Client Advisory

What you need to know about MOF & STA Announcement No. 21/2026

Executive summary

PRC authorities have introduced new rules that may require tax-resident individuals to assess and report offshore trusts and similar arrangements. Families using trusts, PTC, VISTA or STAR structures, or BVI/Cayman holding companies should review their structures, compile key records and seek specialist PRC tax advice.

What do the new rules change?

1. **Establishment:** Asset injections may trigger tax implications. The transitional provisions expressly cover settlements made **between 1 Jan 2023 and 31 Dec 2025.** However, the treatment of pre-2023 settlements, including how far back income from pre-2023 trusts may need to be reviewed, remains unclear.
2. **Operation:** Regardless of whether there are distributions, gifts, or other arrangements, the actual recipient of the income may be subject to annual taxation.
3. **Distribution:** Previously taxed income is not taxed again, but distributions or deemed distributions (eg loans or use of trust property) from non-resident settlor trusts may be taxable.
4. **Termination:** Clearing gains or liquidation value may be taxed, potentially with five-year instalment relief.
5. **Residency or death:** Exit and succession events may trigger tax-clearance obligations based on substantive PRC tax residency.

**A reported 90-day grace period may allow disclosure of certain historical unpaid taxes with relief from late-payment penalties, subject to eligibility and official guidance.*

Who is affected?

- **PRC tax residents** who have established or exercise control over offshore trusts.
- **Trust structures** holding China situs asset.
- **PRC resident beneficiaries** receiving distributions from offshore trusts.
- **Individuals** planning for emigration, trust termination, or succession.
- **Trust operations** involving loans, guarantees, or the free or preferential use of trust assets to benefit any PRC tax resident.

Sources: MOF & STA Announcement No. 21/2026; Official Q&A issued 24 Jul 2026; STA Announcement No. 15/2026. For adviser education and client discussion — not tax or legal advice.

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What action is required now?

The new rules took effect immediately on **24 July 2026**, the date of their announcement, and introduce transitional compliance requirements for trusts established before **1 January 2026**. Within **90 days** of the announcement, affected individuals must report and pay tax, where applicable, on asset injections made between **1 January 2023 and 31 December 2025** and historical trust income derived up to **31 December 2025**.

Immediate action

- Form response team immediately
- Confirm residence and domicile
- Decide on voluntary disclosure strategy
- Create structure inventory
- Rebuild asset injection history
- Collect trust/SPV financial data
- Choose disclosure or filing route
- Freeze high-risk steps pending advice

30 / 60 / 90 day action plan

Days 1–7 **Triage & residence**	Residency memo; structure register; adviser engagement; data request letters to trustee and banks. **Owner: Settlor / family office with PRC tax counsel**
Days 8–30 **Historical reconstruction**	Asset injection ledger; cost base and valuation gaps; SPV list; initial CRS/KYC consistency review. **Owner: Trustee, administrator and tax adviser**
Days 31–60 **Tax computation and evidence pack**	Annual income schedules; realised gains by asset; dividends/interest; distribution and benefits log; foreign-tax-credit evidence. **Owner: Tax adviser with trustee support**
Days 61–90 **Decision and filing**	Voluntary disclosure recommendation; forms and schedules; Chinese translations; tax payment or instalment planning if applicable. **Owner: PRC taxpayer, PRC tax counsel**

Ongoing governance

Maintain an annual PRC tax reporting calendar, trustee data pack, distribution clearance protocol and PTC/reserved-powers trust governance upgrades.

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FAQ

Q: How do I determine whether I am a PRC tax resident?

A: This depends on factors including nationality, place of abode and source of economic interests. If in doubt, please seek tax advice.

Q: I am the settlor of an offshore trust and am deemed a PRC tax resident. Do I need to terminate the trust?

A: No. Termination may itself trigger PRC tax. Please contact our designated adviser for a detailed review of your structure.

Q: As a PRC tax-resident settlor, I have been asked to report income from an offshore trust. What figures should I report?

A: The trustee can assist by providing available trust accounts, transaction records and other relevant information. The PRC taxpayer should work with their PRC tax adviser to determine the taxable amount and filing requirements.

Q: I am a PRC tax-resident beneficiary but have never received a distribution. Do I still need to report tax?

A: This depends on the settlor's tax residency and whether you have benefited from the trust in other ways.

Q: I established an offshore trust before 2023 and ceased to be a PRC tax resident in 2025. Am I affected?

A: Potentially. The transitional rules may apply to income generated before 1 January 2026, while cessation of PRC tax residence may itself have separate tax consequences. The treatment of pre-2023 trusts and the applicable historical period requires consideration of the specific facts and PRC tax advice.

Q: I am a PRC tax-resident settlor but have transferred all assets and control to the trustee and am not a beneficiary. Am I affected?

A: Yes. We recommend consulting a tax adviser or contacting our representative for a detailed review.