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Tax Policies Concerning Foreign-funded Enterprises and Foreign Enterprises in National ETDZs

Part One: Enterprises income tax rate

1. Productive enterprises

Tax rate: 15 percent

2. Non-productive enterprises

Tax rate: 30 percent

Among them:

(1) Knowledge intensive and technology intensive projects and Technology Development Center; Projects with a long investment period

Tax rate: 15 percent

(2) Export-oriented enterprises with its export value of the year equals or exceeds 70 percent of its output value of the same year after the exemption-reduction period is over

Tax rate: 10 percent

(3) Financial institutions with foreign operation capital above 10 million US\$ and an operation period of 10 years or more.

Tax rate: 15 percent

(4) projects concerning energy, transportation, port or projects engaged by the governments

Tax rate: 15 percent

Part Two: Pre-withdraw income rate

1. Profits derived from interests, bonus stock, rent, licensing rights fees and other gains from various zones if foreign businessmen don't set up any organizations in Chinese territory (except those exemptions according to the laws)

Tax Rate: 10 percent

2. For those provide advanced technology or preferential conditions

Granted an exemption by the approval of the state council or at a rate lower than 10 percent by the local government

3. Profits derived from foreign-funded enterprises

Exempted

Part Three: The exemption-reduction period of the enterprise income tax

(The operation period is over ten years, commencing from the year in which the enterprises make profits)

1.Productive enterprise, high-tech enterprises or technology development center

An exemption for the first and second year and a reduction by half from the third to fifth year

2.The newly established enterprises undertaking transportation, electric power, water conservancy, postal service, broadcasting and television, etc in middle western regions

An exemption for the first and second year and a reduction by half from the third to fifth year

3.Non-productive enterprises

(1) In the Special Economic Zones, the service business enterprises with foreign operation capital above 5 million US\$ and an operation period of 10 years or more

(2) In the Special Economic Zones or other regions approved by the State Council, the financial institutions with foreign operation capital above 10 million US\$ and an operation period of 10 years or more; An exemption for the first year and a reduction by half from the second to third year

4. Technology advanced enterprises

Granted a reduction by half for 3 more years as long as it remains advanced-technology-oriented after the exemption-reduction period is over.

5.Middle Western Areas

For the foreign-invested enterprises of encouraged type, it can enjoy an extended 3 years reduction at 15percent income rate after the exemption-reduction period is over.

6.Enterprise who engaged in the construction of port and ducks with an operation period of 15 years and above

An exemption for the first to fifth year and a reduction by half from the sixth to tenth year

7.Enterprises which engaged in agriculture, forestry and animal husbandry, and those in undeveloped border areas.

By the approval of state supervising department, it continues to enjoy a reduction of 15 percent-30 percent of its due tax within 10 years after the exemption-reduction period is over; The agricultural specialty for the purpose of protecting the environment in middle western areas are granted an exemption from agricultural specialty tax within 10 years

Part Four: Refund of Tax for reinvestment

1, The foreign investor of the enterprise with foreign investment that makes a direct reinvestment in their enterprise or in other enterprises scheduled to operate for a period of more than 5 years with foreign investment using profits obtained from their enterprises in return shall enjoy a refund of 40 percent of the paid income tax for the reinvestment.

2, If the reinvestment is made in an export or technology advanced enterprises; the investor shall enjoy the entire refund of the said income tax for the part of reinvestment.

Part Five: Customs Duties

1, Imported Equipment

(1) The productive, constructive and managerial equipment, supplies and transferred goods in Free Trade Zones and Export Processing Zones are granted an exemption from customs duties and value-added tax;

(2) For the foreign investment projects of encouraged type and limited type B which conform to "Guiding Catalogue for Foreign Investment Industries" and transfer their technology, the imported non-utility equipments (including the technology, Kit piece and spare parts imported with the equipments according to the contracts) within the total amount of investment will be exempted from duty and value-added tax except goods listed in "Non-duty-free Imported Goods Catalogue for Foreign Investment Projects".

2, Exported product

Exempted from export duties with the exception of those under state restriction; those products with its values increase by over 20 percent due to substantial processing may be exempted from export duties by the Customs as long as they are documented by the competent authorities concerned. The enterprises and managerial departments will enjoy an entire refund for the productive equipments, original material, spare and accessories parts, constructive supplies and office equipment purchased with Chinese territory

Part Six: Value-added Tax

1, three types of rate at 17 percent, 13 percent, 6 percent respectively according to different products categories; granted exemption or reduction according to the national tax laws

2, exempted for the products sold in Special Economic Zones; common tax payer is levied at rate of 6 percent

Part Seven: Investment adjusting tax of fixed assets

Exemption for investment of foreign-funded and foreign enterprises in Chinese territory

Part Eight: Urban House Tax

Exempted

Part Nine: Cultivated land use

Exemption for productive projects of foreign invested enterprises

Part Ten: Foreign Exchange Control

1, the foreign-invested enterprise are allowed to change RMB into foreign exchange in the regular projects

2, the enterprises in Free Trade Zones and Export Processing Zones are allowed to reserve foreign exchange

3, the banking grantee system is not implemented for the processing trade in Free Trade Zones and Export Processing Zones

Part Eleven: Polices approved by the local government

Please visit the websites of National ETDZs to get details.

Note: *The article above is compiled only for reference according to the related information from China Association of Development Zones. It mainly bases on current valid regulations of the State Council and related department before June 6, 2001, please check the latest Chinese laws and regulations.*

