy financial bonds	10% ^a		6% ^a (plus applicable surcharge)	Exempt

CIBM = China Inter-Bank Bond Market, QFII = Qualified Foreign Institutional Investor, RQFII = Renminbi Qualified Foreign Institutional Investor, WHT = withholding tax.

^a The Ministry of Finance and State Administration of Taxation issued a 3-year exemption (from 7 November 2018 to 6 November 2021) from the corporate income tax and value-added tax on interest income derived by foreign investors from their investment in the PRC bond market.

Sources: BNP Paribas, Citibank N.A, HSBC, PriceWaterhouseCoopers, and other publicly available sources.

2. Summary of Tax Treatment for Domestic Investors

For domestic investors, interest income derived from central government bonds and local government bonds is exempt from corporate income tax and VAT. Capital gains are subject to a 6% VAT.

⁸⁹ In compiling this information, ABMF SF1 referred to publicly available materials produced by Citibank N.A, BNP Paribas, HSBC, PriceWaterhouseCoopers, and others.

Interest income from policy financial bonds and bonds issued by financial institutions is subject to a CIT of 25% and an additional 6% VAT if not held to maturity. Also, capital gains from investment in these instruments is subject to a 6% VAT. Table 6.10 provides an overview of the taxation treatment for domestic institutional investors in the exchange bond market.

Table 6.10: Summary of Tax Treatment of Bond Investment by Domestic Institutional Investors

Items	Corporate Income Tax (WHT)		Value-Added Tax	
	Coupon Interest	Capital Gains	Interest	Capital Gains
Government bonds and local government bonds	Not taxed	25%	Not taxed	6%
Government-supported bonds	12.5%	25%	Not taxed	6%
PBOC bills, policy financial bonds, commercial bank bonds	25%	25%	Not taxed	6%
Other bonds ^a	25%	25%	6%	6%

PBOC = People's Bank of China, WHT = withholding tax.

^a The applicable tax rate for bonds issued by railway corporations is 12.5%.

Sources: BNP Paribas, Citibank N.A, HSBC, and other publicly available sources.

3. Corporate Income Tax

Treasury bonds and local government bonds are not subject to income tax, with the prevailing view and practice in the market that government bonds are specifically exempt from corporate income tax.

4. Withholding Tax

Interest paid to nonresident investors from debt instruments—corporate bonds and convertible bonds—listed and traded in the exchange bond market is subject to a 10% withholding tax (WHT).

According to the Corporate Income Tax Law, which took effect on 1 January 2008, as well as the Implementation Rules issued by the SAT on 23 January 2009, QFIIs and RQFIIs are also subject to a WHT of 10% on their PRC-sourced interest income. At the same time, interest income derived from government bond investment during the holding period is exempt from CIT.

As per market practice, the following entities are responsible for withholding WHT:

- i. Bond issuers are required to withhold WHT on interest when the interest is paid or due.
- ii. Custodian agent banks of QFIIs or RQFIIs are also required to withhold a 10% tax on interest from all QFII or RQFII cash accounts, including CNY-denominated and foreign currency accounts.

Under the general tax provisions of the Corporate Income Tax Law, a nonresident enterprise that is not effectively connected with any establishment or place of business in the PRC (refers to tax technical term of permanent establishment) would be subject to a 10% withholding tax on capital gains from listed securities if such a tax were implemented.

On 30 August 2018, the State Committee of the State Council proposed a 3-year exemption from CIT and VAT on interest income derived by foreign investors from their investment in the PRC bond markets. The MOF and SAT will issue detailed regulations in due course.

5. Capital Gains Tax

On 14 November 2014, the MOF, SAT, and CSRC jointly issued a notice regarding the tax treatment of capital gains for QFII and RQFII. The notice advised only that QFIIs and RQFIIs will be temporarily exempted from CIT for the capital gains derived from transferring stocks and other equity investments in the PRC, effective 17 November 2014, and shall pay corporate income tax on the capital gains derived before 17 November 2014.

For securities traded in the exchange bond market (and in the CIBM), capital gains realized from bond sales were theoretically out of the scope for an application of CIT. As further advised by the MOF and SAT in the PBOC meeting with CIBM bond settlement agents (CCDC and SHCH) on 20 October 2016, the framework for the application of CIT on CIBM capital gains was close to finalization, by which CIT on the capital gains of QFIIs and RQFIIs shall be exempted.

6. Value-Added Tax

On 23 March 2016, the MOF and SAT jointly issued Caishui (财税) (No. 36), which sets out the detailed implementation rules for the transition from business tax to VAT. From 1 May 2016, VAT replaced the business tax to cover all sectors that used to fall under the business tax regime. For the financial industry, a 6% VAT now applies to nearly all major forms of remuneration derived from financial services.

According to Caishui (No. 36) and Caishui (No. 70) (released on 30 June 2016), the MOF and SAT stipulated that

- i. interest income from government bonds issued by the MOF and local government bonds is exempted from VAT, and
- ii. income derived from securities trading through domestic companies appointed by QFIIs and RQFIIs is exempted from VAT.

According to Caishui (No. 36), QFIIs are exempt from VAT with respect to gains derived from the trading of securities investments under the QFII scheme. However, it is uncertain whether RQFIIs can be exempted from VAT with respect to gains derived from the trading of securities investments and whether securities investments also include bond investments.

A 6% VAT will also apply to interest income derived from bond investment by domestic institutional investors, while the deposit interest income derived from cash accounts with commercial banks is beyond its scope.

7. Double Taxation Agreements

The PRC has entered into more than 100 double taxation agreements (DTAs).

If a nonresident investor can apply a DTA and the DTA rate differs, the tax treaty rate should apply. Eligible foreign investors may apply for relief under any relevant tax treaty. Foreign investors are required to submit documents to the SAT and state or local tax authorities for approval or reporting before they can enjoy tax treaty rates on dividends or interest.

RQFIIs who are eligible for a lower tax rate under a DTA can apply for tax-relief-at source or file a reclaim from the tax bureau at the paying agent's domicile. For an RQFIIs' deposit interest, the custodian agent bank will be willing, through its domicile tax bureau, to help eligible RQFIIs file the application to claim tax treaty benefits.

8. Stamp Duty

Stamp duty is not applicable for transactions in debt instruments in the exchange bond market. The application of stamp duty is limited to the equity market.

9. Transaction Tax

A transaction tax is not applicable in either the exchange bond market or in other market segments in the PRC.