EDITORIAL

The February 2013 issue of the Journal of Chinese Tax and Policy examines a variety of tax policy trends that are emerging as China continues to modernise and market its economy.

As China experiences socio-economic development, corporate charity donations have arisen as an essential mode of resource redistribution, however the tax law is yet to be reformed in such a way as to encourage broader corporate participation. Similarly, although China has experienced rapid globalisation and technological saturation of its economy, e-commerce and cross-border transactions pose new challenges for China's income tax system that are yet to be comprehensively addressed by policy reform. Considering the idea of 'tax planning' from a tax payer viewpoint, there is a growing trend to optimise FDI in relation to a given tax liability and hence improve the competitiveness of overseas operations, however not all firms have identified and made use of this tax advantage.

The articles selected for this edition comprehensively examine these broad yet related trends in Chinese tax policy. The first article 'Research on Tax Incentives for Charitable Donations of Non-monetary Assets by Chinese Corporations' authored by Hu and Long looks at how tax incentives can be used to encourage charitable donations by firms in China — particularly non-monetary asset donations. China's current tax laws on non-monetary asset donations and their incentive effects and limitations are examined, and the roles of government and corporations in relation to charity are compared, analysing the costs and benefits of corporate donations. Hu and Long synthesise their findings and provide recommendations for reforms that would improve tax policy and encourage corporate donations.

The second article, 'E-commerce Taxation in China' authored by Rifat Azam, examines emerging challenges for tax policy that apply to e-commerce, an economic trend that has gained considerable traction both in China and internationally. E-commerce growth is analysed in relation to the relevant income tax schemes and the difficulty in defining the tax base for e-commerce transactions under the current scheme is examined. China's response to the challenges is compared with the reactions of other countries, and common difficulties are drawn out to examine whether countries can learn from each other's experiences to develop more appropriate tax regimes for e-commerce.

The final article 'Chinese Firms Foreign Direct Investment Decisions and Tax Planning' authored by Thomas Kollruss comes from a practitioner's perspective. The paper examines the role of tax planning in China's FDIs in relation to China's most popular destinations — the US and Germany — which also attract the highest tax-burden for overseas investors. Whether tax planning can optimise the after-tax profit of Chinese firms' German subsidiaries and hence improve their competitiveness in foreign markets is examined and an investment structure using intermediary locations for investment to optimise tax liability is proposed.

The culmination of these authors' work provides a comprehensive discussion of broad and varied developments in China's globalising economy, as well as a valuable contribution to the construction of an improved tax system that can accommodate these emerging economic trends.

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