

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE STATE ADMINISTRATION OF TAXATION OF
THE PEOPLE’S REPUBLIC OF CHINA
AND
THE DIRECTOR OF INCOME TAX FOR GUERNSEY**

To facilitate proper application of the Agreement between the Government of the People’s Republic of China and the Government of Guernsey for the Exchange of Information Relating to Taxes (hereinafter referred to as “the Agreement”), the State Administration of Taxation of the People’s Republic of China and the Director of Income Tax for Guernsey (hereinafter referred to as “the competent authorities”) have agreed upon the following:

**Article 1
Time Limits for Providing Information**

To achieve efficiency for exchange of information, the competent authority of the requested Party shall forward the requested information as promptly as possible to the competent authority of the requesting Party. To ensure a prompt response, the competent authority of the requested Party shall:

- (a) confirm receipt of a request in writing to the competent authority of the requesting Party and shall notify the competent authority of the requesting Party of deficiencies in the request, if any, within 60 days of receipt of the request; and
- (b) if the competent authority of the requested Party has been unable to obtain and provide the information requested within 90 days of receipt of the request, including if obstacles are encountered in furnishing the information, or if the competent authority of the requested Party refuses to provide the information, it shall immediately inform the competent authority of the requesting Party of the reasons for its inability, or its refusal, to provide the information or the nature of the obstacles it has encountered.

**Article 2
Liability for Costs**

1. With regard to Article 10 of the Agreement, costs that would be incurred in the ordinary course of administering the domestic tax laws of the requested Party will be borne by the requested Party when such costs are incurred for the purpose of responding to a request for information. Such ordinary costs would normally cover internal administration costs and any minor external costs.

2. All other costs that are not ordinary costs are considered extraordinary costs and will be borne by the requesting Party. Examples of extraordinary costs include, but are not limited to, the following:

- (a) reasonable fees charged by third parties for carrying out research;
- (b) reasonable fees charged by third parties for copying documents;
- (c) reasonable costs of engaging experts, interpreters, or translators;
- (d) reasonable costs of conveying documents to the requesting Party;
- (e) reasonable litigation costs of the requested Party in relation to a specific request for information; and
- (f) reasonable costs for obtaining depositions or testimony.

3. The Parties will consult each other in any particular case where extraordinary costs are likely to exceed US \$1000 to determine whether the requesting Party will continue to pursue the request and bear the cost.

Article 3 Information on Criminal Tax Matters

Notwithstanding the Agreement, it is understood that according to the domestic laws of Guernsey, China may make a request for information from Guernsey on criminal tax matters on a case-by-case basis if China requires such information.

Article 4 Entry into Force

1. This Memorandum of Understanding will come into effect on the date of entry into force of the Agreement and will remain in force until terminated by either competent authority. Notification of termination can be made at any time and must be in writing. This Memorandum of Understanding will terminate 60 days after the date of receipt of the notification of termination.

2. The competent authorities may amend this Memorandum of Understanding at any time in the form of exchange of letters.

DONE at Guernsey in duplicate this 27th day of October 2010, in the Chinese and English languages, both texts being equally authentic.

**For the State Administration of Taxation
of the People's Republic of China
XIAO Jie**

**For the Director of Income Tax
for Guernsey
L S Trott**