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A Case Study to the Tax Arrangements Concerning China's Biggest Investment Project in Poland

1. Introduction

The newly signed China European Union Agreement on Investment (hereafter: "China-EU Investment Agreement") is expected to open a door for Chinese investors that intend to do business in the European Union market (hereafter: "EU market") within the industry category permitted by this investment agreement such as green energy and other industries open to China investors. In China's stock market, the stock price of some listed companies that specialize in green energy or have carried out business in the EU market (for instance, shipping transportation or railway transportation between China and the EU) increased significantly.

Since investment in the EU has become a hot topic recently, Chinese investors would like to ask one question: first of all, how to arrange a tax plan that fits my proposed investment in the EU market?

Fortunately, before the conclusion of the China-EU Investment Agreement, there have been some companies who entered the EU market and accumulated valuable experiences in dealing with the tax planning issues concerning their investment projects in EU member states.

Among the first companies to establish themselves in Poland, Liugong is the biggest Chinese investor in Poland, and established a subsidiary here. The company established itself by purchasing the Polish state-owned HSW Company, in 2012. Interestingly, the Chinese name of "Liugong" could be

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divided into “Liu” and “Gong”. The “Liu” represents the location of its parent company, the city of Liuzhou in the Guangxi Zhuang Autonomous Region; the “Gong” means manufacturing industry. Liuzhou is the biggest manufacturing base in Guangxi Zhuang Autonomous Region. Guangxi Zhuang Autonomous Region, a region dominated by the Zhuang minority, is located in south of China.

1.1. Previous Literature Review

In recent years, some tax law professors[2] and tax practitioners[3] in China conducted research or offered tax advice on the selection of an ideal jurisdiction for the establishment of an intermediary holding company for Chinese investors who intend to invest in the EU under the One Belt One Road Initiative. Several articles[4] focused on how to update, modify, or coordinate China’s current international tax law (including tax treaties and domestic tax laws) to serve outward investments.

Some tax specialists[5] employed by these Chinese enterprises also released some articles on the tax planning arrangements. China’s tax officials[6] provided advice to these enterprises on how to mitigate tax risks arising in outward investments or analyzed how to enhance international cooperation in tax administration to defend China’s fiscal revenue.

Literature contributed by European authors focus on the anti-avoidance issues, such as the reform of Poland’s thin capitalization rules[7] or the complexities and practical application of the Portugal thin capitalization.[8] One article[9] emphasizes the importance of coordinating

[2] 王素荣，付博，“一带一路”沿线国家公司所得税政策及税务筹划，财经问题研究, Vol. 1(398), January 2017, pp. 84–92.

[3] 德勤中国税务技术中心. 中国企业境外投资的税务安排, 2012, No. 08.

[4] 崔晓静，“一带一路”跨境融资贷款利息税收的法律协调. 法商研究，2020，Vol. 37, No. 3, pp. 30–43; 柳光强、李明扬、潘雷, “一带一路”倡议下促进企业“走出去”的税收政策探讨. 财政监督, 2020, No. 12, pp. 73–78.

[5] 李文江, 浅谈印度尼西亚工程项目外账税务筹划. 交通财会, 2020.10 (总第399期).

[6] 徐鸿、史永健、曹煜、刘春雨，“走出去”企业PPP模式下的涉税风险分析及建议. 税务研究, 2020, Vol. 8, pp. 102–105; 王伟诚, “一带一路”税收征管合作机制：特点、理论依据及世界意义. 国际税收, 2020, Vol. 6, pp. 8–12.

[7] M. Szafarowska, *Poland: Polish Thin Cap Rules to Change*, “International Tax Review” 2014, No. 9, p. 12.

[8] A. Martins, *Thin Capitalization and its Practical Application in Portugal: A Note*, “International Journal of Law and Management” 2012, Vol. 54, No. 4, pp. 274–283.

[9] A. Haufler, M. Runkel, *Firm’s Financial Choices and Thin Capitalization Rules under Corporate Tax Competition*, “European Economic Review” 2012, Vol. 56, No. 6, pp. 1087–1103.

the diversified thin capitalization rules adopted by different countries in order to curb harmful tax competition since a thin capitalization rule is also a tax vehicle for countries to attract foreign direct investment. One Polish scholar[10] did a comparative study of Chinese and South Korean investment in Poland and tried to explain their differences in the motives of entering the Poland market.[11]

The previous literature is biased toward doing a theoretical analysis of the tax issues or conducting a general analysis to the practical application of tax planning techniques. In a long run, i.e., in 1980s, 1990s, 2000s, China was a net capital importer. Since the history of China investors' doing overseas investments is not long, the detailed and in-depth case studies to tax issues arising in China investors' investment in Europe were rare in previous literatures. However, without sufficiently detailed and in-depth analysis to a real investment case conducted by a Chinese investor in Poland, these investors could only rely on the general advice and theoretical analysis offered by the previous literature while the general or theoretical literature is mostly based on several implicit conditions: first, in order to make these articles fit a general situation or to simplify the theoretical analysis, the literature normally is founded on some common assumption:

1) simplifying China's corporate tax rate to a normal corporate income tax rate of 25% but actually China's corporate income tax rate is very diversified due to its complicated tax preferential policies;

2) assuming a Chinese investor is seeking global tax minimization by utilizing aggressive tax planning techniques and also seeking to offset their overseas investment costs as soon as possible;

3) the parent company is normally located in a high tax rate jurisdiction and intends to have its capital flow to a lower tax burden jurisdiction, etc.

1.2. Findings and Contribution of this Paper

However, the case study of Liugong's investment in Poland partly reverses the above stereotype. The parent company, namely Liugong Company, has the lowest corporate income tax rate compared to all its

[10] E. Kaliszuk, *Chinese and South Korean investment in Poland: a comparative study*, "Transnational Corporations Review" 2016, Vol. 8, pp. 60–78, https://scholar.google.pl/citations?view_op=view_citation&hl=pl&user=uc54uosAAAAJ&citation_for_view=uc54uosAAAAJ:1sJd4Hv_s6UC (accessed: 12.12.2023).

[11] *Ibidem*.

subsidiaries, inclusive of the intermediary holding companies and the Polish company located in the bottom tier of its holding structure. Liugong is a company listed on Shenzhen Stock Exchange and earns profits every year, thus it has sufficient money in hand and does not seem to have any motive to receive any dividend, interest income or royalty income from its overseas directly held or indirectly held subsidiaries. A nominal profit in the sense of an accrual accounting basis is sufficient to satisfy the parent company's expectation: the shareholders/investors on Shenzhen Stock Exchange merely expect a good-looking financial report that consolidates the profits earned by the listed company's overseas subsidiaries profits rather than a real receipt of a dividend from these overseas subsidiaries. Liugong is a listed company, and, as a result, it prefers to avoid tax risks, since any tax disputes, tax fines or penalties by foreign tax authorities would cause a decline of its stock price on the Shenzhen Stock Exchange. In this sense, aggressive tax planning for overseas investments is not suitable for Liugong. The characteristics of being a listed company also shape Liugong's investment strategy: seeking expansion and enriching its types and series of products and technologies and preferring to establish subsidiaries and branches in relatively developed countries to build up market channels. The comparable edge in raising capital in China stock markets such as Shenzhen Stock Exchange or Shanghai Stock Exchange by the parent company could also explain why the Chinese investor (as a listed company in China) is so keen on retaining its overseas subsidiaries' profits or funds in its investment destination, such as EU member states, to expand its business scale, rather than receiving these profits or funds from EU subsidiaries to cover its investment costs as soon as possible. Conventional tax theories and the aforementioned literature neglect these realistic factors even though these factors are frequently discussed by company governance theories.

In view of the above analysis, this paper's academic contribution is summarized as follows: it notices the details omitted by conventional tax planning theories and previous literature and tries to do an in-depth analysis on the real strategies chosen by a real Chinese investor in a real case, as well as explaining a Chinese investor's motives that determine the investor's tax approach.

1.3. Research Methodology and Source of Data

The research methodology for this paper is a case study, a detailed case study of the biggest investment project in Poland by a Chinese investor.

The data and information contained in this paper are mainly from the annual reports of Liugong, and partly from the decisions ratified by its board of directors, as well as the news or reports in the mass media, including the industry specific websites.

2. The Formation of a Tax Efficient Holding Structure

The formation of a tax efficient holding structure was the first tax issue Liugong China needed to consider prior to its acquisition of any assets or equities in Poland. Liugong China adopted a four-tier holding structure to be well prepared for its afterwards M&A deal with a Poland state-owned enterprise (see the chart in the following page).

2.1. The Process of Forming a Holding Structure

In May 2008, Liugong China invested USD 5 million to establish a wholly owned subsidiary in Hong Kong, Liugong (Hong Kong) Investment Limited Company (hereafter: "Liugong HK").[12]

According to the decision by the board of directors as of 28 October 2009, Liugong China decided to establish a joint venture in the Netherlands with its wholly owned subsidiary, Liugong HK. The name of this joint venture in the Netherlands is Liugong COOP (hereafter: "Liugong Netherland holding company"). Regarding the equity shares, Liugong HK holds 99% of this Dutch joint venture and Liugong China holds only 1% of the Dutch joint venture.[13] In other words, Liugong HK is the major shareholder and Liugong China is the minor shareholder. However, Liugong China still holds all the shares by directly holding 1% of the shares and indirectly holding 99% of the shares through its wholly owned subsidiary of Liugong HK. Up to the end of 2012, the direct shares

[12] 详见柳工2008年年度报告：根据柳工股董字 (2007) 第 13-2 号决议, 2008 年 5 月份, 本公司投资 500 万美元设立全资子公司 "柳工（香港）投资有限公司". 该公司已纳入本公司本报告期合并报表范围, Annual Report of Liugong China for year 2008, https://quotes.money.163.com/f10/ggmx_000528_401848.html (accessed: 26.11.2022).

[13] 详细见2010年年度报告：本公司于 2009 年 10 月 28 日召开五届三十次董事会，会议决议（柳工股董字 (2009) 第 9-7号）：由柳工香港投资有限公司作为大成员 (99%), 本公司作为小成员 (1%), 在荷兰合作设立柳工荷兰控股公司 (Liugong COOP), 柳工香港投资有限公司作为主要回报收益人, Annual Report of Liugong China for year 2010, https://www.cfi.net.cn/p20110301000469.html (accessed: 26.11.2022).

held by Liugong China had increased to 87% and the indirect shares held by Liugong China via Liugong HK had decreased to 13%.[14]

On 16 March 2011, Liugong Netherland holding company established a wholly owned subsidiary in Stalowa Wola, Poland.[15] The name of this Polish subsidiary is Liugong Dressta Machinery Limited Company[16] (hereafter: "Liugong Poland Company" or "Dressta Poland"). The registration capital of Liugong Poland Company is PLN 100,500,000. The business scope of this subsidiary is research and development, production, sales and services of construction machinery products and spare parts.

On 31 January 2012, a finalised acquisition agreement was signed in Warsaw. It symbolized that through Liugong Poland Company (the M&A buyer), Liugong China (the ultimate buyer of this M&A deal) indirectly acquired the construction machinery unit (the M&A target) of Poland HSW Company (the seller of this M&A deal).[17]

Liugong China had a decision ratified by its board of directors on 26 August 2016, which concerned the contribution of more capital to its Poland subsidiary (also known as Dressta Poland) and upon this capital contribution, the Poland subsidiary increased its capital by USD13,700,000. Liugong China's indirect contribution of increased capital to its Poland subsidiary was in the form of cash through its four-tier holding structure set out as below:[18]

[14] 详细见2012年年报的合并范围和子公司持股比例, Annual report of Liugong China for the year of 2012, https://quotes.money.163.com/f10/ggmx_000528_1081766.html (accessed: 26.11.2022).

[15] 2016年08月31日《证券时报》, "广西柳工机械股份有限公司关于对全资下属公司增资的公告", http://finance.sina.com.cn/roll/2016-08-31/doc-ifxvitex9343909.shtml (accessed: 20.03.2021) (注：该公告的增资路径披露了柳工锐斯塔机械有限公司的控股架构).

[16] 柴喜男：柳工锐斯塔荣获 "2014波兰最佳中国投资大奖", http://news.cmol.com/2014/1021/45435.html (accessed: 20.03.2021).

[17] 见2012年年报：公司董事会2012年01月30日第六届第十八次（临时）会议决议， 审议通过《关于签署收购波兰HSW工程机械业务单元项目最终协议并执行收购的议案》. 至此, 公司关于收购波兰HSW公司工程机械业务单元项目圆满完成. 2012年1月31日收购双方在波兰华沙签订《最终收购合同》（FEAA）. 柳工机械（波兰）有限责任公司注册资本1亿波兰兹罗提, 自2012年1月31日起纳入合并财务报表范围, Annual report of Liugong China for the year of 2012, https://quotes.money.163.com/f10/ggmx_000528_1081766.html (accessed: 26.11.2022).

[18] 2016年08月31日《证券时报》, "广西柳工机械股份有限公司关于对全资下属公司增资的公告", http://finance.sina.com.cn/roll/2016-08-31/doc-ifxvitex9343909.shtml (accessed: 20.03.2021) (注：该公告的增资路径披露了柳工锐斯塔机械有限公司的控股架构).

2.2. Tax Benefits of the Holding Structure

Liugong Poland Company and Liugong Netherland Holding Company are both located in the European Union. Under the EC Parent-subsidiary Directive, the dividend income paid by Liugong Poland Company to Liugong Netherland Holding is qualified to enjoy participation exemption or credit method in the Netherlands for the purpose of eliminating double taxation. According to the Dutch domestic tax law, since Liugong Poland is a wholly owned subsidiary of Netherland Holding Company and also doing active business, the Netherland Holding Company is qualified to enjoy the participation exemption benefits for the dividend and capital gains sourced from Poland. Furthermore, the interest and royalty payments (if any) from Liugong Poland Company to Liugong Netherland Holding Company also enjoy the withholding tax exemption benefits under the EC Interest and Royalties Directive.

The tax treaty between Hong Kong and the Netherlands was effective since the fiscal year of 2012/2013 (the fiscal year of Hong Kong started from 1 April 2012 and ended on 31 March 2013). Unfortunately, the dividend payment from Liugong Netherland Holding Company to Liugong HK does not seem to meet the tax exemption conditions set out in the double tax treaty,[19] and it means the dividend payment should be subject to a withholding tax of 15% by the Netherlands. The Dutch Ministry of Finance released a tax revenue budget proposal on 19 September 2017, which included an expected modification to the Dutch withholding tax law for dividend income. As an application of the withholding tax treatment included in this proposal, the dividend paid to a HK company by a Netherland holding company with a formation of Coop is qualified to enjoy withholding tax exemption contained in this Dutch domestic tax law.[20]

Hong Kong applies source jurisdiction. It means offshore income earned by a Hong Kong tax resident is not subject to Hong Kong profits tax. Under this preferential tax treatment, the passive income from Liugong Netherland Holding Company to Liugong HK Company is exempted from HK tax. Hong Kong and the People's Republic of China (the PRC) has signed a double tax arrangement. Even though Arts. 10 (dividend) and 11 (interest) of this double tax arrangement set out a limitation rate for the withholding tax on dividend and interest, currently HK does not

[19] See: Art. 10 of the Hong Kong – Netherlands Income Tax Agreement signed on 22 March 2010, see: https://research.ibfd.org/#/doc?url=/data/treaty/docs/html/tt_hk-nl_01_eng_2010_tt__td1.html (accessed: 20.03.2021).

[20] 安永中国海外投资业务部: 荷兰税收政策变动概况, https://www.sohu.com/a/197952363_813488 (accessed: 20.03.2021).

apply the withholding tax on dividend and interest.[21] In other words, the dividend and interest (if any) paid by Liugong HK Company to Liugong China are not imposed withholding tax in HK. If the beneficial owner of royalties is a PRC resident, Art. 12 of this double tax arrangement limits the withholding tax rate for royalties up to 7%.

Interestingly, the parent company, Liugong China, enjoys the lowest corporate income tax rate among the four-tier group companies. Its applicable CIT rate is only 15%. Normally the CIT rate in China is 25%. Fortunately, since Liugong China is engaged in business categorized by the China government as "encouraged Industry" and situated in Liuzhou, and Liuzhou is located in the west of China. Liugong China is qualified to enjoy the preferential tax rate of 15% since it meets two conditions: first, its business falls within China's encouraged industry and the location of its headquarter is in the west of China.[22]

Compared with the ultimate parent company's low CIT rate, the profits tax rate for Liugong HK is 17.5%, the CIT rate for Liugong Netherland Holding Company is 25% (prior to and including 2019) and the normal CIT rate for Liugong Poland Company is 19%. Since these three subsidiaries of Liugong China have a higher tax rate than 50% of the Chinese normal CIT rate 25%, i.e., 12.5% (= 50% × 25%), China's CFC rules will not capture these controlled foreign companies. These subsidiaries may keep their profits for reinvestment purposes rather than paying dividends back to China on an annual basis.

3. The Financing Arrangements to Avoid Poland's Thin Capitalization Rule

From the very beginning, thin capitalization rules in Poland showed up in Art. 16(1) of the Corporate Income Tax Act (1992), only applicable to loans between cross-border related parties. The thin capitalization rules

[21] 国家税务总局：《中国内地居民赴香港特别行政区投资税收指南》, 第147页.

[22] 财税[2001]202号,《财政部、国家税务总局、海关总署关于西部大开发税收优惠问题的通知》规定：对设在西部地区国家鼓励类产业的内资企业和外商投资企业， 在2001年至2010年期间， 减按15%的税率缴纳企业所得税， https://www.ndrc.gov.cn/fggz/lywzjw/zcfg/200507/t20050718_1046893.html?code=&state=123 (accessed: 26.11.2022). 根据《中共中央 国务院关于深入实施西部大开发战略的若干意见》(中发 (2010) 11号) 的第十二条第三段规定， 对设在西部地区的鼓励类产业企业减按15%的税率征收企业所得税， http://jjhzj.wuhai.gov.cn/jjhzj/xgzc/755331/index.html (accessed: 26.11.2022). 广西壮族自治区地方税务局 2011 年 2 号公告, 从 2011 年 1 月 1 日起, 区内原已享受西部大开发鼓励类企业所得税优惠政策的企业暂按 15%的税率预缴企业所得税， https://pilu.tianyancha.com/regulations/7364261ed7222d42f71fec6530ad1417 (accessed: 26.11.2022).

set out the ratio of deductible debt: equity for Polish subsidiaries and also the limitation of the deductible interest expense amount. It also stipulates a requirement for arm's length interest rate.[23] The deductible debt is limited to no more than 3 times of the equity.

This earlier version of friendly thin capitalization rule provides an incentive for foreign investors to arrange more related party loans to finance their subsidiaries in Poland. Interestingly, Liugong China did not take advantage of this thin capitalization rule by arranging direct or indirect loans to Liugong Poland Company. As an alternative, upon the decision of the board of directors on 25 October 2012, it offered a guarantee to Liugong Poland Company to facilitate a USD 20 million loan.[24]

In 2014, Poland modified its thin capitalization rule again. The modified Art. 16(1) of the Corporate Income Tax Act came into force on 1 January 2015.[25] It decreased the ratio of deductible debt: equity from the previous 3:1 to 1:1 (under default regime), and also treated the loans provided by indirect shareholders as related party loans.[26] Unfortunately, Liugong Poland Company's "debt-to-equity" ratio in 2016 was around 2:1, exceeding the above deductible "debt-to-equity" ratio of 1:1. Liugong China decided to contribute more registration capital to its Polish subsidiary, Liugong Poland Company, upon the ratification by its board of directors on 26 August 2016; in Poland, it was seen as a response to this newly enacted thin capitalization rule. This capital contribution was in the form of currency and this time the increment of capital was USD 13,700,000. Obviously, this increment of registration capital could effectively reduce Liugong Poland Company's "debt-to-equity" ratio.

In 2016, Liugong China offered a guarantee of RMB 416,000,000 to Liugong Poland Company to facilitate its borrowing of loans from third party bank(s). This could be explained by its annual losses of PLN 24,650,000 in 2016. It also offered a guarantee to Liugong Poland Company in 2017 in the amount of RMB 440,570,000. Through this guarantee practice, there was no related party loans between the Chinese parent company and the Polish subsidiary arising in Poland but merely a guarantee offered by the Chinese parent company to the Polish subsidiary. This practice was effective in avoiding transfer pricing challenges triggered by the Polish tax authorities.

In order to implement the EU's Anti-Tax Avoidance Directive, Poland modified its thin capitalization rule once more. The new rule came into

[23] 国家税务总局：中国居民赴波兰投资税收指南, 第150-151页.

[24] 广西柳工机械股份有限公司：《关于为柳工机械（波兰）有限责任公司新增银行融资担保的公告》, 公告编号：2012-61, 2012年10月25日.

[25] Z. Kukulski, *Niedostateczna kapitalizacja w prawie podatkowym*, C.H. Beck, Warszawa 2006, pp. 208–210.

[26] 国家税务总局：中国居民赴波兰投资税收指南, 第150–151页.

force on 1 January 2018. The deductible interest expense within one tax year should not exceed 30% of the earnings before interest, tax, depreciation, and amortization (EBITDA). This rule is applicable to big enterprise taxpayers with a total financing expense of more than PLN 3,000,000 incurred after 1 January 2018, but this new rule is also applicable to all taxpayers' various financing transactions after 1 January 2019. Under this new rule, Liugong China's guarantee practice is no longer an effective approach to avoid this new thin capitalization rule. The new Polish thin capitalization rule coming into force since 2018 seems advantageous to Liugong Poland Company since it is a manufacturing company and has abundant fixed assets to generate depreciation expenses, and it has also conducted some R&D functions which might generate capitalized R&D expenses and thus also generate amortization expenses. Its high financial leverage characterized as a large size of debt also enhances its capability of making EBITDA. To some extent, this could explain why Liugong China did not contribute more registration capital to Liugong Poland Company despite the enactment of this new thin capitalization rule in Poland.

4. Good Practice to Ensure Tax Compliance under Poland's Complicated Tax Law Framework

Poland's tax law framework is very complicated. It has its domestic tax laws. It has signed 89 double tax treaties up to September 2019. What makes the tax compliance in Poland complicated is that foreign investment enterprises in Poland also need to follow the EU tax laws. The EU tax laws can be divided into several levels, the fundamental law and the secondary laws, such as VAT Directive, Merger Directive, Parent-Subsidiary Directive, Interests and Royalties Directive, etc.

Liugong Poland Company dealt with its tax compliance obligation very well. Its good practice was that it retained the Polish employees in the M&A deal (the acquisition of HSW Company's construction machinery Unit) for several years as agreed to in the obligation terms of the M&A agreement. These Polish employees are very experienced and well trained by their former employer, HSW Company. Polish employees are familiar with their laws, especially when it comes to taxes. That is why Liugong Poland Company could normally fulfill its tax compliance obligations after the M&A deal. In this sense, being nice to Polish employees is tantamount to being nice to Chinese investors.

5. Concluding Remarks

This case study illustrated how conventional tax planning, compliance theories and practicing good ethics in the workplace were big pluses for a major Chinese investor. With operations in Hong Kong and the Netherlands, intermediary holding companies, an arrangement of financing activities within the host state's thin capitalization framework and treating local workers well all contributed to the tax compliance regulations in a most positive way.

Interestingly, in this case, there were no dividend payments, royalty payments or interest payments to the parent company or intermediary holding companies. On the contrary, the parent company offered bank loan guarantee free of charge on behalf of its Polish subsidiary to facilitate its Poland subsidiary to obtain loans from banks and also allowed the subsidiary to use its logo or trademark Liugong free of any royalty fees. The parent company persistently offered guarantees to facilitate its Polish subsidiary's borrowings from a bank, and, in 2016, increased its contribution of capital to this subsidiary, regardless of the Polish subsidiary's continuous losses for years. This could be explained by the Chinese parent company's comparable edge in raising capital in Shenzhen Stock Exchange. In this sense, having a comparable edge in raising capital in the stock market to some extent shapes a Chinese investor's behavior – to care about long-term investment return rather than short-term investment return/losses. It is undoubtedly compatible to the goal of the recently signed China European Union Agreement on Investment. Also, the practice taken in this case would help to mitigate any possible tax disputes between the investment host country in the EU and the investment home country, in this case, China.

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Abstract

This paper mainly studies the tax planning arrangements concerning China's biggest investment project in Poland, a China group's acquisition of a Poland's state-owned factory (HSW), and the establishment of a new Polish company to run the newly acquired business obtained from this M&A deal. This paper sheds some light to Chinese investors that intend to invest in the European Union under the newly signed China European Union Agreement on Investment from the perspective of tax planning. The detailed analysis contained in this paper also facilitate tax practitioners and tax authorities in Poland, or even in other EU member states, to deepen their understanding of Chinese investors' tax motives and concerns relevant to their investment and operation in the EU market. This paper's academic contribution is summarized as follows: it notices the details omitted by conventional tax planning theories and previous literatures and tries to do an in-depth study to a real Chinese investor's real behaviors under a real case in order to explain the underlying motives and concerns that determines the Chinese investor's tax relevant behaviors conducting in such manners.

Keywords: tax planning arrangements, China European Union Agreement on Investment, China's investments projects