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Aiming to reduce tax costs and social security contributions in the manufacture of products destined for other countries, China reorganised its legislation and improved its entire executive/administrative foreign trade policy by accelerating the renovation and construction plan for approximately one thousand new ports/terminals along its extensive coastline. China has also modified its tax system by offering specific benefits to foreign enterprises (FEs) and foreign-invested enterprises (FIEs) operating in one of the five special economic zones (SEZs) or establishing themselves in areas of technological economic development (ETDZs). Even after its acceptance as the 143rd member country of the WTO, with numerous concessions, the Chinese corporate tax system remains a factor in attracting and retaining foreign investment.

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I. INTRODUCTION

The intensification of trade between countries is a significant phenomenon in contemporary international relations, leading to conflicting patterns of state behaviour and the emergence of complex, often ambiguous institutions designed to regulate and promote the growth of global trade.[1]

This dynamic arises because, in many cases, trade succumbs to overwhelming global demands, which can deplete natural resources and contribute to an unequal distribution of wealth among nations.

Aiming to overcome the so-called "Asian crisis" by reducing social security contributions and tax costs in the manufacture of products for export, China reorganised its legislation, improved its entire executive/administrative foreign trade policy and changed its tax system, granting major benefits to foreign enterprises (FEs) and foreign-invested enterprises (FIEs), provided they are located in one of the five special economic zones (SEZs) or established in a financial and technological development zone (ETDZs) existing in that country. This article aims to analyse and demonstrate that measures such as the reform of China's corporate tax system remain key factors in attracting and retaining foreign investment, even

[1] TESSARI, Cláudio. A defesa nas medidas antidumping por meio do interesse público no Brasil, Canadá e na União Europeia. Porto Alegre: Livraria do Advogado Editora, 2016, p. 26.

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after the country acceded to the World Trade Organisation as its 143rd member, which involved numerous concessions.

II. ANALYSIS OF THE CHINESE MARKET

Law is deeply influenced by economics, particularly due to its limitation to territorial jurisdiction. Wherever a group of people coexists, economic activity inevitably emerges, accompanied by the necessity for rules to regulate interactions. These norms are essential to ensure the social and economic harmony sought by all participants engaged in the market.

In a context marked by scarce resources and the continuous human drive for consumption, the boundary between Law and Economics becomes increasingly fluid. This interdisciplinary convergence is particularly evident in the pursuit of economic survival.[2]

In this sense, it is essential to note that any company or person that produces, sells, works, or buys is subject to the China Factor, which represents China's significant presence in the global economy.

This Factor is defined by China's increasingly profound influence on the prices and supply of products, services and wages, on the cost of raw materials, on the international division of labour, on the direction of investments, on competitiveness standards, on the global distribution of economic, political (geopolitical) and military forces, on the environment and so many other spheres of life, so that no one is free from its influence.[3]

Failing to take the China Factor into account because it does not represent an immediate threat is a strategic error, as companies and even entire production sectors emerge very quickly in that country, causing other companies that are not as well prepared and structured in the world to watch the Chinese take over their markets, with perplexity and a certain indignation. Therefore, the aforementioned China Factor must be considered at all times in the planning of companies and must be identified with precision as well as monitored.[4]

China systematises the administration of the executive branch as follows:

State Council, with a maximum of two consecutive terms of five years each;

a. President (Head of State): elected at each Congress of the Communist Party, every five years. Their role is to enact laws created by the National People's Congress (Legislative Branch), in addition to choosing all members of the legislative branch, creating decrees, declaring war, and declaring a state of emergency. Since the 1990s, the president has also been elected as the head of the Chinese Communist Party, and in this role, their main activity is to create general policies to be adopted by the government, in addition to overseeing foreign policy
b. Premier (Head of Government): elected by the president, they are responsible for implementing, in practice, the general policies established.
c. Popular (Central) Bank of China: controlled by the State Council, and responsible for monetary policy and the prevention and resolution of financial risk problems, safeguarding monetary stability in the country.

Regional Governments: appointed by the president, they are divided into:

- Twenty-two Provincial Governments (subdivided into municipalities).
- Four municipalities under the direct administration of the central government:

. Beijing;
. Shanghai;

[2] LONGO, André Koller Di Francesco. O planejamento tributário como alternativa para defesa concorrencial em operações de importação com o mercado Chinês. *In.*: Revista Tributária e de Finanças Públicas n. 110. Ano 21. São Paulo: Revista dos Tribunais, 2013, p. 369.

[3] QUARESMA, Henry Uliano. O Fator China. São Paulo: Aduaneiras, 2012, p. 10.

[4] QUARESMA, Henry Uliano. O Fator China. São Paulo: Aduaneiras, 2012, p. 10.

. Tianjin;
. Chongqing.

- Five Autonomous Regions

. Xinjiang (Uyghur ethnic group);
. Tibet;
. Inner Mongolia;
. Guangxi (Zhuang ethnic group);
Ningxia (Hui ethnic group).[5]

Intending to structure its economy, stimulate growth, and attract foreign investment, China established Special Economic Zones (SEZs) within its territory. These zones operate under distinct legal, customs, and tax regimes, offering advanced infrastructure, flexible regulations for foreign capital, and reduced import and export barriers. Since their inception in 1980, SEZs have embodied a more open market-oriented policy, strategically designed to attract investment and promote China's economic development on the global stage.

China has long challenged conventional political and economic logic, as it has been the dominant empire in Asia with a thousand-year history. Although it stagnated and was excluded from world trade for centuries, it decided to shift its approach in 1990, changing its internal and external policies and ending large-scale hunger.
Since the 1982 Chinese Constitution:

The People's Republic of China is a socialist state under the people's democratic dictatorship led by the working class and based on the alliance of workers and peasants. China will remain in the initial stage of socialism for a long time. The fundamental task of the state is to concentrate efforts on modernising socialism toward building socialism with Chinese characteristics. Under the leadership of the Communist Party of China and guided by Marxism-Leninism, Maoism, and the theories of Deng Xiaoping, the Chinese of all ethnic groups will continue to adhere to the people's democratic dictatorship and the socialist path, support reform and opening up to the world, constantly improve socialist institutions, develop a socialist market economy, promote socialist democracy, improve the socialist legal system, and work hard and self-confidently to modernise industry, agriculture, science and technology, and national defence step by step, which will result in a strong, prosperous, and culturally advanced socialist democratic nation.[6]

Several Asian countries, such as Korea, Indonesia, and Malaysia, have deliberately depreciated their currencies since 1997 to maintain their export competitiveness. Thus, exporters start to receive more local money for the products they ship, consequently making imports more expensive. Such depreciation acts result in serious consequences for the country's entire economy, causing inflation, an increase in domestic debt tied to the dollar, lower wages, and a reduction in the value of the foreign currency of privatisable state-owned companies.[7]

Since 1998, some of the leading experts in international trade, including Brazilians, did not believe that China would be able to withstand the Asian crisis without devaluing its currency to sustain exports and maintain high economic growth. Despite significant internal and external challenges, the country overcame the situation and reinforced its role as a leader in global trade.

> The PBC eased the monetary policy, that is, expanded the money supply and loans and reduced the interest rate and other measures, such as labour policies, to stimulate domestic demand.
>
> [...] the government implemented and stimulated investment, both public and private, in innovation, economic restructuring, high-tech sectors, such as robotics and artificial intelligence, and environmental protection, and the monetary policy continued to be flexible.

The aim of replacing the Chinese economic model focused on the external sector for one domestic market was, first, to prevent the Chinese economy from slowing down too much and, second, to

[5] QUARESMA, Henry Uliano. O Fator China. São Paulo: Aduaneiras, 2012, p. 10.

[6] QUARESMA, Henry Uliano. O Fator China. São Paulo: Aduaneiras, 2012, p. 10.

[7] OLIVEIRA, Carlos Tavares de. China o Retorno à Liderança Mundial. São Paulo: Aduaneiras, 2012, p. 147.

ensure an annual average growth rate of 8.0% over the coming years.[8]

In other words, China, already on the right path to a market economy, instead of depreciating the Yuan (or renminbi, also known as the people's currency), preferred to adopt the classic means to stimulate its sales abroad, adopting the models already applied by the most significant exporting powers: the United States, Germany, Japan and the Netherlands.[9]

Aiming to compete with products from its Asian neighbours, now with lower prices, China improved its entire export system, starting with investments to promote production and, later, structuring sales in the foreign market, increasing profitability throughout production/sales, allowing exporting companies to maintain or adjust the prices of their products in the international market.[10]

These foreign investments began to benefit from broad tax exemptions, allowing the remittance of profits/dividends abroad in the first year of operation. Additionally, production financing volumes were increased, and interest rates were reduced to some of the lowest international levels (from Eximbank of the USA and Japan), Foreign companies were also authorised to participate in the insurance and exchange sectors, but under the close supervision of the Popular Bank of China (the country's Central Bank).[11]

To be able to send and receive great volumes of goods, China relies on a modern and efficient infrastructure with special emphasis on ports, as it has seven of the ten largest ports/maritime terminals in the world.[12]

Furthermore, China has also authorised the participation of foreign business groups in the construction and management of ports, using the Yangpu ports in the Hainan Island Economic Zone as a model, which received foreign investment of over US$2.5 billion. China currently has two of the ten largest ports on the planet, Shanghai (3rd) and the ultra-privatised Hong Kong, the latter being the world leader in container movement with 14 million units/year, which represents three times the total exports of the Port of Rotterdam and ten times that of all of Brazil.[13]

These advances demonstrate China's strategy of modernising its port infrastructure, adopting innovative technologies and sustainable solutions to strengthen its leadership position in global maritime trade.

As a result of these measures and provisions, after the first half of 1999, exports began to react, resuming and even surpassing the record levels from before the Asian crisis, with growth in July of that year of 7.5%; in August 17.8%; in September 20%; and in October 23.8%.[14]

In addition to receiving investments for the development of ports, China also invests in other countries when it is in its interest - for example, the port of Chancay in Peru ("investment of US$ 3.6 billion [R$ 18.4 billion]"[15]). The Chinese state-owned shipping company, Cosco Shipping

[8] TESSARI, Cláudio. FERRARI-FILHO, Fernando. Considerations about the Economic Growth of the Chinese Economy Since the 1990s. Available at: https://www.scirp.org/pdf/chnstd2025142_52550533.pdf. Accessed on 27th May 2025.

[9] *OLIVEIRA, Carlos Tavares de. China o Retorno à Liderança Mundial. São Paulo: Aduaneiras, 2012, p. 148.*

[10] OLIVEIRA, Carlos Tavares de. China o Retorno à Liderança Mundial. São Paulo: Aduaneiras, 2012, p. 148.

[11] TESSARI, Cláudio. FERRARI-FILHO, Fernando. Considerations about the Economic Growth of the Chinese Economy Since the 1990s. Available at: https://www.scirp.org/pdf/chnstd2025142_52550533.pdf. Accessed on 27th May 2025.

[12] China destaca-se com 7 dos 10 principais portos do mundo. *In.*: Camex do Brasil. Available at: https://comexdobrasil.com/china-tem-7-dos-10-principais-portos-do-mundo/. Accessed on 17th March 2025.

[13] OLIVEIRA, Carlos Tavares de. China o Retorno à Liderança Mundial. São Paulo: Aduaneiras, 2012, p. 148.

[14] OLIVEIRA, Carlos Tavares de. China o Retorno à Liderança Mundial. São Paulo: Aduaneiras, 2012, p. 148.

[15] BRAZIL. Ministry of Development, Industry, Commerce and Services.Notícia: Suframa e embaixada do Peru promovem evento sobre porto de Chancay para debater integração sul-americana. Available at: https://www.gov.br/suframa/pt-br/assuntos/noticias/suframa-e-embaixada-do-peru-promovem-evento-sobre-porto-de-chancay-para-debater-integracao-sul-americana. Accessed on 17th March 2025.

Company, which is leading the project, treats this mega port as a "world-class operator".[16]

The pillars for China's significant and continued economic expansion are (a) foreign investments, (b) the qualification of the workforce (quality, not cost, is crucial), (c) increasing productivity, and (d) improving competitiveness.

"After 15 years of extensive negotiations, on 11th December 2001, at the Doha Ministerial Conference, the members of the World Trade Organisation - WTO formally decided that China would become the 143rd member country of that Organisation."[17] Probably no other member agreed to make as many concessions as China to become part of this select group of countries that together form the WTO through an Accession Protocol.[18] In addition to not having been able to negotiate the rules to which it is now bound, it was subject to tremendous pressure for broad concessions during its accession process.[19] The highlights of the protocol mentioned above are:

Not to condition government advantage to attract investment, for example, technology transfer (which the other members can do);

In terms of *anti-dumping*, price comparisons to apply the measure when China is the subject of an investigation will not be made based on the Chinese market (as occurs, mutatis mutandis, with other members when they are investigated). It will be based on a third market, and this will be the case for a significant period of 15 years, starting in 2001. Special rules for price comparisons to apply a countervailing measure are also provided, and likewise, they will apply only to China for 15 years, starting in 2001;

- Allowing Argentina, the countries that form the European Community, Hungary, Mexico, and Slovakia to maintain prohibitions, quantitative restrictions, and other measures against Chinese imports that, strictly speaking, would be incompatible with WTO rules;
- Submit annually to a review mechanism for the implementation of the Accession Protocol, which has not been required of any other WTO member, through verifications carried out by the following subsidiary bodies of the WTO: *Council for Trade in Goods; Council for Trade-Related Aspects of Intellectual Property Rights; Council for Trade in Services; Committees on Balance-of-Payments Restrictions; Market Access (also covering ITA); Agriculture, Sanitary and Phytosanitary Measures; Technical Barriers to Trade; Subsidies and Countervailing Measures; Anti-Dumping Measures; Customs Valuation, Rules of Origin; Import Licensing; Trade-Related Investment Measures, Safeguards; Trade in Financial Services*, and this annual review process should last for eight years, starting in 2001.[20]

With "headquarters in Geneva, Switzerland, the WTO is an organisation composed of" 166 members (as of 30th August 2024), the "so-called Member Countries", and 23 "observer governments, keeping its doors open to all countries as long as the conditions of the accession process are respected".[21]

[16] PORTO DE CHANCAY: A ponte entre a América do Sul e a Ásia e a Oceania. Available at: https://www.gov.br/suframa/pt-br/publicacoes/2.SUFRAMAPortodoChancayCopiarCopiar.pdf. Accessed on 17th March 2025.

[17] TESSARI, Cláudio. A China na OMC, as medidas antidumping e o impacto do Brexit. Revista Portuária Economia e Negócios. Ano 15. edição 198. agosto 2016. p. 34. Available at: https://issuu.com/bteditora/docs/2016-08-15-revistaportuaria. Accessed on 16th December 2025.

[18] Full documentation on the outcome of the Chinese accession process (including schedules for goods and services) can be found in the World Trade Organization. Protocol on the Accession of China. Cambridge: Cambridge University Press, 2003 (vol. I, 1,061 pages).

[19] TESSARI, Cláudio. FERRARI-FILHO, Fernando. Considerations about the Economic Growth of the Chinese Economy Since the 1990s. Available at: https://www.scirp.org/pdf/chnstd2025142_52550533.pdf. Accessed on 27th May 2025.

[20] FURLAN, Fernando de Magalhães; FELSBERG, Thomas Benes. Brasil China Comércio, Direito e Economia. São Paulo: Lex Editora, 2005, p. 38-40.

[21] TESSARI, Cláudio. A defesa nas medidas antidimping por meio do interesse público no Brasil, Canadá e na União Europeia. Porto Alegre: Livraria do Advogado Editora, 2016, p. 31.

The annual review and analysis of Chinese trade policies and standards aims to identify possible violations of WTO rules by other members. Concerns about China's accession to the WTO are so significant that the United States, in addition to acting within the organisation itself to assess compliance with the obligations assumed, established a complementary unilateral mechanism. To this end, they set up, within the Trade Policy Staff Committee, the *Subcommittee* on China's WTO Compliance, dedicated to monitoring China's compliance with WTO standards. This Subcommittee was established in December 2001, coordinated by the *United States Trade Representative (USTR)*[22], which promotes meetings and publishes annual reports[23] to assess China's compliance with WTO rules.

In addition to this initiative, the US State Department created a task force to assess China's compliance with WTO rules through the UN *Implementation Coordination Committee*, based at the US Embassy in Beijing, the capital of China, whose duties are to investigate and analyse changes in Chinese rules that affect its commitments to the WTO.[24]

Nineteen years after joining the WTO, on 15th January 2020, the United States and China signed an economic and trade agreement known as the "Phase One Trade Deal".

This Agreement included commitments by China in the areas of intellectual property and technology transfer. It also guaranteed better market access for the agriculture and financial services sectors, along with China's commitment to increase its purchases of goods and services from the US.[25]

The growth of the Chinese economy is currently a matter that calls the entire international community's attention, as China's continued expansion over the past 30 years, at an average annual rate of 10%, has elevated the country to the status of the world's second-largest economy and global power.

A 2020 study by the Centre for Economics and Business Research (CEBR) projected that China would surpass the United States in economic size by 2027. However, the latest edition of the World Economic League Table (WELT 2025), published by international economic analysts at the CEBR, suggests that China's economic growth is expected to slow, and it will remain the world's second-largest economy over the next 15 years.[26]

The consequences of this position (felt worldwide) are enormous for the Brazilian economy since China has been Brazil's leading trading partner since 2009. It represents the most significant potential market for exports; the second-largest supplier and the primary source of new investment in the country.[27]

Regarding the 15-year trading partnership between China and Brazil, it is worth highlighting that "Bilateral trade reached US$157 billion in 2023, a historic record. Brazil is the country that receives the most Chinese investment in Latin America, with 48% of the total in the region."[28]

[22] "The Office of China, Mongolia and Taiwan Affairs is responsible for managing the formulation and implementation of U.S. trade policy for the People's Republic of China, Hong Kong, Macao, Mongolia and Taiwan, to increase access to US products and services in these markets and ensuring that the World Trade Organization (WTO) and bilateral commitments are enforced." (US, China, Mongolia and Taiwan. Available at: https://ustr.gov/countries-regions/china-mongolia-taiwan. Accessed on 17th March 2025.)

[23] USTR Releases Annual Report on China's WTO Compliance. Available at: https://ustr.gov/about- us/policy-offices/press-office/press-releases/2025/january/ustr-releases-annual-report-chinas-wto-compliance. Accessed on 17th March 2025.

[24] FURLAN, Fernando de Magalhães; FELSBERG, Thomas Benes. Brasil China Comércio, Direito e Economia. São Paulo: Lex Editora, 2005, p. 41.

[25] EUA. China, Mongolia and Taiwan. Available at: https://ustr.gov/countries-regions/china-mongolia-taiwan. Accessed on 17th March 2025

[26] World Economic League Table. Available at: https://cebr.com/world-economic-league-table/. Accessed on 17th March 2025.

[27] OLIVEIRA, Carlos Tavares de. China o Retorno à Liderança Mundial. São Paulo: Aduaneiras, 2012, prefácio.

[28] BRASIL. Ministry of Foreign Affairs. Nota à imprensa nº 237: VII Sessão Plenária da Comissão Sino-Brasileira de Alto Nível de Concertação e Cooperação (COSBAN). Available at: https://www.gov.br/mre/pt-br/canais_atendimento/imprensa/notas-a-imprensa/vii-sessao-plenaria-da-comissao-sino-brasileira-de-alto-nivel-de-concertacao-e-cooperacao-cosban. Accessed on 17 March 2025.

To this end, it is pertinent to prove this entire attraction factor by presenting China's socio-economic indicators for the year 2023:

In terms of GDP, China is the second-largest country in the world, having surpassed economic powers such as Spain, Canada, and Brazil (the 10th largest). To achieve this, "China used investment from foreign companies to develop its investment capacity".[29]

The primary bilateral mechanism governing relations between Brazil and China is the Sino-Brazilian High-Level Concentration and Cooperation Commission (COSBAN), which had its last meeting between June 4 and 7, 2024 ("the year that celebrates the 50th anniversary of the establishment of diplomatic relations between Brazil and China, as well as the 20th anniversary of the creation of COSBAN"[30]). It permitted the adoption of several initiatives handled by 11 thematic Subcommittees: "Politics; Economic-Trade and Cooperation; Economic-Financial; Industry, Information and Communication Technology; Agriculture; Sanitary and Phytosanitary Issues; Energy and Mining; Science, Technology and Innovation; Space Cooperation; Culture and Tourism; and Environment and Climate Change."[31]

China has become one of the actors with significant influence on the architecture of the international economic system, above all, through the consolidation of a robust institutional and financial structure, through which the country seeks to promote an alternative model of globalisation focused on cooperation and economic development without the imposition of political conditions and counterparts.[32]

China's reintegration into the global order was of critical significance, as a country with such extensive international economic interests could not remain excluded from the main multilateral economic organisation. Such exclusion prevented, on the one hand, the country from having its opinion considered in the formation of the international economic order and, on the other hand, left it in a vulnerable position in the field of global trade since it was constantly the victim of arbitrary and discriminatory treatment, without being able to use any means of defence.[33]

III. ANALYSIS OF THE CHINESE CORPORATE TAX SYSTEM AS A FACTOR IN ATTRACTING AND MAINTAINING FOREIGN INVESTMENTS

China's tax policy has played a key role in attracting foreign investment, leading to the creation of specific tax laws applicable exclusively to foreign invested (FIEs) and foreign enterprises (FEs). These companies benefit from reduced income tax rates and broader tax incentives compared to other Chinese companies.

[29] TESSARI, Cláudio. Interesse público é variável para se medir conveniência da medida antidumping [interview given to] jornalista Jomar Martins. Revista Eletrônica Consultor Jurídico – Conjur. 09 de out. 2016. Available at: https://www.conjur.com.br/2016-out-9/entrevista-claudio-tessari-professor-tributarista. ISSN 1809.2829. Accessed on 16th March 2025.

[30] BRASIL. Ministry of Foreign Affairs. Nota à imprensa nº 237: VII Sessão Plenária da Comissão Sino-Brasileira de Alto Nível de Concertação e Cooperação (COSBAN). Available at: https://www.gov.br/mre/pt-br/canais_atendimento/imprensa/notas-a-imprensa/vii-sessao-plenaria-da-comissao-sino-brasileira-de-alto-nivel-de-concertacao-e-cooperacao-cosban. Accessed on 17th March 2025.

[31] BRASIL. Ministry of Foreign Affairs. Nota à imprensa nº 237: VII Sessão Plenária da Comissão Sino-Brasileira de Alto Nível de Concertação e Cooperação (COSBAN). Available at: https://www.gov.br/mre/pt-br/canais_atendimento/imprensa/notas-a-imprensa/vii-sessao-plenaria-da-comissao-sino-brasileira-de-alto-nivel-de-concertacao-e-cooperacao-cosban. Accessed on 17th March 2025.

[32] CARVALHO JUNIOR, Pedro Humberto Bruno de; NUNES, Ticiana Gabrielle Amaral. O sistema tributário da china: um olhar a partir do Brasil. Available at: https://repositorio.ipea.gov.br/bitstream/11058/11235/1/td_2778.pdf. Accessed on 26th May 2025.

[33] SHEN, Noronha Luo Pang. A China Pós-OMC. 2. ed. São Paulo: Observador Legal, 2004, p. 21.

China Socioeconomic Indicators	2023
Population (millions of inhabitants)	1.40967[34]
Growth rate in real terms (%)	80,5%[35]
Nominal GDP (US$)	1.294271,7[36]
Growth rate in nominal terms	92,3%[37]
Share of general government budget deficit (-) / surplus (+) in GDP (%)	-4,6[38]
Net exports of goods and services (100 million yuan)	27346,7[39]
Value of exports of commercial goods and services (millions of US$)	3.511.248[40]
Total exports	33790.4[41]
Value of imports of commercial goods and services (millions of US$)	3.125.185[42]
Total imports	25569,4[43]
Value of imports and exports of commercial goods and services (millions of US$)	6.636.433[44]
External debts (billions of US$)	3346,3[45]
Share of external debt in GDP	13,7%[46]
Exchange (R$/Rmb)	1,3219[47]

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Regarding the specific legislation (income tax and tax incentives) applicable to FIEs and FEs, it is crucial to list the main Chinese corporate formats that allow the presence of a foreign partner or investor:

Foreign-investment enterprises (FIEs) refer to: Chinese-foreign equity joint ventures (EJV)[48]; Chinese-foreign contractual joint ventures (CJV)[49]; and wholly foreign-owned enterprises (WFOEs) of limited liability.

Foreign Enterprises (FEs) refer to those that: have an establishment or production site in China and carry out their business activities in China; or

b) Without having an establishment or production site in China, have income originating within the territory of China.[50]

[34] CHINA. National Bureau of Statistics of China. Available at:https://data.stats.gov.cn/english/tablequery.htm?code=AC03. Accessed on 17th March 2025.

[35] CHINA. National Bureau of Statistics of China. Available at: https://data.stats.gov.cn/english/tablequery. htm?code=AC03. Accessed on 17th March 2025.

[36] CHINA. National Bureau of Statistics of China. Available at:https://data.stats.gov.cn/english/tablequery.htm?code=AC03. Accessed on 17th March 2025.

[37] CHINA. National Bureau of Statistics of China. Available at:https://data.stats.gov.cn/english/tablequery.htm?code=AC03. Accessed on 17th March 2025.

[38] Snapshot BRICS Joint Statistical Publication 2024. Available at: https://brics.ibge.gov.br/downloads/Snapshot_BRICS_Joint_Statistical_Publication_2024.pdf. Accessed on 17th March 2025.

[39] CHINA. National Bureau of Statistics of China. Available at: https://data.stats.gov.cn/english/tablequery.htm?code=AC03. Accessed on 17th March 2025.

[40] Snapshot BRICS Joint Statistical Publication 2024. Available at: https://brics.ibge.gov.br/downloads/Snapshot_BRICS_Joint_Statistical_Publication_2024.pdf. Accessed on 17th March 2025.

[41] CHINA. National Bureau of Statistics of China. Available at: https://data.stats.gov.cn/english/tablequery.htm?code=AC03. Accessed on 17th March 2025.

[42] Snapshot BRICS Joint Statistical Publication 2024. Available at: https://brics.ibge.gov.br/downloads/Snapshot_BRICS_Joint_Statistical_Publication_2024.pdf. Accessed on 17th March 2025.

[43] CHINA. National Bureau of Statistics of China. Available at: https://data.stats.gov.cn/english/tablequery.htm?code=AC03. Accessed on 17 March 2025.

[44] Snapshot BRICS Joint Statistical Publication 2024. Available at: https://brics.ibge.gov.br/downloads/Snapshot_BRICS_Joint_Statistical_Publication_2024.pdf. Accessed on 17th March 2025.

[45] CHINA. National Bureau of Statistics of China. Available at: https://data.stats.gov.cn/english/tablequery.htm?code=AC03. Accessed on 17th March 2025.

[46] CHINA. National Bureau of Statistics of China. Available at: https://data.stats.gov.cn/ english/tablequery.htm?code=AC03. Accessed on 17th March 2025.

[47] Conversor de moeda. Available at: https://www.bcb.gov.br/ conversao. Accessed on 17th March 2025.

[48] Sino-foreign equity consortia are limited liability companies owned by Chinese and foreign investors, in which the foreign partner's shareholding must be above 25% of the total share capital. This corporate form has a legal personality, as defined by Chinese law, and is the most widely used by foreign investors in China. (FURLAN, Fernando de Magalhães; FELSBERG, Thomas Benes. Brasil China Comércio, Direito e Economia. São Paulo: Lex, 2011, p. 168)

[49] Sino-foreign contractual consortia are companies governed by a contract between a foreign company and a Chinese company. In principle, this corporate form does not have a legal personality. The Sino-foreign contractual consortium differs from the Sino-foreign equity consortium in that it offers greater flexibility in both its constitution and in the distribution of profits to the contracting parties. (FURLAN, Fernando de Magalhães; FELSBERG, Thomas Benes. Brasil China Comércio, Direito e Economia. São Paulo: Lex, 2011, p. 168).

[50] FURLAN, Fernando de Magalhães; FELSBERG, Thomas Benes. Brasil China Comércio, Direito e Economia. São Paulo: Lex Editora, 2005, p. 167.

According to the Chinese Company Law[51], three types of companies are permitted in the country:

a) State-Owned Companies (SOEs); b) Limited Liability Companies; and c) Companies Limited by Shares.

The administration of revenues from taxes collected by these companies is divided between the local government (Local Tax Bureau) and the central government (Central Tax Bureau), with the latter being responsible for collecting corporate income tax, including both foreign-investment enterprises (FIEs) and foreign enterprises (FEs).[52]

> It is important to note that, unlike public spending, tax policy and administration in China are highly centralised - particularly since 2018, when local tax departments were placed under the authority of the State Tax Administration (STA). Local governments cannot create taxes, nor can they set the tax rates for the taxes under their jurisdiction. The maximum autonomy allowed is to choose the tax rate within a range established by national legislation.[53]

The taxes levied on activities carried out by FIEs and FEs in China are: a) corporate income tax; b) withholding tax; c) property tax; d) Value Added Tax (VAT); e) customs tax (import/export); f) plus customs fees. Each one is analysed below:

a) *Corporate income tax*: "This is one of the primary sources of tax revenue in China and is levied on profits earned by resident and non-resident companies operating in the country. Corporate income tax rates are currently set at 25% for resident companies and can range from 10% to 20% for non-resident companies[54]. The rate is 15% for high-tech companies or special development zones.

> The standard rate is 25%, but the rate can be reduced to 15% for qualified companies operating in sectors encouraged by the Chinese government (e.g., new/high-tech companies and certain integrated circuit manufacturing companies). Tax exemptions are also offered to companies operating in encouraged sectors. Other corporate income tax incentives are also available to companies that are tax residents in China.[55]

All companies operating in China, regardless of whether they provide products or services, are subject to income tax: a) a company considered a tax resident will be taxed at 25% on its global income; b) a non-tax resident company is also subject to the 25% rate, but only on income obtained in the country. In the case of income generated in China that does not require its physical presence in the country, a reduced rate of 20% applies.[56]

The Enterprise Income Tax has two regulatory frameworks: a) the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises[57], of 9th April 1991; and b) and the Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with

[51] CHINA. Direito das Sociedades da República Popular da China. Available at: http://www.npc.gov.cn/npc/ c2/c30834 /202312/t20231229_433999.html. Accessed on 17th March 2025.

[52] FURLAN, Fernando de Magalhães; FELSBERG, Thomas Benes. Brasil China Comércio, Direito e Economia. São Paulo: Lex Editora, 2005, p. 165.

[53] CARVALHO JUNIOR, Pedro Humberto Bruno de; NUNES, Ticiana Gabrielle Amaral. O sistema tributário da china: um olhar a partir do Brasil. Available at: https://repositorio.ipea.gov.br/bitstream/11058/11235/1/td_2778.pdf. Accessed on 26th May 2025.

[54] CAMERLYNCK, Ruben. Tributação na China: Navegando pelo Intricado Sistema Fiscal. Available at: https://brasiltax.com/blog/tributacao-na-china/. Accessed on 24th May 2025.

[55] Overview of PRC Taxation System. Available at: https://www.pwccn.com/en/services/tax/accounting-and-payroll/overview-of-prc-taxation-system.html. Accessed 24th May 2025.

[56] BRASIL. Ministry of Foreign Affairs. Como exportar China (February 2018). Available at: https://www.gov.br/empresas-e-negocios/pt-br/invest-export-brasil/exportar/conheca-os-mercados/como_exportar_privado/como-exportar.pdf/BaseguiaCOMOEXPORTARCHINA.pdf. Accessed on 19th March 2025.

[57] Available at: https://www.wto.org/english/thewto_e/acc_e/chn_e/wtaccchn46_leg_5.pdf. Accessed on 19th March 2025.

Foreign Investment and Foreign Enterprises,[58] dated 1st July 1991.

The Chinese income tax calculation system can be implemented in two ways, namely: a) Actual Basis, similar to the Brazilian real profit system, according to the following formula: Taxable Income = [(Total Revenue) – (Costs + Expenses + Losses)]; b) Deemed Profit Basis, similar to the Brazilian presumed profit system, which is allowed in minimal cases, depending on the legal entity's line of business.[59]

b) *Withholding tax*: foreign companies not operating in China are "subject to a 10% withholding tax on income from capital gains, dividends, interest, property rental, royalties and other income".[60]

c) *Property tax*: consists of six taxes: *i)* real estate transfer tax; *ii)* real estate property tax; *iii)* stamp duty on deeds; *iv)* land appreciation tax; *v)* urban land use tax; and *vi)* rural land use tax.[61]

d) *Value Added Tax (VAT):* It is the leading indirect tax in China, with the highest revenue. VAT is an indirect tax levied on goods sold, services provided, or products and services imported into China (exports are not considered because the rate is zero).[62] "VAT is charged at different rates, depending on the nature of the product or service, with rates ranging from 3% to 17%".[63]

e) *Customs tax*: tax levied on imported and exported goods from China, with three variable rates: ad valorem, fixed per unit, or a combination of both. The rates on exported Brazilian products can vary from zero (for example: cellulose) to 32.5% (for example: sugar cane).[64]

f) *Customs fees*: "a type of tax charged by the customs authorities of a country on the import and export of goods that pass through its customs, following the respective laws in force".[65]

In addition, the Enterprise Income Tax Law of the People's Republic of China divides enterprises into resident enterprises and non-resident enterprises: a) resident enterprises are enterprises that are established in China following the law, or are established under the law of a foreign country (region) but are effectively managed by institutions in China; b) non-resident enterprises are enterprises that are established following the law of a foreign country (region) and whose actual administrative institution is not in China but have institutions or companies in China, or do not have such institutions or companies but have income generated within China.[66]

A resident enterprise shall pay enterprise tax on its income generated both inside and outside China, and a non-resident enterprise that has established institutions or companies in China shall pay tax on the income earned by its institutions or companies within China and on the

58 Available at: https://www.wto.org/english/thewto_e/acc_e/chn_e/wtaccchn46_leg_4.pdf. Accessed on 19th March 2025.

59 FURLAN, Fernando de Magalhães; FELSBERG, Thomas Benes. Brasil China Comércio, Direito e Economia. São Paulo: Lex Editora, 2005, p. 171.

60 CARVALHO JUNIOR, Pedro Humberto Bruno de; NUNES, Ticiana Gabrielle Amaral. O sistema tributário da china: um olhar a partir do Brasil. Available at: https://repositorio.ipea.gov.br/bitstream/11058/11235/1/td_2778.pdf. Accessed on 26th May 2025.

61 CARVALHO JUNIOR, Pedro Humberto Bruno de; NUNES, Ticiana Gabrielle Amaral. O sistema tributário da china: um olhar a partir do Brasil. Available at: https://repositorio.ipea.gov.br/bitstream/11058/11235/1/td_2778.pdf. Accessed on 26th May 2025.

62 CARVALHO JUNIOR, Pedro Humberto Bruno de; NUNES, Ticiana Gabrielle Amaral. O sistema tributário da china: um olhar a partir do Brasil. Available at: https://repositorio.ipea.gov.br/bitstream/11058/11235/1/td_2778.pdf. Accessed on 26th May 2025.

63 CAMERLYNCK, Ruben. Tributação na China: Navegando pelo Intricado Sistema Fiscal. Available at: https://brasiltax.com/blog/tributacao-na-china/. Accessed on 24th May 2025.

64 CARVALHO JUNIOR, Pedro Humberto Bruno de; NUNES, Ticiana Gabrielle Amaral. O sistema tributário da china: um olhar a partir do Brasil. Available at: https://repositorio.ipea.gov.br/bitstream/11058/11235/1/td_2778.pdf. Accessed on 26th May 2025.

65 Tipos de imposto em vigor no Interior da China. Available at:https://investhere.ipim.gov.mo/pt-pt/gba/investment/taxation/mainlandcurrenttaxes/. Accessed on 24th May 2025.

66 CHINA. Law of the People's Republic of China on Enterprise Income Tax. Available at: http://www.npc.gov.cn/zgrdw/englishnpc/Law/2009-02/20/content_1471133.htm. Accessed on 19th March 2025.

revenue generated outside China which is relevant to such institutions or companies established in China.[67]

A non-resident enterprise that has not established a company or a branch in China, or has established one but the income obtained is irrelevant to it, is subject to taxation on revenue sourced within China.[68]

It is essential to note that the Chinese government allows foreign companies to remit profits, dividends, and bonuses to other countries. However, they must comply with tax, regulatory, and exchange control rules to make these transfers, i.e., international transfers are subject to regulations by the Popular Bank of China (PBC) and the State Administration of Foreign Exchange (SAFE).

These amounts to be transferred must be converted from yuan (RMB) to foreign currency before being remitted, which must be done by authorised banks and regulated by the SAFE. Furthermore, the remittances of these amounts cannot exceed the company's audited net profit, as there are restrictions in place to prevent tax evasion and excessive capital outflows. The Chinese government uses tax incentives to promote the reinvestment of profits. On the other hand, the government can also impose temporary controls to prevent capital flight, especially in periods of economic volatility.

The following income of an FIE or FE is subject to taxation in China: a) income derived from the activities of FIEs and FEs with a company or branch in China; b) interest; c) rent; d) royalties; e) other income originating inside and outside China related to FIEs and companies or branches of FEs, being that the income of an FIE that has its head office in China is taxed on a worldwide basis, that is, income originating inside and outside China, as determined by Article 3 of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign-Owned Enterprises of April 9, 1991:

> Article 3. Any enterprise with foreign investment that establishes its head office in China shall pay income tax on both its domestic and overseas income. In contrast, a foreign enterprise must pay income tax only on its income sourced within China.[69]

On the other hand, the following income obtained through FEs that do not have an establishment or branch in the country are subject to taxation in China: a) profits/dividends from companies in China (excluding FIEs); b) interest on deposits or bank loans originating in China; c) income from renting property to tenants located in China; d) royalties from trademarks, copyrights, patents used in China; e) gains obtained from the sale of real estate located in China; and other income originated in China and specified by the Ministry of Finance.

Accumulated tax losses may be offset in subsequent fiscal years (precluded from past ones) for a maximum period of five years, and linear depreciation of goods, equipment, and fixed assets is permitted, for which authorisation from the Tax Administration must be obtained.

It is worth noting that in China, there is the possibility of granting an exemption from the income tax rate (Tax Holiday). The period and rate vary according to the type of company, sector, location, and the incentive granted. In summary: a) high-tech companies: reduction to 15% for 3 years, renewable; b) companies in SEZs and strategic sectors: exemptions and reductions for 3 to 5 years; c) small companies and startups: reduced rates for an indefinite period; d) foreign companies that reinvest in China: exemption from tax on dividends.

[67] CHINA. Law of the People's Republic of China on Enterprise Income Tax. Available at: http://www.npc.gov.cn/zgrdw/englishnpc/Law/2009-02/20/content_1471133.htm. Accessed on 19th March 2025.

[68] CHINA. Law of the People's Republic of China on Enterprise Income Tax. Available at: http://www.npc.gov.cn/zgrdw/englishnpc/Law/2009-02/20/content_1471133.htm. Accessed on 19th March 2025.

[69] CHINA. Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises. Available at: https://www.wto.org/english/thewto_e/acc_e/chn_e/wtacchn46_leg_5.pdf. Accessed 17th March 2025.

FIEs can also set up their headquarters in Economic and Technical Development Zones (ETDZs), "usually located on the outskirts of urban areas" and which "were created in many cities open to foreign investment and, in 2010, reached a total of 69. ETDZs are hotspots for foreign investment because they provide access to China's local markets".[70]

Furthermore, among many other zones, there are private zones, where some foreign companies negotiate the use of a stretch of land for development, which have multiplied in recent years. They are usually subject to local authorities and are often created as sub-zones of ETDZs.[71]

China has a vast network of Double Taxation Agreements with several countries, including Brazil. By 31st December 2024, China had closed tax treaties/agreements with 114 countries/ regions. China signed tax information exchange agreements with Argentina, the Bahamas, Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, the Isle of Man, Jersey, Liechtenstein, and San Marino on 31st December 2024. On the same date, China had totalisation agreements in force with 11 countries, including Canada, Denmark, Finland, Germany, Japan, the Republic of Korea, Luxembourg, the Netherlands, Serbia, Spain, and Switzerland. China has also signed a totalisation agreement with France, which has not come into effect.[72]

Despite the double taxation agreements, China's national general government budget revenue in 2024 reached 21,970.2 billion yuan, representing a 1.3% increase compared to the previous year. Of this total, national tax revenue amounted to 1,749.72 billion yuan, a 3.4% year-on-year decline. Breaking down these figures, the following can be mentioned as examples: a) domestic value-added tax was 666.72 billion yuan, a decrease of 3.8% year-on-year; b) corporate income tax was 4,088.7 billion yuan, a decrease of 0.5% year-on-year; c) personal income tax was 1,452.2 billion yuan, a decrease of 1.7% year-on-year; d) value-added tax and consumption tax on imported goods amounted to 1.917.7 billion yuan, down 1.6% year-on-year. Tariffs totalled 244.3 billion yuan, down 5.7% year-on-year; e) export tax rebates totalled 1.928.1 billion yuan, up 12.6% year-on-year.[73]

Regarding the percentages applicable to the calculation base:

a) Corporate income tax (CIT) varies from 10 to 25% depending on the activity carried out;[74]

b) Withholding tax on dividend remittances is generally 10%[75], and may be reduced by double taxation agreements between China and other countries;

c) Corporate capital gains tax is subject to the normal corporate tax rate, and the individual capital gains tax rate is 20%;

d) Value Added Tax – VAT has rates ranging from zero to 13%: *i)* taxpayers of limited liability companies are subject to three rate levels: 5%, 3% and 1% (due to the impact of the pandemic, temporary reduction measures are in effect); *ii)* ordinary taxpayers are subject to four rate levels:

[70] BRASIL. Ministry of Foreign Affairs. Como exportar China (February 2018). Available at: https://www.gov.br/empresas-e-negocios/pt-br/invest-export-brasil/exportar/conheca-os-mercados/como_exportar_privado/como-exportar.pdf/BaseguiaCOMOEXPORTARCHINA.pdf. Accessed on 19th March 2025.

[71] BRASIL. Ministry of Foreign Affairs. Como exportar China (February 2018). Available at: https://www.gov.br/empresas-e-negocios/pt-br/invest-export-brasil/exportar/conheca-os-mercados/como_exportar_privado/como-exportar.pdf/BaseguiaCOMOEXPORTARCHINA.pdf. Accessed on 19th March 2025

[72] Foreign tax relief and tax treaties. Available at: https://taxsummaries.pwc.com/peoples-republic-of-china/individual/foreign-tax-relief-and-tax-treaties. Accessed on 18th March 2025.

[73] CHINA. Ministry of Finance of The People's Republic of China. Receita e despesa fiscal em 2024. Available at: https://gks.mof.gov.cn/tongjishuju/202501/t20250124_3955083.htm. Accessed on 19th March 2025.

[74] CHINA. Commerce and Investment Promotion Institute. Available at: https://investhere.ipim.gov.mo/pt-pt/gba/investment/taxation/mainlandcurrenttaxes/.

[75] Tax Summaries. Available at: https://taxsummaries.pwc.com/peoples-republic-of-china. Accessed on 18th March 2025.

13%, 9%, 6% and 0%[76]. The zero rate applies to "exports of goods; exports of repair, replacement and processing services; international transpo- rtation services and spacecraft transpor- tation services; exported services that are entirely consumed outside China," and may vary up to 13%.[77] "Foreign companies investing in the country are exempt from paying VAT when they transfer equipment goods from their headquarters in other countries to their headquarters in China. For companies exporting to the country, VAT will be collected by customs within a period that may vary between one day and three months, depending on the local tax authority at the point of entry";[78]

e) Business Activities Tax, which is levied on transactions involving the provision of services and the sale of intangible goods, the rate of which varies from 1% to 56% and may also be set per yuan (RMB)[79];

f) Consumption Tax, which is levied at a rate of 1% to 56% on the value of the luxury or superfluous merchandise or goods;

g) Land Value Appreciation Tax (LVAT) also has a progressive rate, ranging from 30% to 60%, applied to the appreciation of real estate at the time of transfer or sale (profit over original cost);

h) Customs Duty is a type of tax charged by a country's customs authorities on the import and export of goods that pass through its customs, according to the respective laws in force.[80]

[76] CHINA. Commerce and Investment Promotion Institute. Available at: https://investhere.ipim.gov.mo/pt-pt/gba/investment/taxation/mainlandcurrenttaxes/.
[77] Tax Summaries. Available at: https://taxsummaries.pwc.com/peoples-republic-of-china. Accessed on 18th March 2025.
[78] BRASIL. Ministry of Foreign Affairs. Como exportar China (February 2018). Available at: https://www.gov.br/empresas-e-negocios/pt-br/invest-export-brasil/exportar/conheca-os-mercados/como_exportar_privado/como-exportar.pdf/BaseguiaCOMOEXPORTARCHINA.pdf. Accessed on 19th March 2025.
[79] CHINA. Commerce and Investment Promotion Institute. Available at: https://investhere.ipim.gov.mo/pt-pt/gba/investment/taxation/mainlandcurrenttaxes/.
[80] CHINA. Commerce and Investment Promotion Institute. Available at: https://investhere.ipim.gov.mo/pt-pt/gba/investment/taxation/mainlandcurrenttaxes/.

It is also crucial to address the issue of Transfer Pricing, which refers to the identification of discrepancies between the price established in a commercial transaction between companies in the same group and the fair, normal, or market price that would be applied between independent companies. This concept is especially relevant for transactions between multinationals covering the transfer of tangible and intangible assets, intellectual property, services, loans, leasing, and other internal transactions.

Regarding Transfer Pricing, China accepts the Advance Pricing Agreements (APA) established between the parties and allows these agreements to be: a) unilateral, agreement between the company and the Chinese tax authority; b) bilateral, involving the tax authority of China and another country with a double taxation treaty; and c) multilateral, involving China and multiple tax jurisdictions.

In the context of corporate reorganisations, Chinese law provides for two forms of incorporations: a) Absorption Mergers: occurs when a company acquires another or a group of companies, maintaining its existence while the incorporated company(ies) is/are dissolved after the completion of the process; b) New Establishment Mergers: refers to the merger of two or more companies to form a new entity, resulting in the extinction of the original companies after the completion of the incorporation.

Regarding the division of companies with foreign investment, Chinese legislation establishes that the split may occur through: a) Continuation Division, characterized by the operation in which a company is divided into two or more companies, through the continuation of the original company, and with the creation of one or more companies; b) Dissolution Division: occurs when a company is divided into two or more companies.

It is also worth mentioning that tax incentives originally granted to a company may be inherited by incorporation or division successors. According to the Chinese Incorporation and Division Tax Rules, asset, liability, and equity accounts must be maintained at historical cost in both financial and tax accounting before the restructuring.[81]

Tax losses accumulated by a company in the years following incorporation or division may be transferred to the new companies to reduce the tax burden. However, this transfer is not automatic and must comply with requirements such as a) the reorganisation must have a legitimate economic purpose and cannot be done solely to avoid taxes; b) the new resulting company must maintain the continuity of the business and operational structure; c) the transferred losses must be within the permitted offset period (generally 5 years in China).

With the enforcement of the Unified Corporate Income Tax Law in 2008, Chinese and foreign companies began to be taxed equally, with the standard Corporate Income Tax (CIT) rate of 25%. It happened after its acceptance by the WTO, to dispel the hypothesis that Chinese domestic companies occupy "an unequal competitive position and will affect the establishment of a unified, standardised and fair market competition environment".[82]

IV. CONCLUSIONS

Trade exchanges between nations represent a phenomenon of modern international relations that decisively influences the behaviour of countries. Any company or individual that produces, sells, works or buys is subject to the China Factor, which refers to China's growing influence on global prices and product supply, driven by the country's rapid ability to develop companies and entire industrial sectors.

In full expansion, China remains the global second-largest economy, and, after becoming the 143rd member country of the WTO, it began to be recognised worldwide as a market economy.

Nevertheless, despite the annual review of Chinese trade policies and regulations, which aimed at identifying possible violations of WTO rules, the Chinese corporate tax system continues to be a factor in attracting and maintaining foreign investment.

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[81] FURLAN, Fernando de Magalhães; FELSBERG, Thomas Benes. Brasil China Comércio, Direito e Economia. São Paulo: Lex Editora, 2005, p. 186.

[82] CHINA. Explicação sobre o Projeto de Lei do Imposto de Renda Empresarial da República Popular da China. Available at: https://www.gov.cn/2007lh/content_545816.htm. Accessed on 19th March 2025.

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