China Enterprise Income Tax (EIT)

1. Taxpayers of EIT

Resident enterprises

Enterprises legally established within China or enterprises which have been established according to the laws of a foreign jurisdiction, but whose effective management institution is within China.

Non-resident enterprises

Enterprises legally established according to the laws of a foreign jurisdiction and have effective management outside of China, but with institutions or management set up within China; or enterprises which have income originating from China without setting up any formal Chinese institution or establishment.

2. Tax rate

25%

The standard EIT rate is **25%**. This rate is applicable to enterprises which have set up institutions or establishments within China and have an income related to those institutions or establishments.

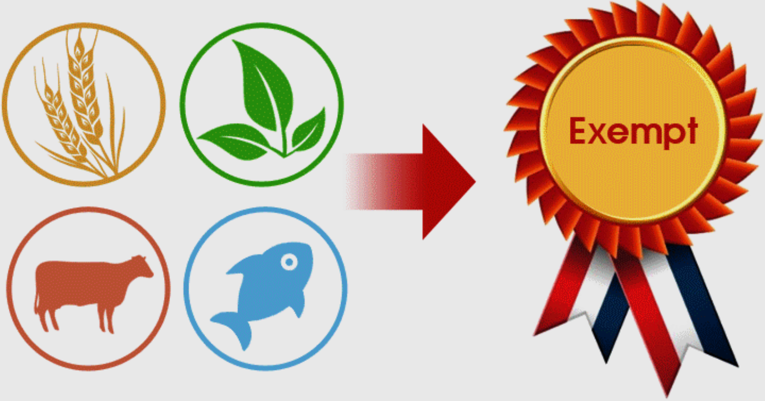
20%

And the EIT rate is **20%** for enterprises which have no institutions or establishments within China, but have income obtained from profits, dividends, interests, rents or royalties originating from China.

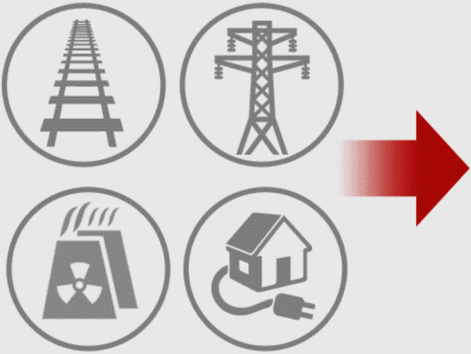
3. Tax Incentives

Income Subject to Tax Reduction or Exemption

- Agriculture, forestry, animal husbandry and fishery project income



- Infrastructure projects which are within the scope of key support from the State



Exempt for the first three years, and a **50%** reduction in EIT for the following three years, starting from in year which the project first generates operating income.

- Environmental protection and energy or water conservation projects

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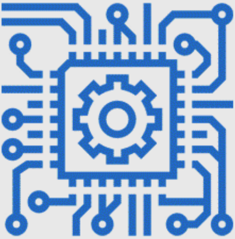
Environmental protection and energy or water conservation projects



Exempt up to **5 million** yuan annually and a **50%** reduction for any amounts which exceed 5 million yuan.

Preferential tax rate

Small or Low Profit Enterprises

Enterprises must have less than **300,000 RMB** in annual taxable income;Less than **50 million** RMB in total assets; and less than **300** employees.

Additional **25%** taxable income reduction for taxable income under **1 million** yuan.Additional **50%** taxable income reduction for taxable income from **1 million** to **3 million**.And the EIT rate is **20%**.

● High-Tech

Companies which qualify as “high-tech”, as determined by tax authorities.

15%

● Western Regions

15%

Enterprises in western regions (Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Ningxia, Qinghai, Xinjiang, Inner Mongolia and Guangxi etc.) which engage in encouraged industries may be eligible to enjoy a reduced EIT rate.

Additional Deduction Incentives

- Research & Development

An additional **50%** of R&D expenses incurred in the development of new technologies, new products and new technological processes, if not capitalized as intangible assets, can be deducted from taxable income.If capitalized as intangible assets, these expenses can be amortized based on **150%** of the capitalized amount.**75%** of research and development expenses can be deducted from taxable income for technology-based SMEs.

- Salary of Disabled persons

An additional **100%** of salary expenses paid to disabled personnel can be deducted from taxable income.

4. EIT calculating formula

For resident enterprises:

Taxable income = Gross income - Nontaxable income -
Tax exempted income - Deductions -
Allowable loss carry forwards from
previous years.

EIT payable = Taxable income × Applicable EIT rate

For example:

If a company's gross income is 4 million yuan, and it's nontaxable income, tax exempted income, deductions and allowable loss carry forwards from previous years are totally 1 million yuan, then it's taxable income should be

4,000,000 - 1,000,000 = 3,000,000 yuan

And if it follows the request of Small or Low Profit Enterprises, then it's EIT payable should be

1,000,000 × 25% ×20% + 2,000,000 ×50% ×20% = 250,000 yuan

For non-resident enterprises:

Passive Income

Income obtained as dividend, interest, rental, or royalty income from China:

EIT payable = Taxable income ×Applicable EIT rate

Income obtained from an asset transfer in China:

EIT payable =(Taxable income -Net value of asset) × Applicable EIT rate

Income obtained from share transfers in China:

EIT payable = (Taxable income -Share investment cost) ×Applicable EIT rate

Active Income

EIT payable = Taxable income ×Assessed profit rate ×Applicable EIT rate (25%)

Construction, design and consulting services

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15% - 30%

Management services

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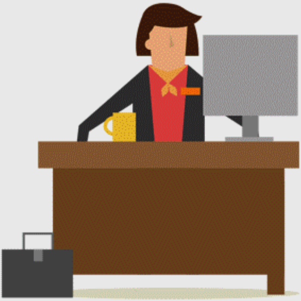
30% - 50%



Other services

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not less than **15%**

5. EIT Filing Requirements

EIT filing period

EIT is calculated for a ta×year, based on the calendar year, starting **January 1** and ending on **December 31**.

EIT filing method

China EIT is paid, or advanced, on a monthly or quarterly basis.An enterprise shall file an EIT return with, and make advanced tax payment to the tax bureau within **15** days after the end of each month or quarter.

Tax currency

EIT shall be calculated in Renminbi. If the income is calculated in other currencies, it shall be converted into RMB for calculation and tax payment.