Practical Guide for BVI Trust Service Providers & Registered Agents in relation to PRC Announcement No. 21

This guide is intended to assist BVI trust companies, PTC administrators, registered agents and related service providers when dealing with trust structures that have a People's Republic of China (PRC) connection.

This guide is not legal or tax advice. Clients should always obtain specialist PRC tax advice.

The following step plan is intended to help trustees and registered agents carry out an initial internal review of PRC-connected trust structures in a practical and consistent way.

What Has Changed?

PRC Announcement No. 21 introduced new tax and reporting rules affecting certain offshore trusts connected with PRC tax-resident individuals. The rules came into effect on 24 July 2026 and may impact the establishment, operation, distribution and termination of offshore trust structures.

The focus is on the PRC tax position of individuals connected to the trust rather than the validity of the trust structure itself.

Synopsis of PRC Tax Changes

From a PRC tax perspective, Announcement No. 21 represents a move towards a more explicit individual income tax framework for offshore trusts and similar foreign-law arrangements. The rules focus on PRC tax-resident individuals who transfer assets into offshore trusts, benefit from offshore trusts, or may be treated as controlling or economically benefiting from arrangements formally established by others.

The main change is that PRC tax may now need to be considered across the trust lifecycle: on establishment or funding, during the period of the trust, on distributions or other benefits, on termination or liquidation, and on certain changes in residency, control or succession. Historical transactions may also require review where assets were transferred into offshore trusts or trust income accrued during relevant look-back periods.

For trustees and registered agents, the key point is that the regime is not understood as invalidating offshore trusts. Rather, it increases the importance of tax reporting, valuation, source-of-funds analysis, residency information, distribution records and the ability to produce reliable trust information for PRC tax advisers.

Taxpayers are encouraged to file and settle any unpaid taxes on a voluntary basis within 90 days from 24 July 2026, to benefit from the late payment interest exemption. After this period late payment interest will be applied.

Step Plan for BVI Trustees

Step	Action	Key Points
1	**Identify PRC-connected structures**	Identify structures involving PRC tax-resident settlors or beneficiaries, settlors that have relocated away from China, beneficiaries recently relocated to China, China-situs assets, underlying companies with significant PRC business activities, PRC residents exercising significant influence or control, or trust-like arrangements serving similar functions to a trust
2	**Create a PRC exposure register**	Create a central register or tracker for structures with PRC (resident PRC nationals, non-resident PRC nationals, PRC resident non-nationals, non-resident persons born in the PRC) settlors, beneficiaries, protectors, PTC directors, assets or investments. This should become the first stage of any internal risk assessment
3	**Validate client information**	Ensure files contain current tax residency confirmations, updated KYC documentation, passport copies, residential address evidence and beneficiary class information. Changes in residency may now be more relevant
4	**Review historical funding**	Gather documentation relating to initial settlements, subsequent asset additions, capital injections and contributions to underlying companies. Historical transactions may be relevant to client tax reviews
5	**Review distribution management**	Review how distributions, loans, advances and access to trust-owned assets are recorded and supported. Record the rationale, maintain supporting documentation, record loans and advances, and consider obtaining confirmation that beneficiaries have sought specialist advice
6	**Prepare a trustee-ready information pack**	Bring together trust deeds, supplemental deeds, letters of wishes, asset schedules, historical settlement records, financial statements, underlying entity details and financial records with historical income and gains as separate categories, distribution history, loan registers and trust valuations where available
7	**Communicate with affected clients**	Issue a measured communication that raises awareness, explains that the rules may affect certain PRC-connected structures, encourages independent PRC tax advice, requests confirmation of any tax residency changes and avoids giving tax opinions

8	**Monitor developments and reinforce the practitioner message**	Monitor further industry and PRC guidance, reinforce that this is a tax compliance and reporting issue, maintain good records, support clients and advisers with accurate trust information, and encourage specialist PRC tax advice where appropriate

This practical and measured approach is likely to be the most appropriate response while further industry guidance develops.