

2012 Updated list of turnover tax concessions and preferences

Legal rules and orders	Scope of tax concession or preferences	Type of taxes or credits	Effective date; limitations or conditions to be met
Cai Guan Shui [2010] 28, as promulgated jointly by MOF, MST, NDRC, GAC, and SAT	Specific imported equipment and components under the National Medium and Long Term Science and Technology Development Outline Plan for Period 2006-2020	Exemption from import duty and VAT	2010-07-15
Cai Shui [2010] 115, as promulgated by MOF and SAT	Taxpayer located in Qianhai, Shenzhen providing Insurance services for international transportation business	Business Tax exemption	2011-01-01
Cai Guan Shui [2012] 14, promulgated jointly by MOF, MIIT, GAC, and SAT	List of Major Technology Equipment and Products Receiving State's Development Support (amended in 2012)	Exemption from import duty and VAT	2012-04-01
Cai Shui [2008] 48 and Guo Shui Han [2010] 256, as promulgated jointly by MOF and SAT; Article 86, the Implementation Regulation of PRC Corporate Income Tax Law	The taxpayer bought and used equipment that falls into scope of "list of equipment that enhances environmental protection, conserves energy consumption and contributes to workplace safety"	10% of the qualified expenditure can be credited against amount of CIT payable; Taxpayer is also eligible for CIT exemption for first 3 years and reduction from 2 nd 3 years.	2008-01-01; Investment credit can be carried forward where the current year incurs a tax loss; CIT exemption and reduction commences from the year in which a profit is earned.
Cai Shui [2011] 119, as promulgated by MOF and SAT	Eligible taxpayers engaged in business of animation creation, design, programming and production shall receive the same tax concession as the software enterprise	VAT for selling software products not exceeding 3% (Taxed and immediate refunded policy); supply of taxable activities subject to business tax at 3%	Between 2011-01-01 and 2012-12-31
Cai Shui [2011] 100, as promulgated by MOF and SAT	The VAT tax burden for Software Enterprise shall be capped at 3%.	VAT refundable amount = VAT payable – sales amount x 3%; where VAT payable = Out VAT – Input VAT	Effective 2011-01-01; Taxpayer shall obtain "Certificate for Software Products" or "Certificate for IT Programming Copyright"
Cai Shui [2011] 131, as	Taxpayer engaged in	Zero-rated VAT	2012-01-01; Should

promulgated by MOF and SAT	international transportation, supply of R&D and design services to non-residents, shall enjoy VAT concession		obtain “Approval Certificate for Sea Transportation” & “Approval Cert. for Land Transportation”
	Taxpayer shall get tax-exempted for supply of taxable services to non-residents, including construction and exploration, convention and exhibition, warehousing, leasing, consulting, software programming, IT, logistics, accreditation and certification	VAT Exemption	Effective 2012-01-01; The subject matter of contract for energy management services, and contract for accreditation and certificate, shall not be situated inside China
Administrative Decree No. 5 [2011], SAT	Taxpayer that provides repairing services for resident and non-resident companies	Output VAT exemption and refund of input VAT	Effective 2011-02-15
Administrative Decree No. 73 [2011], SAT	R&D enterprise can obtain VAT refund for the purchase of domestically manufactured equipment, as specifically listed in Cai Shui [2011] 88.	VAT refund	Scope of research and equipment as per list in Cai Shui [2011] 88.

2012 updated list of Corporate Income Tax Incentive

Cai Shui [2010] 65, by MOF and SAT jointly	Advance technology service enterprises that are set up in 21 service-outsourcing showcase cities, can enjoy a low corporate income tax rate	CIT at 15%	Between 2010-07-01 and 2013-12-31
Guo Fa [2011] No. 4 by State Council	Software enterprise	CIT exemption for 1st 2 years and 50% for following 3 years, commencing from year in which profit is made	Recognized as “Software enterprise”
		CIT at 10% where a profit has not yet been made	Recognized as “Major software enterprise”
Cai Shui [2010] 111, by MOF and SAT jointly	Resident enterprise can enjoy a tax reduction or exemption for the transfer of technology or granting of exclusive worldwide license for a period of no less	First 5 million of income is exempted, and excess of the 5 million is taxed at half of the full income tax	Tax concession not available if taxpayer transfers technology on the “list of export technology falling

	than 5 years	rate.	under the prohibited, or restricted category”
Administrative decree No. 48 [2011], by SAT	Taxpayer engaged business activities of agriculture, forestry, animal farming and fishery shall be granted income tax concession; Scope of activities as per national standard (GB/T4754-2002)	CIT exemption	Effective 2011-01-01; Subject to items under restricted and obsolescence category as per decree no. 9 [2011] by NDRC
Administrative decree No. 12 [2012], by SAT	Taxpayer, headquartered and having branches in Western region, engaged in business activities falling within the scope of Industries under Encouraged Category located in Western Region of China	CIT at 15%	Between 2011-01-01 and 2020-12-31; 70% of the income derived from prescribed business activities on the said “List of Industries”
Cai Shui [2012] 27, by MOF and SAT	IC Fabrication Company set up in China making Integrated circuit meeting technical criteria shall receive tax concession.	2-year exemption and 3-year 50% reduction for CIT for IC with line width less than 0.8 micron; CIT concession (5 plus 5) for IC with line width less than 0.25 micron	Up to 2017-12-31; Tax concession commencing from the year a profit is earned
	IC design company or software enterprise set up in China obtaining recognition certificates	2-year exemption and 3-year 50% reduction for CIT	