

## Utilization of tax losses

Q: Our group has set up a FIE enterprise in Shenzhen over 10 years ago for manufacturing goods for both local and export sales. Over the years, the enterprise has accumulated tax losses. For the foreseeable future, it is unlikely the enterprise will generate profits to offset the losses. I would like to know if there are any other possible ways to utilize the tax losses.

A: The PRC tax law for foreign investment enterprises provides that losses can be used to offset income earned in subsequent years. In the absence of any income, the losses cannot be utilized. The PRC tax law does not permit the losses to be carried forward indefinitely. Instead, it can only be used within a 5-year period that immediately follows the year in which the loss is incurred.

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