

Policy on the Enterprise Income Tax

1. Foreign enterprises can enjoy preferential tax treatment: "2 items released, 3 items halved" from the year the enterprise starts making profit. '2 items released' means that as to newly-established enterprises, income tax shall be exempt within 2 years starting from normal operation; '3 items halved' means that in the next consecutive three years after the 2 terms released period the income tax will only be half of the normal 33%.
2. As to the outstanding software enterprises within the layout of State planning, if not enjoying the captioned preferential policy in Article 1, the income tax rate shall be at 10% (normally 33%).
3. As to the newly-established enterprises, they can get a tax refund for the income tax levied in the first two years from the same-level fiscal department, with the next three years half of the income tax refunds. After the preferential period, if export value reached 70% of the total production value, income tax rate will be 10% (normally 33%)
4. If the enterprise belongs to newly-established software enterprise and hi-tech enterprise within the hi-tech development zones certified by the State Council, enterprises can enjoy additional preferential tax treatment: in the preferential period, the rate of the income tax can be halved based on the 15%. After the expiration of the tax preferential period, the rate of the income tax will be 15%.
5. Productive foreign-invested enterprises can enjoy a total exemption of local income tax in the first 1-2 years from benefiting years and half an exemption in the following 3-5 years from benefiting profits.

Policy on the Value-added Tax

1. After value-added tax of Software products produced by enterprises is levied at the rate of 17% according to the tax law, the exceeding 3% will be given back to the enterprise.
2. The nil value-added tax rates will be used for exported software products produced by enterprises and export tax will be exempted. For technology export contract the sales tax and income tax will be exempted.
3. If the export value of software products produced by the enterprise exceeds 1 million US dollars, the enterprise can enjoy self-support software export rights.

Policy on Tariff

1. For imported equipments which will be used by the software enterprise itself, the technology (including software, the parts and spare parts imported together with the equipments, the import tax and import value-added tax will be exempted (not including commodities described in the category of foreign investment projects non tax-free imported commodities) .
2. The import of apparatus and equipment to be used by new and high technology enterprises for the development of new and high technology and which cannot be made at home shall be exempted from import duties against the approval papers issued by the examination and approval authorities and after the verification by the Customs.

Policy on Business Tax

1. Except the sale revenue of software enterprise from which value-added tax should be levied, the income from technology transfer with appropriate conditions and procedures, technology development business, consulting business related with technology development, technology

service business shall be exempt from business tax, urban maintenance and construction tax, Surtax for Education and (local) education supplementary tax.

2. As to the private scientific and technical enterprise, income from technology transfer shall be exempted from business tax against the approval papers issued by local tax bureaus.
3. As to entity or individual (including foreign-funded enterprises, foreign-funded research center, foreign enterprises and foreigners), the income from technology transfer, technology development business, consulting business related with technology development, technology service business shall be exempt from business tax.

Policy on Personal Income tax

1. Income created by the hi-tech and software projects in the hi-tech and software enterprises as well as the shares distributed and issued to individuals for award, which shall be reutilized in the production and management system, shall be exempt from the personal income tax.
2. The salaries of returned overseas students who engage in accredited transformation projects of new and high-tech achievements may enjoy, according to the stipulations concerning personal income tax, the additional deduction of the cost besides the stimulated.
3. As to the salaries of technicians, under the directions of the enterprises to engage in the technique development, technique transfer, consulting business related to the technique transfer and technique service, the personal income tax shall be levied according to the remuneration for providing services.

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