

The Tax Polices Concerning Foreign-funded Enterprises and Foreign Enterprises
in China ' s Development Zones

Policies		State regulations	Special Economic Zones	National Development Zones				Open Cities and areas (including those along seas and rivers, inland and border) and provincial Development Zones
				Economic and Technological Zones	High-tech Industrial Zones	Free Trade Zones	The Border Economic Cooperative Areas	
Enterprises Income Tax rate	1.Productive enterprises	30%	15%	15%	15%	15%	15%	24%
	2.Non-productive enterprises	30%	15%	30%	30%	30%	30%	30%
	Knowledge intensive and technology intensive projects and Technology Development Center; Projects with a long investment period	30%	15%	15%	15%	15%	* (15%)	15% (Including those industrial projects encouraged by the government in middle western areas)
	Export-oriented enterprises with its export value of the year equals or exceeds 70% of its output value of the same year after the exemption-reduction period is over	15%	10%	10%	10%	10%	12%	12%
	Financial institutions with foreign operation capital above 10 million US\$ and an operation period of 10 years or more	30%	15%	15% (Approved by the State Council; including Shanghai Pudong)				
	projects concerning energy, transportation, port or projections engorged by the governments	15% (including those enterprises engaging in infrastructure construction in Shanghai Pudong)						

The following polices apply to all the zones if not made specifically

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)	10% from Jan 1st, 2001
	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% by the local government
	3.Profits derived from foreign-funded enterprises	Exempted
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	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 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 15% 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%-30% 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

Refund of Tax for reinvestment		<p>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% of the paid income tax for the reinvestment.</p> <p>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.</p>
Customs Duties	1.Imported Equipment	<p>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 ;</p> <p>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 ”</p>
	2.Exported product	Exempted from export duties with the exception of those under state restriction; those products with its values increase by over 20% 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
Value-added Tax		<p>three types of rate at 17%,13%,6% respectively according to different products categories; granted exemption or reduction according to the national tax laws</p> <p>exempted for the products sold in Special Economic Zones; common tax payer is levied at rate of 6%</p> <p>exempted for the products made and sold in Free Trade Zones and Export Processing Zones</p>
Investment adjusting tax of fixed assets		Exemption for investment of foreign-funded and foreign enterprises in Chinese territory
Urban House Tax		Exempted
Cultivated land use		Exemption for productive projects of foreign invested enterprises
Foreign Exchange Control		<p>The foreign-invested enterprise are allowed to change RMB into foreign exchange in the regular projects</p> <p>The enterprises in Free Trade Zones and Export Processing Zones are allowed to reserve foreign exchange</p> <p>The banking grantee system is not implemented for the processing trade in Free Trade Zones and Export Processing Zones</p>
Policies approved by the local government (the details sees the local investment guide or related regulations on development zones)	1.Local income tax	Levied at 10% according to the state regulations. It can have a reduction or exemption made by the government of province, autonomous regions or cities directly under the jurisdiction of the central government according to the specific circumstance.
	2.Enterprise income tax of national autonomous regions	Reduced or exempted by the approval of provincial government periodically
	3.Tax incentive	Stipulated by the local financial department; grant an incentive compensation to the foreign-invested enterprises which pay the income tax on time
	4.Depreciation	Stipulated by the local financial department; implement acceleration depreciation according to the item circumstance
	5.Real estate	Stipulated by the local financial department; reduced based on certain term and proportion
	6.Expenditure discount	Stipulated by the local government based on the section, scale, Technique level and way of payment of the foreign-funded projects, grant a reduction in the respects of the expense of land-use, house-rent, energy, headwaters, tele-communications, service, etc
	7.Loss compensation	Any losses incurred, enterprises could be made up with its gains of the next tax year, it may, in case its gains of the following tax year are insufficient, continue doing so year by year in succession within a period of no more than 5 years.

* () means taking reference of the polices in open areas Notes: 1, The State Council stipulates, the policy of “ refund the tax after payment determined by the local government ” is terminated from Jan 1st. 2, The form above is compiled by the China Association of Development Zones on the basis of current valid regulations of the State Council and related department before June 6,2001. The polices which are not listed above are performed according to the national regulations.