利安達會計師事務所

REANDA

DOING BUSINESS IN CHINA

在中国营商

目录

1 中国概况 01

1.1 政治及经济体制
1.2 经济指数

2 目前的经济气候 02

2.1 政策效应逐步释放
2.2 四大自贸区形成

3 营商环境 03

3.1 政策法规环境
3.2 外商投资管制
3.3 外商投资产业指导目录与中西部地区外商投资优势产业目录
3.4 重点补助和税收激励

4 建立业务 07

4.1 外商投资人的主要形式
4.2 会计、申报和审核要求

5 税务 10

5.1 简要介绍
5.2 企业所得税
5.3 反避税（特别纳税调整）
5.4 外籍人员个人所得税相关政策介绍
5.5 劳动环境
5.6 间接税
5.7 双重征税减免

6 联络我们 23

中国概况

中国位于亚洲东部、太平洋西岸，陆地面积约960万平方公里，仅次于俄罗斯和加拿大，居世界第三位。陆上邻国，北有俄罗斯、蒙古，西有哈萨克斯坦、吉尔吉斯斯坦、巴基斯坦、印度等国，南及东南有缅甸、泰国、越南等国，东与朝鲜接壤，东及东南与日本、菲律宾、马来西亚等国隔海相望。

中国是世界上人口最多的国家，至2014年末，总人口为13.7亿人,有56个民族，人口最密集的地区是长江三角洲、珠江三角洲、四川盆地和黄淮平原。省级行政区划为4个直辖市，23个省，5个自治区，2个特别行政区，首都北京。

中国法定节假日包括：每年元旦（放假一天）、清明节（放假一天）、五月一日劳动节（放假一天）、端午节（放假一天）、十月一日国庆节（放假三天）、中秋节（放假一天）、春节（放假三天）。

1.1 政治及经济体制

人民代表大会制度是中国的根本政治制度。中华人民共和国全国人民代表大会是最高国家权力机关，它的常设机关是全国人民代表大会常务委员会。全国人民代表大会和全国人民代表大会常务委员会行使国家立法权，选举或罢免国家主席等主要国家领导人。

中国实行社会主义市场经济，政府对经济实施市场化管理，资源供应、大多数商品及服务价格实行市场调节价，极少数商品及服务价格实行政府指导价或者政府定价，劳动力可以自由流动，企业在法律规定的范围内自主经营，不受政府行政干预。

1.2 经济指数

中国经济体制改革进一步深化,结构调整取得积极进展,国民经济保持持续稳定增长,国内市场平稳运行,重要商品储备充裕,国际收支状况良好,人民生活不断改善,各项社会事业有了新的发展。改革开放以来,中国利用外资步伐不断加快,已形成多层次、全方位利用外资格局。总体而言,中国利用外资呈增长趋势,虽然2012年有小幅下降,但2013年又出现回升趋势。2013年,中国实际使用外资金额1175.86亿美元，同比增长5.25%。2014年，中国实际使用外资金额1195.6亿美元，同比增长1.7%。

2009-2014年中国主要经济指标

年份	2009年		2010年		2011年		2012年		2013年		2014年	
类别	数额	同比增长	数额	同比增长	数额	同比增长	数额	同比增长	数额	同比增长	数额	同比增长
人口（万人）	133450	4.87	134091	4.79	134735	4.79	135404	4.96	136072	4.93	136782	5.21
GDP（亿元，%）	340903	9.2	401513	10.4	473104	9.3	519470	7.7	568845	7.7	636463	7.4
全社会固定资产投资（亿元，%）	224599	30	251684	12.1	311485	23.8	374694	20.3	447074	19.3	512761	15.3
物价涨幅（%）		-0.7		3.3		5.4		2.6		2.6		2
进出口总额（亿美元，%）	22072	-13.9	29728	34.7	36421	22.5	38668	6.2	41600	7.6	43000	6.1
进口（亿美元，%）	10056	-11.2	13948	38.7	17435	24.9	18178	4.3	19504	7.3	19600	3.3
出口（亿美元，%）	12017	-16	15779	31.3	18986	20.3	20489	7.9	22096	7.9	23400	8.7
外商直接投资（亿美元）	900	2.56	1057	17.44	1160	9.72	1117	-3.7	1176	5.3	1195.6	1.7
外汇储备（亿美元）	23991	23.3	28473	18.6	31811	11.7	33116	4.1	38213	15.4	38430	8.6
城镇登记失业率（%）	4.3		4.1		4.1		4.1		4.05		4.09	

目前的经济气候

2.1 政策效应逐步释放

中央出台了一系列定向调控政策措施，内容涵盖定向降准、结构性减税、棚户区改造、中西部铁路建设、稳定外贸、扩大信息体育消费，以及在近期实施的全面降息和基础设施领域推出一批鼓励社会资本参与的项目（PPP）等。政策效应将在明年继续释放。政府可能继续围绕促进就业、提高居民收入、加强公共（基础）设施建设等方面出台力度更大的新政策，政策效应也将会集中体现为通过扩大内需进而拉动经济增长。

2014年政府推出一系列改革措施，包括加大简政放权的力度，允许民间资本创办金融机构，放宽市场主体准入，以及以充分发挥市场决定性作用为核心的价格改革等，2015年还将实施一批重大改革。这些改革对经济增长潜力的提高作用将在未来一段时期逐步显现出来，对2015年的经济增长具有正面作用。

2.2 四大自贸区形成

- 广东自贸区：主打“港澳牌”。中国（广东）自由贸易试验区总面积116.2平方公里，主要涵盖广州南沙新区片区、深圳前海蛇口片区以及珠海横琴新区片区。

- 天津自贸区：服务京津冀一体化。中国（天津）自由贸易试验区位于天津滨海新区内，总面积119.9平方公里，涵盖天津港片区、天津机场片区、滨海新区中心商务片区。

- 福建自贸区：与台湾深度合作。福建自由贸易试验区的三个园区分别位于福州、厦门和平潭综合实验区，总计面积达到118.04平方公里。

- 上海自贸区：承载更多改革空间。上海自贸区位于上海浦东新区，包括陆家嘴、金桥、张江三个片区，总面积120.72平方公里。

营商环境

3.1 政策法规环境

3.1.1 有关外资的特别法律的主要法规

1.《中华人民共和国中外合资经营企业法》及其实施条例

2.《中华人民共和国中外合作经营企业法》及其实施细则

3.《中华人民共和国外资企业法》及其实施细则

4.《中华人民共和国企业所得税法》及其实施细则

5.《指导外商投资方向规定》（2004年修订）、《外商投资产业指导目录》（2011年修订）、《中西部地区外商投资优势产业目录》（2013年修订）

6.《中华人民共和国台湾同胞投资保护法》及其实施细则

7.《关于外国投资者并购境内企业的规定》

8.《关于外商投资举办投资性公司的规定》

9.《关于设立外商投资股份有限公司若干问题的暂行规定》

10.《外商投资创业投资企业管理规定》

11.《外国投资者对上市公司战略投资管理办法》

12.《外商投资企业境内再投资暂行规定》

13.《商务部关于涉及外商投资企业股权出资的暂行规定》

3.1.2 一般性法律法规

1.中华人民共和国公司法》

2.中华人民共和国合同法》

3.中华人民共和国保险法》

4.中华人民共和国仲裁法》

5.中华人民共和国劳动法》

6.中华人民共和国外汇管理条例》

7.中华人民共和国增值税暂行条例》及其实施细则

8.中华人民共和国消费税暂行条例》及其实施细则

9.中华人民共和国营业税暂行条例》及其实施细则

3.1.3 国际条约

1.截至2014年5月底，中国已与150多个国家和地区签署了双边投资保护协定。

2.截至2015年5月底，中国已与100个国家和地区签订避免双重征税协定。

3.2 外商投资管制

3.2.1 注册审批

经商务部或其他有关部门批准后，外国公司、企业或个人是可以在中华人民共和国境内设立中外合资企业、中外合作企业和外商独资企业。从2010年3月1日起，外国投资者允许在中国设立外商投资合伙企业。

外商投资企业注册资本最低要求如下:

投资总额注册	资本最低限额
300万美元或以下	投资总额的70%
300万美元以上至1000万美元（含1000万美元）	投资总额的50%但不得低于210万美元
1000万美元以上至3000万美元（含3000万美元）	投资总额的40%但不得低于500万美元
3000万美元以上投资	总额的33.3%但不得低于1200万美元

3.2.2 外汇管制

国家外汇管理局负责外汇交易的监督和管理。对外商投资企业进行外汇交易实施的监管取决于该交易属于经常项目还是资本项目。

经常项目可以通过指定银行的银行外汇交易系统来进行外汇买卖，而不需得到外汇管理局的预先批准。资本项下外汇仍实行严格管理。对外汇收支实行银行结售汇制度，对进出口收付汇实行核销制度。

政府对资本项下外汇收支的管理，一是除国务院另有规定外，资本项下外汇收入均需调回境内；二是企业的资本项下外汇收入均应在银行开立外汇专用账户，经外汇管理部门批准后才能卖给外汇指定银行；三是资本项下的购汇和对外支付，均需经外汇管理部门核准，持核准件方可在银行办理售付汇。

为加快人民币国际化进程，中国企业如今可以在进行跨境贸易时使用人民币结算。中国政府自2011年开始陆续出台多项政策允许一些资本项目使用人民币。

3.3 外商投资产业指导目录与中西部地区外商投资优势产业目录

3.3.1 外商投资产业指导目录（2015年修订）

将外商投资企业分为鼓励类、允许类、限制类和禁止类。

下面列举了各类投资项目中的部分行业:

鼓励类：特定的农、林、牧、渔业；采矿业；特定的制造业；电力、热力、燃气及水的生产和供应业；特定的交通运输和仓储业；特定的批发和零售业；租赁和商务服务业；科学研究、技术服务；水利、环境和公共设施管理业；职业技能培训；老年人、残疾人和儿童服务机构；养老机构；特定的文化、体育和娱乐业。

限制类：农作物新品种选育和种子生产；稀缺金属和特殊矿产的勘察、开采；特定制造业（如特定药品的制造、出版物印刷等）；特定电力、热力、燃气及水的生产和供应业；特定交通运输业和电信业；批发和零售特定产品；金融、保险和证券业；市场调查、资信调查与评级服务公司；测绘公司；高等教育、高中教育和学前教育；医疗机构；特定文化、体育和娱乐业；其他国家和中国缔结或者参加的国际条约规定限制的其他产业。

禁止类：特定农、林、牧、渔业（如稀有和特有的珍贵优良品种的研发、养殖、种植以及转基因植物种子的生产等）；采矿业（放射性矿产和稀土的勘查、开采，钨、钼、锡萤石勘察、开采等）；特定制造业（如中成药保密处方产品的生产、武器弹药制造等）；特定电力、热力、燃气及水的生产和供应业；空中交通管制；邮政公司、信件的国内快递业务；烟草制品的批发和零售；社会调查、中国法律事务咨询；义务教育；特定科学研究和地质勘察业；特定的文化、体育和娱乐业（如新闻机构、博彩业、色情业、图书报纸的出版、音响制品和电子出版物的出版和制作；网络出版服务；经营文物拍卖的拍卖企业、文物商店等）；其他国家和中国缔结或者参加的国际条约规定禁止的其他产业。

允许类：不在鼓励类、限制类和禁止类的业务

3.3.2 中西部地区外商投资优势产业目录（2013年修订）

西部大开发政策。根据西部大开发战略，鼓励包括外资在内的投资到中西部内陆地区。

有关的外商投资政策措施包括:

1.《中西部地区外商投资优势产业目录》内的项目，享受鼓励类外商投资项目政策。

2.对外商投资西部地区基础设施和优势产业项目，适当放宽外商投资的股比限制。

3.鼓励外商投资于西部地区的农业、水利、生态、交通、能源、市政、环保、矿产、旅游等基础设施建设和资源开发以及建立技术研究开发中心。

4.扩大西部地区服务贸易领域对外开放，将外商对银行的试点扩大到直辖市、省会和自治区首府城市，允许西部地区外资银行逐步经营人民币业务，允许外商在西部地区依照有关规定投资电信、保险、旅游业，兴办中外合资会计师事务所、律师事务所、市政公用企业和其他已承诺开放领域的企业，对一些领域的对外开放，允许在西部地区先行试点。

5.拓宽外资管道，允许外商在西部地区进行BOT、TOT方式试点，允许外商投资项目开展包括人民币在内的项目融资，支持符合条件的西部地区外商投资企业在境内外股票市场上市，支持西部地区属于国家鼓励和允许类产业的企业通过转让经营权、出让股权、兼并重组等方式吸引外商投资，积极探索以中外合资产业基金、风险投资基金方式引入外资。

6.鼓励已设立的外商投资企业到西部地区进行再投资，其再投资项目外资比例超过25%的，享受外商投资企业待遇

3.4 重点补助和税收激励

经济特区：

深圳、珠海、厦门、汕头、海南岛、喀什。经济特区是我国采取特殊政策和灵活措施吸引外部资金、特别是外国资金进行开发建设的特殊经济区域。国家及特区所在省市为促进特区发展，在资金、税收等方面均给予政策倾斜。

国家级新区：

上海浦东新区、天津滨海新区、重庆两江新区、浙江舟山群岛新区、甘肃兰州新区、广东南沙新区、河南郑州郑东新区。国家级新区具有改革先行先试区、新产业集聚区等特征。为促进所在区域加快发展，带动周边地区，国家在政策、资金等方面往往给予较大力度的支持。

国家级经济技术开发区、边境合作区、高新技术产业开发区：截至到2013年底，共有210个国家级经济技术开发区、15个边境经济合作区和 105个国家高新技术产业开发区，分布于各省、直辖市、自治区。国务院从土地规划、基础设施、项目审批、金融政策、人才引进等方面对开发区进行政策支持。

建立业务

4.1 外商投资人的主要形式

中外合资经营企业、中外合作经营企业、外资企业是外商投资在中国最主要的方式，其他投资方式包括设立外商投资股份有限公司、投资性公司、中外合作开发、BOT（Build-Operate-Transfer）等。

4.1.1 中外合资经营企业

外合资经营企业是指依照中国有关法律，在中国境内设立的外国公司、企业和其他经济组织或个人与中国公司、企业或其他经济组织共同举办的合营企业。

设立合营企业的一般程序是：立项、洽谈、签约、审批、登记、注册。中外合资企业的立项申请由中方提出，然后双方在平等互利、协商一致基础上进行签约；审批机关自接到各项应报文件后，于三个月内决定批准或不批准，批准的发给批准证书；合营企业应在一个月内凭此批准证书向企业所在地的省级工商部门办理登记手续领取营业执照，签发执照日即企业成立日。

4.1.2 中外合作经营企业

中外合作经营企业亦称契约式合营企业。它是由外国公司、企业和其他经济组织或个人同中国的公司、企业或其他经济组织在中国境内按照《中华人民共和国中外合作经营企业法》及其实施细则的规定，根据中外方提供的合作条件共同举办的企业。

中外合作经营企业应由合作各方就各自提供的条件、权利、义务、收益分配或风险、债务的承担、企业的管理方式、期满后的财产处理等共同协商，在企业合同中明确约定。举办中外合作经营企业一般由外国合作者提供全部或大部分资金、技术、关键设备等，中方通常负责提供土地使用权、现有厂房设施或部分资金等。中外合作者在合作企业合同中约定合作期限届满时，合作企业的全部固定资产无偿归中国合作者所有的，外国合作者在合作期限内可以申请按照下列方式先行回收其投资。

1.在按照投资或者提供合作条件进行分配的基础上，在合作企业合同中约定扩大外国合作者的收益分配比例。

2.经财政税务机关按照国家有关税收的规定审查批准，外国合作者在合作企业缴纳所得税前回收投资。

3.经财政税务机关和审查批准机关批准的其他回收投资方式。

4.1.3 外资企业

外资企业是一个独立的经济实体，独立经营，独立核算，独立承担法律责任。在组织形式上，外资企业可以是法人，也可以是非法人实体。

具备法人条件的外资企业，依法取得法人资格，其组织形式一般为有限责任公司，外国投资者对企

业的责任以其认缴的出资额为限。外商独资企业注册流程：查名－办理批准证书－营业执照－组织机构代码－税务登记证－外汇登记证。

4.1.4 外商投资股份有限公司

外商投资股份有限公司是指外国的公司、企业和其他经济组织或个人与中国的公司、企业或其他经济组织，按照平等互利的原则，通过认购一定比例的股份，在中国境内共同举办的公司。

外国投资者也可依照有关法规对中国的A股上市公司进行中长期战略性并购投资，取得该公司A股股份。外商投资股份有限公司全部资本由等额股份构成，各股东以其所认购的股份对公司承担责任，公司以全部财产对公司债务承担责任。它是外商投资企业的一种形式，适用国家法律法规对于外商投资企业的有关规定。

4.1.5 投资性公司

投资性公司是指外国投资者在中国境内以独资或与中国投资者合资的形式设立的从事直接投资的公司，其组织形式为有限责任公司。申请设立投资性公司的外国投资者必须资信良好，拥有举办投资性公司所必需的经济实力，申请前一年该投资者的资产总额不低于4亿美元，且该投资者在中国境内已设立了外商投资企业，其实际缴付的注册资本的出资额超过1000万美元，或者外国投资者资信良好，拥有举办投资性公司所必需的经济实力，该投资者在中国境内已设立了10个以上外商投资企业，其实际缴付的注册资本的出资额超过3000万美元。目前，投资性公司可在国家鼓励和允许外商投资的工业、农业、基础设施、能源等领域进行投资。

4.1.6 创业投资企业

外商投资创业投资企业（以下简称创投企业）是指外国投资者或外国投资者与根据中国法律注册成立的公司、企业或其他经济组织（以下简称中国投资者）。根据《外商投资创业投资企业管理规定》在中国境内设立的以创业投资为经营活动的外商投资企业。创投企业可以采取非法人制组织形式，也可以采取公司制组织形式。

采取非法人制组织形式的创投企业（以下简称非法人制创投企业），投资者对创投企业的债务承担连带责任。非法人制创投企业的投资者也可以在创投企业合同中约定在非法人制创投企业资产不足以清偿该债务时，由以创业投资为主营业务的必备投资者承担连带责任，其他投资者以其认缴的出资额为限承担责任。

设立创投企业，投资者人数在2人以上50以下，且应至少拥有一个以创业投资为主营业务的且符合其他条件的必备投资者，非法人制创投企业投资者认缴出资总额的最低限额为1000万美元，公司制创投企业投资者认缴资本总额的最低限额为500万美元。除必备投资者外，其他每个投资者的最低认缴出资额不得低于100万美元。外国投资者以可自由兑换的货币出资，中国投资者以人民币出资。

4.1.7 中外合作开发

中外合作开发是指中国公司与外国公司通过订立风险合同，对海上和陆上石油、矿产资源进行合作勘探开发。它是目前国际上在自然资源领域广泛使用的一种经济合作方式，其最大的特点是高风险、高投入、高收益。合作开发一般分为三个阶段，即勘探、开发和生产阶段。

BOT (Build-Operate-Transfer)

BOT方式是指投资者在投资国承担一个既定的工业项目或基础设施项目，负责项目的建造、营运、维修和转让。投资者在固定期限内营运设施并且被允许在该期限内收回对该项目的投资、营运、维修费及其他费用，在规定的期限满后，将该项目转让给项目方的政府。在中国，BOT方式主要是设立项目公司的形式，被试用在高速公路、电厂、污水处理等领域。

4.2 会计、申报和审核要求

4.2.1 申报要求

根据相关法律，所有在中国大陆注册的公司必须向工商行政管理局提交年度财务报表。上市公司必须准备和提交经审计的财务报表于中国证券监督管理委员会。国有企业必须提交经审计的年度财务报表于国务院国有资产监督管理委员会。

所有在中国注册的公司必须提交年度财务报表于工商行政管理局用于注册与年审。上市公司必须准备和递交经审计的财务报表与中国证券监督管理委员会（中国证监会，中国证监会）。国有企业必须提交经审计的年度财务报表与国务院国有资产监督管理委员会。

4.2.2 会计准则

会计准则由财政部制定，对加强和规范企业会计行为，提高企业经营管理水平和会计规范处理，促进企业可持续发展起到指导作用。

目前根据不同种类的企业会计准则主要有三套：企业会计准则、企业会计制度、小企业会计准则。

一、企业会计准则

企业会计准则》由财政部制定，于2006年2月15日发布，自2007年1月1日起施行，上市公司和金融机构以及几乎所有的大中型企业均需采用企业会计准则。企业应当按照企业会计准则编制财务会计报告。财务会计报告的目标是向财务会计报告使用者提供与企业财务状况、经营成果和现金流量等有关的会计信息，反映企业管理层受托责任履行情况，有助于财务会计报告使用者作出经济决策，财务会计报告使用者包括投资者、债权人、政府及其有关部门和社会公众等。

二、企业会计制度

《企业会计制度》适用于除金融保险企业以外的所有符合条件的大、中型企业。会计制度是对商业交易和财务往来在账簿中进行分类、登录、归总，并进行分析、核实和上报结果的制度，是进行会计工作所应遵循的规则、方法、程序的总称。国家统一的会计制度是指国务院财政部门（即财政部）根据会计法制定的关于会计核算、会计监督、会计机构和会计人员以及会计工作管理的制度。

三、小企业会计准则

小企业会计准则是专门针对小企业所设立的会计准则。

为了促进小企业发展以及财税政策日益丰富完善，完善中小企业发展的财税政策体系，2011年10月18日,财政部发布《小企业会计准则》,要求相关小企业自2013年1月1日起执行,鼓励提前执行。

4.2.3 审计

2010年9月8日，审计署在其网站公布了新修订的《中华人民共和国国家审计准则》。新的审计准则将于2011年1月1日起施行。审计准则对执行审计业务基本程序作了系统规范，是审计机关和审计人员履行法定审计职责的行为规范，是执行审计业务的职业标准，是评价审计质量的基本尺度。审计的主要工作目标是通过监督被审计单位财政收支、财务收支以及有关经济活动的真实性、合法性、效益性。

税 务

5.1 简要介绍

中国征收税种极为广泛，包括所得税（企业所得税和个人所得税）、流转税（增值税，营业税[详情请参考5.6.2营业税改征增值税]和消费税）、与房地产有关的税（土地增值税、房产税、耕地占用税和城镇土地使用税）和其他如契税、印花税、关税、车辆购置税、车船税、资源税、城市维护建设税、船舶吨税和烟叶税等。

5.2 企业所得税

5.2.1 征税对象

1.居民企业，依照中国法律成立的或依照外国法律成立但实际管理机构设在中国的企业，来源于中国境内、境外的所得缴纳企业所得税。

2.非居民企业，依照外国（地区）法律、法规成立且实际管理机构不在中国境内，但在中国境内设立机构、场所的，或者在中国境内未设立机构场所，但有来源于中国境内所得的企业。来源于中国境内的所得缴纳企业所得税。

5.2.2 税率

1.居民企业企业所得税的法定税率是25%，符合条件的企业减按较低的优惠税率。

2.非居民企业适用的预提所得税税率，来源于中国境内股息、利息、租金、特许权使用费和其他非积极性的收入征收20%的预提所得税。从外商投资企业2008年以前的利润中分得的股息可免征预提所得税。

新企业所得税法及其实施条例规定，非居民企业在中国境内未设立机构、场所的，或者虽设立机构、场所但取得的所得与其所设机构、场所没有实际联系的，应当就其来源于中国境内的所得缴纳企业所得税。该所得减按10%的税率征收企业所得税。

详情请参考5.6.2营业税改征增值税

5.2.3 应纳税所得额

应纳税所得额 = 收入总额 − 不征税收入 − 免税收入 − 各项扣除金额 − 弥补亏损

5.2.4 收入总额

总收入是指货币和非货币性收入， 各种来源包括:销售货物收入、提供劳务收入、转让财产收入、股权投资收益、股息和奖金收入、利息收入、租金收入、特许权使用费收入、接受捐赠收入、其他收入。

5.2.5 免税收入

1.国债利息

2.符合条件的居民企业之间的股息、红利等权益性投资收益

3.在中国境内设立机构、场所的非居民企业从居民企业取得与该机构、场所有实际联系的股息、红利等权益性投资收益

4.符合条件的非营利组织的收入——非营利组织的非营利收入

5.2.6 各项扣除金额

企业实际发生的与取得收入有关的、合理的支出，包括成本、费用、税金、损失和其他支出，准予在计算应纳税所得额时扣除。

一、折旧

用于生产经营的固定资产和资本性资产的折旧可以扣除。生产性生物资产在企业所得税制下也被归类为资本性资产，因此也可以计算折旧作税务上扣除。

折旧计算方法通常采用直线法。固定资产和生产性生物资产自投入使用月份的次月起计算折旧；自停止使用月份的次月起停止计算折旧。

不同资产的最低折旧年限具体规定如下:

房屋、建筑物	20年
飞机、火车、轮船、机器、机械和其它生产设备	10年
器具、工具、家具等	5年
飞机、火车、轮船以外的运输工具	4年
电子设备	3年
林木类生产性生物资产	10年
畜类生产性生物资产	3年

由于技术进步而产品更新较快或长期处于强震动、高腐蚀状态的固定资产可以缩短折旧年限或加速折旧。在2014年1月1日后，部分特定行业的部分新增固定资产可以在购入年度一次性计入成本费用或者采用缩短折旧年限、加速折旧的方法计算企业所得税税前扣除。采取缩短折旧年限方法的，最低折旧年限不得低于企业所得税法规定年限的60%。

二、无形资产

无形资产可按照直线法摊销，摊销年限不得低于10年或者合同约定的无形资产使用年限。购入的商誉只有在企业整体转让或清算时可以扣除。

三、向关联企业支付的费用

为真实服务而向境内外关联企业支付的符合独立交易原则的服务费可以扣除。特许权使用费等费用，若符合独立交易原则，亦可以在税前扣除。

四、贷款利息

一般来说，贷款利息是可以扣除。非金融企业向非金融企业借款的利息支出，不超过同期同类商业贷款利率计算的数额的部分是可以扣除。资本性的利息必须资本化后按期折旧或摊销。支付给关联方利息支出的扣除还须遵循企业所得税法的资本弱化规定。

五、业务招待费

实际发生业务招待费支出的60%是可以扣除，上限是当年销售或营业收入的0.5%。其余不可以扣除。

六、个人商业保险

除为特殊工种职工支付的人身安全保险费外，企业为职工和个人投资者支付的商业保险费不可以扣除。

七、广告和业务宣传费

除另有规定外，广告和业务宣传费不超过当年销售（营业）收入15%（部分行业为30%）的部分，可以在当年扣除。余额可结转在其后纳税年度扣除。

八、资产损失

资产损失（包括坏账损失）可在损失发生当年申报扣除，但企业需在年度汇算清缴前或清缴时向主管税务机关提供相关证明资料。

九、公益性捐赠

公益性捐赠支出在年度会计利润的12%以内的部分可以扣除。

十、加计扣除

企业为开发新技术、新产品、新工艺发生的研究开发费用准予扣除。并且为鼓励研发活动，研发费用实际发生额的50%可加计扣除。

为鼓励雇用残疾人士，支付给残疾职工工资的费用可以按实际发生额200%加计扣除。

十一、其它不可以扣除的费用

资产减值准备（例如坏账准备）和风险准备除税法另有规定外不可以扣除。金融机构和保险公司的部分准备金支出可依据相关税收条款的特别规定进行扣除。

非广告性质和非公益性质的赞助支出不可以扣除。

5.2.7 亏损弥补

企业的亏损可以结转在亏损发生纳税年度下一年起五年内抵扣。

5.2.8 核定应纳税所得额

若企业不能提供完整、准确的成本与支出资料用来计算应纳税所得额，税务机关有权依法核定应纳税所得额。在这情况下，一般会以收入或营业额乘以核定的利润率来计算应纳税所得额。居民企业所用的核定利润率取决于企业的经营行业，一般为3%至30%之间，而非居民企业适用的核定利润率一般介于15%至50%之间。

5.2.9 境外所得税抵免

居民企业来源于中国境外的应税所得，同时已在境外缴纳的外国所得税，所缴纳的外国所得税可依照分国不分项的原则从居民企业的应缴纳税款中抵扣。然而，可抵扣境外所得税不可超过其境外所得按照中国税法规定适用税率计算的应纳税额

5.2.10 税收优惠

一、税收减免

1.企业所得税法对来源于以下项目的收入给予减免:

优惠项目和行业	企业所得税优惠政策	有效期限
农、林、牧、渔业项目	免征或减半征收	从事这类项目的所有年份
公共基础设施项目	3+3税收减免期	自项目取得第一笔生产经营收入所属的纳税年度起的六年内
环境保护、节能节水项目	3+3税收减免期	自项目取得第一笔生产经营收入所属的纳税年度起的六年内
2008年1月1日后设立于深圳、珠海、汕头、厦门、海南和上海浦东新区经认定的高新技术企业	2+3税收减免期	自项目取得第一笔生产经营收入所属的纳税年度起的五年内
软件企业	2+3税收减免期	自获利年度起的五年内
集成电路设计企业	2+3税收减免期	自获利年度起的五年内
投资额超过80亿元人民币或集成电路线宽小于0.25微米的集成电路生产企业，而经营期在15年以上	5+5税收减免期	自获利年度起的十年内
集成电路线宽小于0.8微米		
（含）的集成电路生产企业	2+3税收减免期	自获利年度起的五年内
符合条件的节能服务公司	3+3税收减免期	自项目取得第一笔生产经营收入所属的纳税年度起的六年内
新疆困难地区的鼓励类企业	2+3税收减免期	自取得第一笔生产经营收入所属的纳税年度起的五年内
实施清洁发展机制项目	3+3税收减免期	自项目取得第一笔减排量转让收入年度起六年内

2.居民企业符合条件的技术转让所得可免征或减半征收企业所得税。一个纳税年度内不超过500万元的部分免征企业所得税；超过500万元的部分，减半征收企业所得税。

3.居民企业直接投资于其他居民企业取得的投资收益可免征企业所得税，但不包括连续持有居民企业公开发行并上市流通的股票不足12个月取得的投资收益。

4.非营利组织从事非营利性活动取得的收入免征企业所得税。

二、低税率

以下企业减按15%征收企业所得税：

1.符合条件的高新技术企业；

2.投资额超过80亿元人民币或集成电路线宽小于0.25微米的集成电路生产企业；

3.从2009年1月1日起到2018年12月31日止，21个城市（如北京、上海、天津、广州、深圳等）中符合条件的先进技术型服务企业；

4.设立在前海深港现代服务业合作区、珠海横琴新区、福建平潭综合实验区的企业，若从事该区产业优惠目录内的项目；

5.自2011年1月1日至2020年12月31日止，西部地区鼓励类企业。

以下企业减按10%征收企业所得税:

1.重点软件企业和集成电路设计企业

2.符合条件的小型微利企业减按20%的税率征收企业所得税。自2015年1月1日至2017年12月31日，年应纳税所得额20万元以内（含20万元）的小型微利企业，实际税率减为10%。

三、减计收入

1.企业以国家规定的资源作为主要原材料，生产国家非限制和非禁止的产品取得的收入，减按90%计入应税收入总额。

2.创业投资额的抵扣

若创业投资企业采取股权投资方式投资于未上市的中小高新技术企业2年以上的，在股权持有满2年当年，投资额的70%可用来抵扣该创业投资企业的应纳税所得额。当年不足抵扣的，可以在以后纳税年度结转抵扣。

3.投资税收抵扣

企业购进并使用国家规定的环境保护、节能节水、安全生产等专用设备，设备投资额的10%可以从企业应纳税额中抵免。

5.3 反避税（特别纳税调整）

企业所得税法有整整一个篇章专门针对转让定价和预约定价安排作出规定，并引入了针对反避税的一些新概念。该篇章总体被称作特别纳税调整

5.3.1 关联方交易

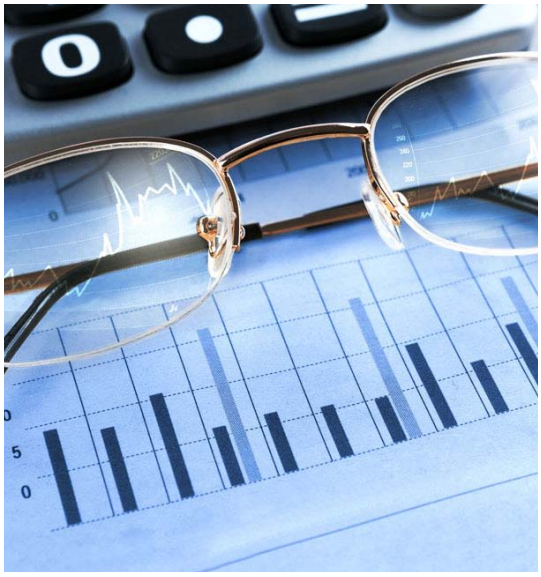
企业与关联方之间的收入性和资本性交易均需遵守独立交易原则。税务机关特别关注企业与关联方之间的转让定价。税务机关在判定关联交易不遵守独立交易原则时，有权不承认、作出更改或调整有关的关联方交易，从而作税务调整。

5.3.2 关联方业务往来资料

中国对关联方事务资料的提交和报送的要求非常严格。纳税人在每年 5月31日前递交上年度企业所得税纳税申报表时，需同时附上该年度关联业务往来报告表。另外，企业应当准备好同期资料并在税务机关要求时提供该等资料。符合某些条件的企业可免提供同期资料。

5.3.3 成本分摊

如企业与其关联方共同开发、受让无形资产，或者共同提供、接受劳务发生的成本（通常限于集团采购和集团营销战略），而中国税务机关认为该成本是按独立交易原则分摊给各企业，经过申请和批准程序，各企业所分摊的成本可以扣除。



5.3.4 受控外国公司规则

若中国居民控股公司投资控制一些设立在实际税负低于12.5%的低税制国家（地区）的公司（受控外国公司），该受控外国公司所没有分派回中国控股公司的利润将被视同已经分派而需在中国纳税。

5.3.5 资本弱化规则

资本弱化规则主要是针对企业支付给关联方的利息支出税务上的扣除。在不超过所规定关联方债权性投资与权益性投资比例的情况下，企业支付给关联方的利息支出是可以扣除。若超过规定比例，因超过规定比例的债务而所支付给关联方的利息支出是不可以扣除。对金融企业规定的关联方债权性投资与权益性投资比例是5：1而其它企业是2：1。但是如果有足够的证据表明相关交易符合独立交易原则，那么即使因超过上述规定比例的债务而所支付的利息支出也可能被允许全额扣除。

5.3.6 一般反避税条款

企业若从事以避免、减少、递延中国税负为主要目的的交易，税务机关可引用一般反避税条款对应纳税收入或所得进行调整。税务机关如果发现企业从事以下的交易行为可在经国税总局批准后启动一般反避税调查：滥用税收优惠，滥用税收协定，滥用公司组织形式，利用避税港避税或者其它没有合理商业目的的安排。

5.3.7 纳税调整的加收利息

税务机关在依据特别纳税调整规定作出纳税调整后，是可以按照税款所属年度中国人民银行公布的同期人民币贷款基准利率加五个百分点加收利息。加收利息的计息期间自交易发生年度的次年6月1日起至补缴税款入库之日止。在指定情况下，五个百分点的加收利息可以不予计算。

5.4 外籍人员个人所得税相关政策介绍

5.4.1 征税对象

1.居民纳税义务人：在中国境内有住所，或者无住所而在境内居住满1年的个人。承担无限纳税义务，即就其在中国境内和境外取得的所得，依法缴纳个人所得税。

2.非居民纳税义务人：在中国境内无住所又不居住或者无住所而在境内居住不满一年的个人。承担有限纳税义务，仅就其从中国境内取得的所得，依法缴纳个人所得税。

境外人士获取中国境内所得是否征收个人所得税一览表

中国境内居住时间	雇员职位	境内所得境内支付或负担	境内所得境外支付或负担	境外所得境内支付或负担	境外所得境外支付或负担
不超过90日或183日	一般雇员	征	不征	不征	不征
	高层管理人员*	征	不征	征	不征
超过90日或183日	一般雇员	征	征	不征	不征
	高层管理人员*	征	征	征	不征
满1年但不满5年	所有人	征	征	征	不征
超过5年	所有人	征	征	征	征
*高层管理人员是指：公司正、副（总）经理、各职能总师、总监及其他类似管理人员。					

5.4.2 受雇所得的个人所得税税率

工资薪金所得以3%至45%的超额累进税率计算应纳个人所得税

每月应纳税所得额*（人民币）	税率%
不超过1,500	3
超过1,500 至4,500的部分	10
超过4,500至9,000的部分	20
超过9,000至35,000的部分	25
超过35,000至55,000的部分	30
超过55,000至80,000的部分	35
超过80,000的部分	45

*应纳税所得额按照每月收入减每月人民币3,500的标准扣除额计算。在中国工作的外籍个人（包括港、澳、台居民）的每月扣除额为人民币4,800。

此表不适用于个人所得税是由雇主负担的情形。当个人所得税是由雇主负担，应适用另一税率表计算。

5.4.4 非受雇所得

1.个体工商户、个人独资企业、承包经营和承租经营：

个体工商户、个人独资企业的生产、经营所得和对企业单位的承包经营或承租经营所得以5%至35%的超额累进税率征税。应纳税所得额（收入减去可以扣除的成本、费用和损失）若每年超过100,000元，适用税率为 35%。

2.稿酬所得：

稿酬所得以20%的税率征税，而应纳税所得是按全部稿酬收入的70%计算。

3.劳务报酬所得：

每笔不超过人民币20,000的劳务报酬所得（扣除费用后）以20%的税率征税；超过人民币20,000但不超过人民币50,000的部分，按30%征税；超过人民币50,000的部分按40%征税。

4.利息、股息、财产转让、特许权使用费、财产租赁及其他所得这些所得通常以20%的税率征税。对符合条件的部分所得可享受减免优惠。

5.4.5 准予扣除的项目

个体工商户、个人独资企业的生产、经营所得和企业单位的承包经营或承租经营所得的准予扣除项目，有具体的规定。其中一些扣除限额的规定与企业所得税法下的规定相似。此外，对于以上所得，每月可扣除人民币3,500的必要费用。

劳务报酬所得、稿酬所得、财产租赁所得及特许权使用费所得的扣除规定如下:

1.每次收入不超过人民币4,000元的，扣除费用为800元；

2.每次收入在人民币4,000元以上的，定率扣除20%的费用。

财产转让所得，财产原值和合理支出是可以扣除的。利息、股息、红利或其他所得，不得从收入额中扣除任何费用。

5.4.6 纳税申报与缴纳

工资、薪金按月由雇主代扣代缴。个人所得税在次月15日内申报缴纳。

5.4.7 个人所得税年度自行申报

从2007年1月1日起，符合四种特定情形的个人必须自行向税务机关申报所得。外籍个人在某些条件下可免申报。

5.5 劳动环境

5.5.1 雇用当地员工

1.员工招聘的途径

《劳动法》规定，关于招聘员工的时间、条件、方式和数量，企业有自主决定之权利。目前，企业可选择委托职业介绍机构、利用大众传媒、参加人才交流洽谈会等多种途径去挑选所需的人才。

2.办理聘任手续

a.签订劳动合同：《劳动法》规定， 职工与企业必须订立劳动合同，职工一方也可与企业签订集体合同。企业与职工通过订立劳动合同确立劳动关系。

b.合同鉴证：企业与员工签订的劳动合同必须要经过鉴证，劳动合同签订后，从用工之日起三十日内，企业应到当地劳动行政部门办理鉴证。

c.人事档案管理：企业或企业常驻代表机构中方雇员的人事档案，可以委托员工户籍所在地、或委托其现工作单位所在地的人才流动服务机构管理。

d.社会保险:社会保险由劳动和社会保障部门负责组织管理,社会保险包括5个险种：基本养老保险、基本医疗保险、失业保险、工伤保险、生育保险5个险种。其中，基本养老保险、基本医疗保险和失业保险由企业和个人缴费；工伤保险、生育保险由企业缴费，个人不缴费。

5.5.2 雇用外国人

1.进入中国

a.申请签证

b.APEC商务旅行卡（使用地区、享有特权）

c.外国人居留许可证

d.健康检查证明

e.签订劳动协议：包括就业条件、就业许可手续、就业劳动合同管理、聘用外国人的法律风险等

f.工作许可证

g.个人所得税居（包括居住时间的纳税义务判定、所得来源地的判定）

2.就业证：

所雇员工进入中国15天之后，用人单位和雇员携带就业许可、劳动合同（期限最长为五年）和本人护照到发证机关，填写外国人就业登记表，取得就业证。通过就业许可证外国人可以在指定领域工作，并可申请居留许可。一旦员工开始工作，每年将对就业证进行一次年检。如果在最后期限过后没有进行必要的检查，将立即撤销就业证。如果外国人因违反中国法律其居留资格被撤销，或者合同终止，其就业证也将被撤销。

3.享受权利:

a.在中国就业的外国人享有中国籍雇员所享有的相同的权利，包括最低工资标准、劳动卫生标准、符合国家标准规定的休息和休假权利。

b.受雇于中国的经济实体的中国公民享有社会保障权利。2011年7月1日，《中华人民共和国社会保险法》实施；2011年10月15日，《在中国境内就业的外国人参加社会保险暂行办法》也开始生效。外国个人在中国就业以及其在中国的雇主都被要求缴纳中国社保基金，包括养老保险，医疗保险，工伤保险，失业保险，以及生育保险。

5.6 间接税

5.6.1 增值税

1.征税范围

企业和个人从事销售、进口货物，及提供加工、修理修配劳务的应缴纳增值税。

2.税率

a.增值税的标准税率是17%

b.生活必需品如农产品、自来水和煤气等，按13%的税率

c.被认定为小规模纳税人的企业，按3%的征收率缴纳增值税

3.增值税计算

应纳增值税=销项税额−进项税额。

对于增值税一般纳税人，在计算增值税应纳税额时，增值税进项税额可以抵扣销项税。

4.出口退税

出口货物一般是零税率。出口货物而在境内购买原材料所支付的增值税进项税可以退税。出口退税率介乎0%到17%之间，并且有特定的公式计算可退税的数额，因此许多出口商品所支付的增值税进项税并不是可以全额退还，出口企业需要承担不同程度的出口增值税成本。

5.6.2 营业税改征增值税

经国务院批准，自2016年5月1日起，在全国范围推开营业税改征增值税试点，建筑业、房地产业、金融业、生活服务等全部营业税纳税人纳入试点范围，由缴纳营业税改征增值税。

1.征税范围

在中华人民共和国境内销售服务、无形资产或者不动产的单位和个人，为增值税纳税人，应当依法缴纳增值税，不缴营业税。

销售服务，是指提供交通运输服务、邮政服务、电信服务、建筑服务、金融服务、现代服务、生活服务。

销售无形资产，是指转让无形资产所有权或者使用权的业务活动。无形资产，包括技术、商标、著作权、商誉、自然资源使用权和其他权益性无形资产。

销售不动产，是指转让不动产所有权的业务活动。不动产，包括建筑物、构筑物。

2.税值税税率

a.增值税税率

<table>
<tr><th>货物或劳务</th><th>税率</th><th colspan="2">应税服务</th></tr>
<tr><td>销售或进口货物（低税率除外）</td><td rowspan="2">17%</td><td colspan="2" rowspan="2">有形动产租赁服务</td></tr>
<tr><td>提供加工、修理修配劳务</td></tr>
<tr><td>粮食、食用植物油——农产品，食用盐</td><td rowspan="4">13%</td><td rowspan="2">11%</td><td rowspan="2">交通运输服务、邮政服务、基础电信服务、建筑、不动产租赁服务，销售不动产，转让土地使用权</td></tr>
<tr><td>自来水、暖气、冷气、热水、煤气、石油液化气、天然气、沼气、居民用煤炭制品，二甲醚</td></tr>
<tr><td>图书、报纸、杂志，音像制品，电子出版物</td><td rowspan="2">6%</td><td rowspan="2">增值电信服务，金融服务，现代服务及生活服务，转让土地使用权以外的其他无形资产</td></tr>
<tr><td>饲料、化肥、农药、农机、农膜</td></tr>
<tr><td>出口货物</td><td colspan="2">0%</td><td>财政部和国家税务总局规定的跨境应税行为</td></tr>
</table>

b.增值税征收率：3%和5%（特殊行为是5%）。

小规模纳税人一般适用 3% 的征收率

3.可以从销项税额中抵扣的进项税额

a.从销售方取得的增值税专用票上注明的增值税额

b.从海关取得的海关进口增值税专用缴款书上注明的增值税额

c.购进农产品，按照农产品收购发票或者销售发票上注明的农产品买价和13%的扣除率计算的进项税额

d.从境外单位或个人购进服务、无形资产或者不动产，自税务机关或者扣缴义务人取得的缴税凭证上注明的增值税额

4.不征收增值税项目

a.根据国家指令无偿提供的铁路运输服务、航空运输服务，属于按照规定的公益事业的服务

b.存款利息

c.被保险人获得的保险赔付

d.房地产主管部门或者指定机构、公积金管理中心、开发企业以及物业管理单位代收的住宅专项维修资金

e.资产重组过程中，通过合并、分立、出售、置换等方式，将全部或者部分实物资产以及与其相关联的债权、负债和劳动力一并转让给其他单位和个人，其中涉及的不动产、土地使用权转让行为

5.6.3 消费税

消费税适用于生产和进口特定种类的商品，包括：烟、酒、化妆品、珠宝、鞭炮、焰火、汽油和柴油及相关产品、摩托车、小汽车、高尔夫球具、游艇、奢侈类手表、一次性筷子、实木地板、电池和涂料。按商品的种类，消费税可根据商品的销售价格或销售量计算应缴的消费税。除关税和增值税外，某些商品另需缴纳消费税。

5.7 双重征税减免

5.7.1 外国税收抵免

1.企业所得税

按照国际税收惯例，一般依循两条基本原则：一是设有常设机构的才能征税；一是只能对归属常设机构的利润进行征税。所谓常设机构是指一个企业进行全部或部分营业的固定场所，主要包括管理场所、分支机构、工厂、车间、办事处以及开发自然资源的场所、建筑工地、安装工程等，还包括有权代表企业签订合同的不具有独立地位的代理人以及全部或将近全部代表某一企业行事的佣金代理人等。

2.个人所得税

双方需要着重商定的是对劳务所得，在坚持来源地征税原则的前提下，能够允许哪些可以作例外处理。一般来说，受益人为其居民的国家进行征税的，主要有以下几项:

a.短期（中国规定为90天）停留者从居住国的雇主取得的报酬所得

b.从事国际运输的船舶、飞机乘务员的所得

c.政府职员被派往国外工作的所得

d.缔约国一方的教学、研究人员到对方国家讲学，为期不超过两年或几年的报酬所得

另外，对留学生和实习人员等为学习和生活而取得的收入以及按政府间协定进行文化交流的演员所得、运动员所得等，所得来源地国一般不征税

3.对投资所得征收预提所得税

主要是商谈采取限制税率，双方分享收入。在协定中，一般都明确可以由双方征税，但所得来源地国家有优先的征税权，并相应地确定限制预提所得税的税率。

4.避免重复征税的方式

抵免方式，即对在来源地国家缴纳的税额，可以在本国汇总计算的应纳税额中减除。目前大多数国家采用抵免方式，中国税法上也规定采用这一方式。

在实际应用中，抵免法又分为直接抵免和间接抵免两种方法。

直接抵免是指居住国政府对其居民纳税人在非居住国直接缴纳的所得税款，允许冲抵其应缴本国政府的所得税款。适用于同一经济实体的跨国纳税人，如总公司与分公司之间汇总利润的税收抵免。

间接抵免适用于跨国母子公司直接的税收抵免，是指居住国政府对其母公司来自外国子公司股息的相应利润所缴纳的外国政府所得税，允许在应缴本国政府所得税内进行抵免。

抵免方法	含义	适用
直接抵免	指居住国的纳税人用其直接缴纳的外国税款冲抵在本国应缴纳的税款	同一经济实体即总、分机构间的税收抵免
间接抵免	对跨国纳税人在非居住国非直接缴纳的税款，允许部分冲抵其居住国纳税义务	适用于母子公司的经营方式，又适用于母、子、孙等多层公司的经营方式

5.7.2 避免双重征税协定

根据中华人民共和国与其他国家／地区签订的国际税收协议，某一方的居民纳税人可在税收协议对方国家获得税收减免。税收协定可减轻外国企业或外籍个人应向中华人民共和国缴纳的预提税或企业／个人所得税。税收协定也可减轻中国居民应缴纳的外国预提税或所得税。截至　2015年1月1日，中国与以下97个国家及2个特别行政区签订的国际税收协定已生效。

阿尔巴尼亚	印度	菲律宾
阿尔及利亚	印度尼西亚	波兰
亚美尼亚	伊朗	葡萄牙
澳大利亚	爱尔兰	卡塔尔
奥地利	以色列	罗马尼亚
阿塞拜疆	意大利	俄罗斯
巴林	牙买加	沙特阿拉伯
孟加拉国国国	日本	塞舌尔
巴巴多斯	哈萨克斯坦	新加坡
白俄罗斯	韩国	斯洛伐克
比利时	科威特	斯洛文尼亚
波黑	吉尔吉斯	南非
巴西	老挝	西班牙
文莱	拉脱维亚	斯里兰卡
保加利亚	立陶宛	苏丹
加拿大	卢森堡公国	瑞典
克罗地亚	澳门特别行政区	瑞士
古巴	马其顿	叙利亚
塞浦路斯	马来西亚	塔吉克斯坦
捷克共和国	马耳他	泰国
丹麦	毛里求斯	特立尼达和多巴哥
厄瓜多尔	墨西哥	突尼斯
埃及	摩尔多瓦	土耳其
爱沙尼亚	蒙古	土库曼斯坦
埃塞俄比亚	摩洛哥	乌克兰
芬兰	尼泊尔	阿拉伯联合酋长国
法国	荷兰	英国
格鲁吉亚	新西兰	美国
德国	尼日利亚	乌兹别克斯坦
希腊	挪威	委内瑞拉
香港特别行政区	阿曼	越南
匈牙利	巴基斯坦	南斯拉夫
冰岛	巴布亚新几内亚	赞比亚

联络我们

利安达会计师事务所（特殊普通合伙）

首席合伙人：黄锦辉

地址: 北京市朝阳区慈云寺北里210号远洋国际中心E座11、12层

邮编：100025

电话：010-85886680

传真：010-85886690

电子信箱：reanda@reanda.com

網站: www.reanda.com

利安达国际网络有限公司

香港海外管理总部：

地址：香港湾仔庄士敦道181号大有大厦21层

电话：+852-31014822

传真：+852-31014811

电子信箱：enquiry@reanda-international.com

網站: www.reanda-international.com

编委会成员

主编：朱鱼翔 陈以明

审编 ：孔令龙

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Content

1 **Profile of China** 01

1.1 Political and economic regimes
1.2 Economic indicators

2 **Current Economic Climate** 02

2.1 Gradual release of policy effects
2.2 Formation of four free trade zones

3 **Business Environment** 03

3.1 Policies and laws
3.2 Regulation on foreign investment
3.3 Foreign Investment Industrial Guidance Catalogue and Catalogue of Priority Industries for Foreign Investment in Central and Western China
3.4 Major subsidies and tax incentives

4 **Starting Business** 07

4.1 Major forms of foreign investment
4.2 Requirements for accounting, reporting and review

5 **Taxation** 10

5.1 Brief introduction
5.2 Corporate income tax
5.3 Anti-tax avoidance (Special Tax Adjustment)
5.4 Introduction to policy governing personal income tax on foreigners
5.5 Labor environment
5.6 Indirect Tax
5.7 Double taxation relief

6 **Contact us** 26

Profile of China

Situated in the east part of Asia and to the west coast of the Pacific Ocean, China covers a land area of about 9.6 million square kilometers, the third largest only next to Russia and Canada. It is adjacent to Russia and Mongolia in the north, Kazakhstan, Kirghizstan, Pakistan, India etc. in the west, Myanmar, Thailand, Vietnam, Philippines, Malaysia etc. in the south and southeast, and North Korea in the east, facing Japan.

China has the biggest population in the world. As at the end of 2014, it had 1.37 billion people of 56 ethnic groups, with the majority clustered in Yangtze River Delta, Pearl River Delta, Sichuan Basin and Huanghe-Huaihe Plain. Its provincial administrative areas consist of four municipalities directly under the central government, 23 provinces, five autonomous regions, two special administrative regions with Beijing as the capital of the country.

China's public holidays include the New Year (one day off), the Tomb-Sweeping Day (one day off), the Labor Day (one day off), the Dragon Boat Day (one day off), the National Day (three days off), the Mid-Autumn Day (one day off) and the Spring Festival (three days off).

1.1 Political and economic regimes

The National People's Congress system is the fundamental political system of China, where the National People's Congress of the People's Republic of China is the highest national authority organ with the Standing Committee of the National People's Congress as its standing body. The National People's Congress and the Standing Committee of the National People's Congress exercise the legislative power, to elect or dismiss main state leaders such as president of the country.

China adopts the socialist market economy system, where the government exerts market-oriented administration on the economy; resources supply and prices of the majority of commodities and services are regulated by the market, and only a minority of commodities and services are subject to government-guided prices or government pricing; labor forces flow freely, and enterprises are free from government interventions provided they run business within the scope prescribed by laws.

1.2 Economic indicators

China has further developed its economic system reform, made progress in structural adjustment, maintained continuous and steady economic growth and kept steady running of the domestic market. It features abundant reserves of important commodities, balance of payments in good condition, continuously improved people's livelihood and new advancement in all social programs. Since its reform and opening-up, the country has been accelerating its pace of utilizing foreign capital, and a multi-layer and all-dimension pattern of foreign capital utilization has taken shape. Generally speaking, China's utilization of foreign capital shows an ascending trend. In spite of a small drop in 2012, it bounced back in 2013. In 2013, actually utilized foreign capital by China amounted to USD117,586 million, representing a year-on-year increase of 5.25%; in 2014, this figure climbed by 1.7% year on year to USD119,560 million.

China's Major Economic Indicators from 2009 to 2014

Year	2009年		2010年		2011年		2012年		2013年		2014年	
Category	Amount	Year on year growth	Amount	Year on year growth	Amount	Year on year growth	Amount	Year on year growth	Amount	Year on year growth	Amount	Year on year growth
Population	133450	4.87	134091	4.79	134735	4.79	135404	4.96	136072	4.93	136782	5.21
GDP(in RMB 100 million,%)	340903	9.2	401513	10.4	473104	9.3	519470	7.7	568845	7.7	636463	7.4
Fixed asset investment (in RMB 100 million,%)	224599	30	251684	12.1	311485	23.8	374694	20.3	447074	19.3	512761	15.3
Price rise (%)		-0.7		3.3		5.4		2.6		2.6		2
Total imports and exports (in USD 100 million,%)	22072	-13.9	29728	34.7	36421	22.5	38668	6.2	41600	7.6	43000	6.1
Imports(in USD 100 million,%)	10056	-11.2	13948	38.7	17435	24.9	18178	4.3	19504	7.3	19600	3.3
Exports(in USD 100 million,%)	12017	-16	15779	31.3	18986	20.3	20489	7.9	22096	7.9	23400	8.7
Foreign direct investments (in USD 100 million)	900	2.56	1057	17.44	1160	9.72	1117	-3.7	1176	5.3	1195.6	1.7
Foreign exchange reserves (in USD 100 million)	23991	23.3	28473	18.6	31811	11.7	33116	4.1	38213	15.4	38430	8.6
Urban registered unemployment rate(%)	4.3		4.1		4.1		4.1		4.05		4.09	

Current Economic Climate

2.1 Gradual release of policy effects

The Chinese central government has issued a series of targeted adjustment policies and measures covering targeted lowering of deposit reserve requirement, structured tax reduction, renovation of shanty areas, construction of railways in the central and western regions, stabilization of foreign trade growth, expansion of information and sports consumption as well as overall interest rate cuts recently and launch of some PPPs that welcome private capital. These policies are expected to gradually show their effects starting from next year. The government may stage more powerful new policies about employment promotion, increase of citizens' income, enhanced public (infrastructure) construction, etc., and all these policies will boost China's economic growth through expanding domestic demands.

In 2014, the government launched a series of reform measures, including further streamlining administration and delegating power to lower levels, allowing private capital to start up financial institutions, easing access control over market participants and giving market a decisive core role in price formation. The year of 2015 will witness more major reform moves. These reforms will gradually show effects on boosting economic growth in the upcoming years, and play a positive part in economic growth in 2015.

2.2 Formation of four free trade zones

Guangdong free trade zone highlights its closeness to Hong Kong and Macau. China (Guangdong) Pilot Free Trade Zone covers an area of 116.2 square kilometers, mainly consisting of Nansha New Area of Guangzhou, Qianhai-Shekou Area of Shenzhen, and Hengqin New Area of Zhuhai.

Tianjin free trade zone mainly serves the integrated development of Beijing, Tianjin and Hebei. Located inside the Binhai New Area of Tianjin, China (Tianjin) Pilot Free Trade Zone stretches an area of 119.9 square kilometers, covering Tianjin Harbor Area, Tianjin Airport Area and Binhai CBD Area.

Fujian free trade zone features in-depth cooperation with Taiwan. With a total area of 118.04 square kilometers, China (Fujian) Pilot Free Trade Zone has three parks located in Fuzhou, Xiamen and Pingtan Comprehensive Experimental Zone.

Shanghai free trade zone is loaded with more reform space. Situated in Shanghai Pudong New Area, it consists of three areas of Lujiazui, Jinqiao and Zhangjiang with a total area of 120.72 square kilometers.

Business Environment

3.1 Policies and laws

3.1.1 Main laws and regulations concerning foreign capital

1.Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures and its implementation rules;

2.Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures and its implementation rules;

3.Law of the People's Republic of China on Wholly Foreign-Owned Enterprises and its implementation rules;

4.Corporate Income Tax Law of the People's Republic of China and its implementation rules;

5.Provisions on Guiding the Orientation of Foreign Investment (Revised in 2004), the Foreign Investment Industrial Guidance Catalogue (Revised in 2015) and the Catalogue of Priority Industries for Foreign Investment in Central and Western China (Revised in 2013);

6.Law of the People's Republic of China on Protection of Investment by Taiwan Compatriots and its implementation rules;

7.Provisions on Merger or Acquisition of Domestic Enterprises by Foreign Investors;

8.Provisions on Establishment of Investment Companies by Foreign Investors;

9.Provisional Regulations on Establishment of Foreign-funded Joint Stock Companies Limited;

10.Provisions Concerning Administration of Foreign-funded Business-starting Investment Enterprises;

11.Measures for Administration of Strategic Investment in Listed Companies by Foreign Investors;

12.Interim Provisions on Domestic Re-investment by Foreign-funded Enterprises;

13.Interim Provisions of the Ministry of Commerce on Equity Contributions Involving Foreign-funded Enterprises.

3.1.2 General laws and regulations

1.Company Law of the People's Republic of China;

2.Contract Law of the People's Republic of China;

3.Insurance Law of the People's Republic of China;

4.Arbitration Law of the People's Republic of China;

5.Labor Law of the People's Republic of China;

6.Regulation of the People's Republic of China on Foreign Exchange Administration;

7.Interim Regulation of the People's Republic of China on Value-added Tax and its implementation rules;

8.Interim Regulation of the People's Republic of China on Consumption Tax and its implementation rules; Interim Regulation of the People's Republic of China on Business Tax and its implementation rules.

3.1.3 International treaties

1.As at the end of May 2014, China had signed agreements on bilateral investment protection with over 150 countries and jurisdictions.

2.As at the end of May 2015, China had signed agreements on avoidance of double taxation with over 100 countries and jurisdictions.

3.2 Regulation on foreign investment

3.2.1 Registration and approval

Upon approval by the Ministry of Finance and other authorities, foreign companies, enterprises or individuals can set up Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises within the territory of the People's Republic of China. Effective March 1, 2010, foreign investors are allowed to set up foreign-invested partnership enterprises in China.

Minimum registered capital required for foreign investment enterprises is as follow:

Registered total investment amount	Minimum capital required
USD3 million or below	70% of the investment amount
USD3 million to USD 10 million (inclusive)	50% of the investment amount but no less than USD 2.1 million
USD10 million to USD 30 million (inclusive)	40% of the investment amount but no less than USD 5 million
More than USD 30 million	33.3% of the investment amount but no less than USD 12 million

3.2.2 Foreign exchange control

The State Administration of Foreign Exchange (SAFE) is responsible for supervising and administering the country's foreign exchange trading. Regulation of foreign exchange transactions by foreign investment enterprises depends on whether these transactions fall into the current account or the capital account.

Foreign exchange transactions under current account can be done through foreign exchange trading systems of designated banks, free from advanced approval by SAFE, while foreign exchange transactions under capital account is subject to strict foreign exchange control. China operates the banking settlement system for payment and receipt of foreign exchanges and the verification system for payment and receipt of foreign exchanges for imports and exports.

Concerning governmental administration of foreign exchange payment and receipt under capital account, firstly, foreign exchange receipts under capital account shall be retrieved back to China unless it is otherwise stipulated by the State Council; secondly, enterprises shall open a special foreign exchange account with a bank to keep their foreign exchange receipts under capital account, which can be sold to a designated foreign exchange bank after being approved by the foreign exchange administration; thirdly, foreign exchange purchase and outward foreign exchange remittance under capital account are subject to approval by the foreign exchange administration. Such foreign exchange transactions can be handled at a bank upon the presentation of an approval certificate.

In order to accelerate the RMB internationalization, the Chinese enterprises are now allowed to use RMB for settlement of cross-border trade. The Chinese government has launched a series of policies allowing RMB settlement of certain transactions under capital account since 2011

3.3 Foreign Investment Industrial Guidance Catalogue and Catalogue of Priority Industries for Foreign Investment in Central and Western China

3.3.1 Foreign Investment Industrial Guidance Catalogue (Revised in 2015)

Foreign investment enterprises can be broadly referred to four categories: “encouraged”, “allowed”, “restricted” and “prohibited”. Below are some of the industries that have been listed in each category:

“Encouraged” category: Specific farming, forestry, husbandry and fishing industries; mining industry; specific manufacturing industries; production and supply of electricity, heating, gas and water; specific transportation and warehousing; specific wholesales and retailing; renting and commercial services; scientific researches, technology services; administration of water conservancy, environment and public facilities; vocational technique training; services provider for the elderly, the disabled and children; nursing homes; specific culture, sports and entertainment industries.

“Restricted” category: Breeding of new agricultural varieties and production of seeds; prospecting and excavation of rare metals and special minerals; specific manufacturing industries (such as making of specific medicines and printing of publications); production and supply of specific electricity, heating, gas and water; specific transportation and telecommunications; wholesales and retailing of specific products; finance, insurance and securities; market survey, credit investigation and credit rating agencies; mapping companies; high education, high school and preschool education; medical institutions; specific culture, sports and entertainment industries; other industries restricted by international treaties signed between China and other countries or participated by China.

“Prohibited” category: Specific farming, forestry, husbandry and fishing industries (such as R&D, cultivation and planting of rare and special improved strains as well as production of genetically modified seedlings); mining (prospecting and excavation of radiating minerals and rare earths, such as wolfram, molybdenum, and tin fluorite); specific manufacturing industries (production of Chinese traditional medicines with secret prescriptions, manufacturing of weapon, ammunition, etc.); production and supply of specific electricity, heating, gas and water; air traffic control; postal services, domestic letter couriers; wholesales and retailing of tobacco products; social investigation and consultation about Chinese legal affairs; compulsory education; specific scientific researches and geological prospecting; specific culture, sports and entertainment industries (such as news agency, gambling, pornographic services, publication of books and newspapers, publication and making of audio and electronic products; Internet-based publication services; antique auction houses, and antique stores); other industries prohibited by international treaties signed between China and other countries or participated by China.

“Allowed” category: Businesses that do not fall into the “encouraged”, “restricted” or “prohibited” categories

3.3.2 Catalogue of Priority Industries for Foreign Investment in Central and Western China (Revised in 2013)

The Development Strategy for the Western Region: According to the development strategy for the Western Region, China encourages investors, including foreign investors, to invest in the central and western inland regions. Policies and measures concerning foreign investment in the regions include:

1.Items listed in the Catalogue of Priority Industries for Foreign Investment in Central and Western China are entitled to favorable policies designed to encourage foreign investment.

2.The cap of foreign ownership of equity shares can be appropriately relaxed for foreign investment in infrastructure and priority industries in the western region.

3.Foreign investors are encouraged to invest in infrastructure construction and resources development such as agriculture, water conservancy, ecology, transportation, energy, municipal works, environmental protection, minerals, tourism etc. as well as in building R&D centers in the western region.

4.Trade in service in the western region is further opened up. China has extended its pilot program permitting foreign investors’ participation in banks to municipalities directly under the central government, provincial capitals and capitals of autonomous regions. Foreign banks are allowed to gradually operate RMB business in the western region, while foreign businesses are allowed to invest in telecommunications, insurance and tourism and to build Sino-foreign accounting firms, law firms, urban public institutes and in other fields that China has promised to open up in the western region, according to relevant provisions. As for some fields to be opened up, the western region is permitted to be the first mover.

5.Channels for foreign capital are widened. Foreign investors are allowed to take part in BOT (build-operate-transfer) and TOT (transfer-operate-transfer) pilot programs in the western region. They are also allowed to invest in project financing including RMB project financing. Qualified foreign investment enterprises in the western region are supported to go public in domestic or overseas stock exchanges. China supports enterprises engaged in state-encouraged and state-allowed industries to attract foreign investment through sales of operating rights and equities, M&A, reorganization, etc. Active explorations are made to introduce foreign capital through Sino-foreign industrial funds, venture funds, etc.

6.Established foreign investment enterprises are encouraged to reinvest in the western region, and reinvestment projects with the foreign side contributing over 25% capital are entitled to the same preferential policies given to foreign investment enterprises.

3.4 Major subsidies and tax incentives

Special economic zones: Shenzhen, Zhuhai, Xiamen, Shantou, Hainan Island and Kashi. Special economic zones refer to areas that enjoy access to China's preferential policies and flexible measures designed to attract overseas capital, especially foreign capital, for development and construction. The state and the provinces where the special economic zones locate provide them with favorable policies in capital, taxation, etc.

State-level new areas: Shanghai Pudong New Area, Tianjin Binhai New Area, Chongqing Liangjiang New Area, Zhoushan Islands New Area in Zhejiang Province, Lanzhou New Area in Gansu Province, Nansha New Area in Guangdong Province and Zhengzhou Zhengdong New Area in Henan Province. These national new areas are experimental zones for reform and clusters of new industries. In order to promote development of these areas and boost their surrounding areas, the Chinese government has given them great supports in terms of policy, funding, etc.

State-level economic and technological development zones, border cooperation zones, high-tech industrial development zones: As at the end of 2013, there were 210 national economic and technological development zones, 15 border economic cooperation zones and 105 national high-tech industrial development zones distributed across all provinces, municipalities directly under the central government and autonomous regions. The State Council grants them supportive policies in land planning, infrastructure, project review and approval, financial policy, talent introduction, etc.

Starting Business

4.1 Major forms of foreign investment

Sino-foreign equity joint venture, Sino-foreign cooperative joint venture and wholly foreign-owned enterprise are the commonest forms of foreign investment in China. Others include foreign-invested joint stock company limited, Investment Company, Sino-foreign cooperative development, and BOT (build-operate-transfer).

4.1.1 Sino-foreign equity joint ventures

Sino-foreign equity joint ventures refer to enterprises founded in China jointly by foreign companies, enterprises or other economic entities or individuals with Chinese companies, enterprises or other economic entities according to relevant Chinese laws.

The general procedures of setting up an equity joint venture are proposal confirmation, negotiation, contract signing, review and approval, sign-up and registration. Application for setting up a Sino-foreign equity joint venture is filed by the Chinese side, and then the Chinese and foreign sides sign an agreement based on equality, mutual benefits and consensus through negotiation. The approval authority shall decide on whether to approve or disapprove the project within three months after receiving the application, and grant an approval certificate to the project approved. The approved equity joint venture shall handle registration formalities with its local provincial industrial and commercial organ through presenting the approval certificate within one month so as to obtain a business license; the issuance date of the business license is deemed as the founding date of the equity joint venture.

4.1.2 Sino-foreign cooperative joint ventures

Sino-foreign cooperative joint ventures are also called contractual jointly-run enterprises. They are jointly founded in China by foreign companies, enterprises or other economic entities with Chinese companies, enterprises or other economic entities based on cooperation conditions offered by the Chinese and foreign sides according to the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures and its implementation rules.

Conditions provided by cooperative parties, rights, obligations, division of benefits or risks, undertaking of debts, enterprise management mode, and asset disposal upon maturity shall be clearly laid down in the Sino-foreign cooperative joint venture contract through joint consultation among all the parties. When a Sino-foreign cooperative joint venture is founded, it is usually the foreign partner that provides all or the majority of capital, technology, key equipment, etc. and the Chinese side provides land use right, existing plants or partial capital, etc. If the Chinese and foreign partners reach agreement in the cooperative joint venture contract that all fixed assets of the cooperative joint venture go to the Chinese cooperator for free upon expiry of the cooperation, the foreign partner is allowed to recoup its investment in advance within the cooperation validity in one of the following ways:

1.Both parties agree upon in the cooperative joint venture contract the enlargement of the share of returns to the foreign partner based on distributions according to investment proportion or cooperation conditions provided.

2.The foreign partner may recoup its investment before payment of corporate income tax by the cooperative joint venture upon approval by the fiscal and taxation authorities as per governing state taxation provisions.

3.Other ways of recouping investment as approved by the Chinese fiscal and taxation authorities and the approval organ.

4.1.3 Wholly foreign-owned enterprises

Wholly foreign-owned enterprises are independent economic entities, which are allowed for independent operation, independent accounting and independent assumption of legal obligations. A wholly foreign-owned enterprise may be a corporate or a non-corporate entity in term of organization form.

Wholly foreign-owned enterprises that are qualified as a corporation and have obtained the corporate qualification usually take the form of limited liability company, where its foreign investor's liability to the enterprise is limited to capital contribution. The procedures of registering a wholly foreign-owned enterprise are check for company name, going through formalities to get an approval certificate, obtaining business license, receiving organizational code, getting taxation registration certificate, and having foreign exchange registration certificate.

4.1.4 Foreign investment joint stock companies

Foreign investment joint stock companies are companies jointly founded in China by foreign companies, enterprises or other economic entities or individuals with Chinese companies, enterprises or other economic entities through purchasing a certain proportion of shares based on equality and mutual benefits.

The foreign investor may also make medium-term and long-term strategic merger and acquisition investment in a Chinese listed company by acquiring A shares of the company as per relevant Chinese laws and regulations. All capital of a foreign investment joint stock company is divided into equal shares; its shareholders are held liable to the company within their subscribed shares of the company, while the company is accountable for its debts with all its assets. It is a form of foreign investment enterprise subject to the Chinese laws and regulations governing foreign investment enterprises

4.1.5 Investment companies

Investment companies are companies dealing with direct investment founded in China by foreign investors solely or jointly with Chinese investors in the organization form of liability limited company. Foreign investor applying for setting up an investment company must have sound credit standing, great financial strength needed for building an investment company and total assets of no less than USD400 million of the previous year prior to investment application, and has founded a foreign investment enterprise in China, to which its actually paid-in contribution is more than USD10 million; or foreign investor must have sound credit standing and great financial strengthen needed for building an investment company, and has founded over 10 foreign investment enterprises in China with actually paid-in contribution of over USD30 million to registered capital. At present, investment companies are allowed to make investment in industry, agriculture, infrastructure, energy, etc. where the country encourages and allows foreign investment

4.1.6 Venture capital enterprises

Foreign-invested venture capital enterprises refer to foreign investment enterprises specializing in investing in start-ups, founded in China by foreign investors or jointly by foreign investor with companies, enterprises or other economic entities incorporated under the Chinese laws ("the Chinese investor" hereinafter) according to the Provisions Concerning Administration of Foreign-invested Venture Capital. Venture capital enterprises may take corporate or non-corporate form.

Investors in a venture capital enterprises in the non-corporate form ("non-corporate venture capital enterprises" hereinafter) assume joint liability to the debts of the venture capital enterprises. Investors in a non-corporate venture capital enterprise may reach agreement in the venture capital enterprise contract that when the non-corporate venture capital enterprise's assets fall short to cover its debts, the necessary investor(s) specializing in venture capital enterprises will take joint liability while the other investors' liability is limited to their capital contribution subscribed.

To set up a venture capital enterprise, there must be 2 to 50 investors, including at least one qualified necessary investor specializing in venture capital enterprise. The investors' total capital contribution to a non-corporate venture capital enterprise shall not be less than USD10 million, while that to a corporate venture capital enterprise shall not be less than USD 5 million. Apart from necessary investors, the minimum contribution of each investor is USD1 million. Foreign investors may contribute capital in any convertible currency, while Chinese investors contribute capital in RMB.

4.1.7 Sino-foreign cooperative development

Sino-foreign cooperative development refers to cooperation in prospecting and developing maritime and land oil and mineral resources between Chinese companies and foreign companies through entering a risk venture contract. It is an internationally widely adopted mode of economic cooperation in the natural resources field, featuring high risk, high input, and high yield. Cooperative development usually consists of three phases: prospecting, development and production.

4.1.8 BOT (Build-Operate-Transter)

BOT means an investor undertakes a specific industrial project or an infrastructure project in the target country, responsible for building, operating, maintaining and transferring the project. The investor is allowed to operate the

facilities built by it within a fixed term to recoup its investment in the project and operation, maintenance and other fees within the term; after the fixed term comes to an end, the project is to be transferred to the government where the project is located. In China, BOT is a main form of building project companies in expressways, power plants, sewage disposal plants, etc.

4.2 Requirements for accounting, reporting and review

4.2.1 Reporting requirements

As stipulated in the Acts, all companies incorporated in the Chinese Mainland shall submit annual financial statements to the industrial and commercial administrations. Listed companies shall prepare and submit audited financial statements to the China Securities Regulatory Commission (CSRC), while state-owned companies shall submit audited annual financial statements to the State-owned Assets Supervision and Administration Commission of the State Council (SASAC).

4.2.2 Accounting standards

Accounting standards are formulated by the Ministry of Finance for the purposes of enhancing and regulating enterprises' accounting acts, improving their operational management and standardized accounting treatment and giving guidance on their sustainable development.

There are mainly three sets of accounting standards for different types of businesses: the Accounting Standards for Enterprises, the Accounting Rules for Enterprises and the Accounting Standards for Small Enterprises.

Accounting Standards for Enterprises	Accounting Rules for Enterprises	Accounting Standards for Small Enterprises
Formulated by the Ministry of Finance, the Accounting Standards for Enterprises was released on February 15, 2006, and took effect from January 1, 2007. Listed companies, financial institutions and nearly all large and medium-sized enterprises shall adopt the Accounting Standards for Enterprises. Such enterprises shall prepare their financial reports as per the Accounting Standards for Enterprises. The purpose of financial reports is to provide accounting information about an enterprise's financial standing, operating results, cash flow, etc. for report users, reflect the management's performance of responsibilities entrusted and help report users make economic decisions. Financial report users include investors, creditors, governments, relevant governmental departments and the public.	The Accounting Rules for Enterprises is applicable to all large and medium-sized enterprises that meet certain conditions except financial and insurance enterprises. It is a collection of rules, methods and procedures governing classification, book entry and summary in bookkeeping of business transactions and financial transactions as well as analysis, verification and submission of accounting results, which should be followed in the accounting work. National uniform accounting rules are a set of rules governing accounting, accounting supervision, accounting firms, accounting practitioners and accounting administration developed by the fiscal organ of the State Council (that is, the Ministry of Finance) according to the Accounting Law.	The Accounting Standards for Small Enterprises are accounting standards designed specially for small businesses. In order to promote the development of small businesses, further enrich China's fiscal and taxation policies, and improve its fiscal and taxation policy system for SME development, the Ministry of Finance released the Accounting Standards for Small Enterprises on October 18, 2011, requiring all small businesses to implement the standards from January 1, 2013 and encouraging them to kick off in advance

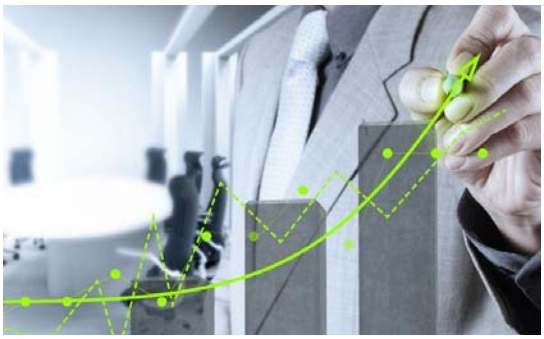
4.2.3 Audit

On September 8, 2010, the National Audit Office publicized on its website the newly revised National Auditing Standards of the People's Republic of China. The new auditing standards shall take effect from January 1, 2011. These standards provide for systematic regulations on basic auditing procedures, codes of conduct for institutional auditors and auditing practitioners to perform their auditing duties, professional standards for auditing businesses and a benchmark for evaluating auditing quality. The main purpose of auditing is to supervise the authenticity, legitimacy and cost-effectiveness of economic activities of an audited institution through examining its fiscal and financial payments and receipts.

Taxation

5.1 Brief introduction

China levies a wide variety of taxes, including income tax (corporate income tax and personal income tax), turnover tax (value-added tax, business tax and consumption tax), property-related taxes (land appreciation tax, real estate tax, farm land occupation tax and urban land-use tax) and others like deed tax, stamp tax, tariff, motor vehicle acquisition tax, vehicle and vessel tax, resource tax, urban construction & maintenance tax, vessel tonnage tax, and tobacco tax.



5.2 Corporate income tax

5.2.1 Object of taxation

1.Resident enterprises and enterprises incorporated under Chinese laws or foreign laws but with an actual management body in China, are subject to corporate income tax on income derived from sources inside and outside China.

2.Non-resident enterprises, enterprises incorporated under laws and regulations of a foreign country (region), running institutions and premises in China but with their actual management body outside China, or enterprises without institutions or premises in China but getting income from China, are subject to corporate income tax on income derived from sources inside China.

5.2.2 Tax rate

1.Statutory corporate income tax rate on resident enterprises is 25%, and qualified enterprises are granted preferential tax rate.

2.Non-resident enterprises are subject to 20% withholding tax on dividends, interest income, rents, royalties and other non-active income derived from sources inside China. Dividends from profits prior to 2008 of a foreign-invested enterprise are exempted from withholding tax.

According to the new Corporate Income Tax Law and its implementation rules, non-resident enterprises that without any establishment in China or derived income not connected with an establishment in China, they shall pay corporate income tax on income derived from sources inside China with a tax rate of 10%

5.2.3 Taxable income amount

Taxable income amount = total income – non-taxable income – exempted income – all deduction – unabsorbed losses

5.2.4 Total income

Total income consists of monetary and non-monetary income and its sources vary including proceeds sales of goods, provision of labor, transfer of assets, equity investment, dividends and bonus, interest income, rents, royalties, donations received, and others.

5.2.5 Non-taxable income

1.Interests from treasury bonds;

2.Returns on equity investments such as dividends, bonus etc. among qualified resident enterprises;

3.Non-resident enterprises with an establishment set up in China obtain returns on equity investments such as dividends and bonus effectively connected with such an establishment from a resident enterprise;

4.Income from qualified non-profit organizations (NPO)—non-business income of NPOs.

5.2.6 Deductions

Reasonable expenditures actually incurred and related to income acquirement, including costs, expenses, taxes, losses and others, are allowed to be deducted in calculation of taxable income.

1.Depreciation

Depreciation of fixed assets and capital assets used for production and operation can be deducted. Productive bio-assets are also classified as capital asset under the current corporate income tax system, thus, can be deducted as depreciation for the taxation purpose.

Depreciation calculation usually adopts the straight-line approach, that is, depreciation calculation starts the next month following a fixed asset or a productive bio-asset is put into use, and ends the next month following it drops out of service.

Minimum depreciation peirods for different assets are listed as follows:

House and building	20 years
Airplane, train, steamship, machine, machinery and other productive equipment	10 years
Appliance, tool, furniture, etc.	5 years
Means of transport except airplane, train and steamship	4 years
Electronic devices	3 years
Forestry productive bio−assets	10 years
Husbandry productive bio−assets	3 years

Years of depreciation may be shortened or depreciation may be accelerated for fixed assets that are updated frequently due to technology progress or that are subject to constant high vibration or strong erosion. After January 1, 2014, part of fixed assets newly purchased in certain industries can be one-off put into costs and expenses for the year when such assets are bought, or, before-tax deductions from taxable business income can be calculated through shortening years of depreciation or accelerating depreciation. In case of shortening years of depreciation, the minimum years of depreciation shall not be less than 60% of the years prescribed in the Corporate Income Tax Law.

2.Intangible assets

Intangible assets can be amortized through the straight-line approach, with years of amortization not less than 10 years or the years of service as agreed upon in contracts. Goodwill purchased can only be deducted when the whole business is transferred or liquidated.

3.Expenses paid to related-party enterprises

Service fees paid to domestic or overseas related-party enterprises for services rendered in compliance with the arm's

length principle are deductible. Expenses such as royalties, if meeting the arm's length principle, can also be deducted for taxation purpose.

4.Loan interests

Generally speaking, loan interests can be deducted. As for a non-financial enterprise's interests accrued from borrowing from another non-financial enterprise, the part not exceeding the amount calculated with the interest rate for the same kind of commercial loans during the same period can be deducted. Interests on capital are depreciated or amortized phase by phase after capitalization. Deduction of interest expenses paid to related parties shall meet provisions on thin capitalization in the Corporate Income Tax Law.

5.Business entertainment expenses

60 % of business entertainment expenses incurred are deductible, with the upper limit of 0.5% of the sales or business income of the year. The balance is not qualified for tax deduction.

6.Personal commercial insurance

Except personal safety insurance for employees on special posts, commercial insurance premiums that enterprises pay for employees and individual investors cannot be deducted.

7.Advertising and business promotion expenses

Unless otherwise stipulated, the part of advertising and business promotion expenses below 15% of the annual's sales or business income (30% for certain industries) can be deducted from the taxable amount for the year, and the balance can be carried forward to subsequent taxable years to be deducted.

8.Asset loss

Asset loss (including bad debt loss) can be deducted for the year when such loss incurs, but the enterprise shall provide relevant proofs to the taxation administration on or before paying yearly taxes.

9.Charitable donation

The part of charitable donations below 12% of the yearly accounting profit can be deducted.

10.Further deduction

R&D expenses on new technology, new product and new methodology can be deducted. In addition, 50% of the R&D expenses incurred are allowed for further deduction to encourage R&D activities.

200% of the total sum incurred for physically handicapped staff are also qualified for further deduction to encourage employment of such staff.

11.Other non-deductible expenses

Unless otherwise stipulated in tax law, allowances for impairment loss on assets (such as reserves for bad debt) and risk provisions cannot be deducted. Financial institutions and insurers are allowed to deduct part of their reserves expenses according to relevant tax provisions.

Sponsoring expenses, except for advertising or charitable donation purposes, cannot be deducted

5.2.7 Losses carried forward

Losses of an enterprise can be carried forward to be deducted within five years from the taxable year following the occurrence of the losses.

5.2.8 Deemed taxable income amount

If a business cannot provide complete and accurate materials on costs and expenses to calculate the taxable income, the taxation administration has right to deem and assess the taxable income according to laws. Under such circumstances, the taxable income is often calculated through multiplying income or turnover with a deemed profit ratio. Such deemed profit ratio applicable to resident enterprises depends on its industry, usually between 3% and 30%, while that applicable to non-resident enterprise usually varies between 15% and 50 %

5.2.9 Foreign tax credit

In case that a resident enterprise has paid overseas income tax on its taxable income derived from sources outside China, the income tax paid overseas can be creditable against its China tax payable on a country-basket principle. However, the creditable amount of overseas income tax cannot exceed the amount of income tax otherwise payable in the PRC in respect of the non-China sourced income.

5.2.10 Preferential tax treatment

- **Tax exemption and reduction**

a.Income derived from the following sources can be exempted or reduced according to the Corporate Income Tax Law.

Preferential items and industries	Preferential policy on corporate income tax	Validity
Agriculture, forestry, husbandry and fishing projects	Exempted or halved	All the years spanning over project operation
Infrastructure projects	3+3 period for tax exemption or reduction	6 years since the taxable year when the first operating income incurs from the project
Environmental protection, energy and water saving projects	3+3 period for tax exemption or reduction	6 years since the taxable year when the first operating income incurs from the project
Businesses verified as high−tech enterprise founded in Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Shanghai Pudong New Area after January 1, 2008	2+3 period for tax exemption or reduction	5 years since the taxable year when the first operating income incurs from the project
Software enterprises	2+3 period for tax exemption or reduction	5 years since the year when profit is realized
Integrated circuit designers	2+3 period for tax exemption or reduction	5 years since the year when profit is realized
Integrated circuit producers with an investment of over RMB8 billion or engaged in making integrated circuits less than 0.25 microns wide that have been operating for over 15 years	5+5 period for tax exemption or reduction	10 years since the year when profit is realized

Integrated circuit producers engaged in making integrated circuits less than 0.8 microns (inclusive) wide	2+3 period for tax exemption or reduction	5 years since the year when profit is realized
Energy saving services providers that meet certain conditions	3+3 period for tax exemption or reduction	6 years since the taxable year when the first operating income incurs from the project
Encouraged enterprises in impoverished areas in Xinjiang	2+3 period for tax exemption or reduction	5 years since the taxable year when the first operating income incurs from the project
CDM (Clean Development Mechanism) execution projects	3+3 period for tax exemption or reduction	6 years since the year when the first income from emission quota transfer is realized in the project

b.Resident enterprises which fulfill certain criteria are eligible to income exemption or halved corporate income tax on technology transfer income: amount not exceeding RMB 5 million in a taxable year be exempted from corporate income tax; corporate income tax on the balance exceeding RMB5 million is halved.

c.A resident enterprise's returns on investment in another resident enterprise are exempted from corporate income tax, excluding returns on holding another resident enterprise's publicly offered stock in circulation for less than 12 consecutive months.

d.NPOs are exempted from corporate income tax on non-profit activities.

- **Lower tax rate**

Corporate income tax levied on the following enterprises reduced by 15%:

a.High-tech enterprises meeting certain conditions;

b.Integrated circuit producers with an investment of over RMB8 billion or engaged in manufacturing integrated circuits less than 25 microns wide;

c.Advanced technology services providers which meet certain criteria in 21 cities (such as Beijing, Shanghai, Tianjin, Guangzhou, and Shenzhen) from January 1, 2009 to December 31, 2018;

d.Projects in the priority industries established in Qianhai Shenzhen-Hong Kong Modern Services Cooperation Zone, Hengqin New Area of Zhuhai and Pingtan Comprehensive Experimental Zone of Fujian;

e.Encouraged enterprises in the western region from January 1, 2011 to December 31, 2020.

Corporate income tax levied on the following enterprises reduced by 10%:

a.Key software enterprises and integrated circuit designers;

b.Small minimal-profit enterprises meeting certain conditions would enjoy a 20% reduction in corporate income tax rate. From January 1, 2015 to December 31, 2017, small minimal-profit enterprises with a yearly taxable income of RMB200,000 or below enjoy a 10% reduction in corporate income tax rate.

- **Reduction of revenue**

a.Where an enterprise uses resources specified by the State as its main raw materials for producing non-restricted or non-prohibited products, only 90% of the total income is considered as total taxable income

b.Offset of business-starting investment amount

Where an enterprise has been holding an equity investment in a unlisted high-tech small and medium-sized enterprise (SME) for more than two years, 70% of such investment can be deducted against its taxable income for the year when

its holding of the equity reaches two years. Any unabsorbed balance during the year can be carried forward to subsequent taxable years for deduction

c.Tax credit on investment

If an enterprise purchases and uses special-purpose equipment for environmental protection, energy and water saving, production safety, etc. As stipulated by the country, 10% investment in such equipment can be deducted from its corporate income tax payable amount.

5.3 Anti-tax avoidance (Special Tax Adjustment)

In the Corporate Income Tax Law there is a specific chapter for transfer pricing and advance pricing arrangements and introducing some new concepts concerning anti-tax avoidance. This chapter is called “Special Tax Adjustment”.

5.3.1 Related-party transaction

Income-incurring transactions and capital transactions between an enterprise and its related party shall be done on the arm’s length basis. Chinese taxation administration pays particular attention to transfer pricing between enterprises and their related parties. The taxation administration has right to disregard, change or adjust relevant related-party transaction and thereby make tax-related adjustment, if it believes a related-party transaction is not concluded on the arm’s length basis (the arm’s length principle).

5.3.2 Related-party transaction documentation

China imposes very strict requirements on submission and reporting of related-party business documentation. Taxpayers shall attach a yearly report on related-party transactions when submitting yearly corporate income tax return before May 31 each year. In addition, enterprises shall prepare documents for the period and submit them upon requests made by the PRC tax authorities. Enterprises who meet certain conditions are not required to provide related-party transaction materials for the period.

5.3.3 Cost sharing

Enterprise jointly develops with or receives an intangible asset from, or jointly provides with or receives labor services from a related party (usually limited to group procurement and group marketing strategies), and the Chinese taxation administration views that costs incurred therefrom are shared among the enterprises on the arm’s length basis, such shared costs can be deducted after application and approval formalities are completed.

5.3.4 Controlled foreign corporation (CFC)

Chinese resident holding company who invests and controls a company established in some low-tax country with actual tax rate lower than 12.5% (that is a CFC), such CFC's profit that has not been repatriated back to its Chinese holding company will be deemed as having been repatriated back to China and thus, be taxable in China.

5.3.5 Thin capitalization

Thin capitalization refers to tax reduction in interest expense paid by an enterprise to its related party. When the debt/ equity ratio for a related party doesn't exceed the prescribed threshold, interests paid to the related party can be deducted. If it goes beyond the prescribed threshold, interests on the debt exceeding the threshold paid to the related party cannot be deducted. The prescribed threshold on the debt/ equity ratio for a related party in financial industry is 5:1, while other industries are 2:1. However, if there are enough proofs indicating that a transaction is done on the arm's length basis, interests on debt exceeding the prescribed threshold paid to a related party may be allowed to be deducted in full amount.

5.3.6 General anti-avoidance provision

If an enterprise is engaged in transactions for the purposes of avoiding, reducing or deferring Chinese taxes, the Chinese taxation administration will make adjustment to its taxable income or proceeds by referring to the general anti-tax avoidance provision. The Chinese taxation administration may commence the general anti-tax avoidance investigation on an enterprise upon approval by the State Administration of Taxation, if the enterprise is found to be involved in the following activities: abuse of preferential tax policy, abuse of tax agreement, misuse of organizational form, resort to tax haven for tax avoidance or other arrangements without reasonable commercial purposes.

5.3.7 Interest levy on tax adjustments

After the taxation administration makes tax-related adjustment according to provisions governing special tax adjustment, it is allowable to impose interest levy based on the RMB lending benchmark interest rate publicized by the People's Bank of China (PBC) for the period plus an additional interest of five percent. The period of interest levy is from June 1 of the year following the tax year in which the transaction takes place to the day the underpaid tax is settled and put into national treasury. Under certain prescribed conditions, the 5% additional interest may be waived.

5.4 Introduction to policy governing personal income tax on foreigners

5.4.1 Object of taxation

1.Resident taxpayer: individuals who have a domicile in China, or without a domicile but have resided for one year or more in China. They are liable for unlimited obligation of personal income tax on income derived from sources inside and outside China.

2.Non-resident taxpayer: individuals who are neither domiciled nor resident in China, or who are not domiciled and reside for less than one year in China. They are liable to limited obligation of personal income tax on income derived from sources inside China.

List for personal income tax on income derived from sources inside China by foreigners:

Time of residence in China	Position of the employee	China sourced income, bome or paid by a PRC establishment	China sourced income, not bome or paid by a PRC establishment	Overseas sourced income, borne or paid by a PRC establishment	Overseas sourced income, not borne or paid by a PRC establishment
Less than 90 days or 183 days	General employee	Yes	No	No	No
	Senior management member*	Yes	No	Yes	No
More than 90 days or 183 days	General employee	Yes	Yes	No	No
	Senior management member*	Yes	Yes	Yes	No
More than 1 year but less than 5 years	All	Yes	Yes	Yes	No
More than 5 years	All	Yes	Yes	Yes	Yes
*Senior management members refer to (general) memager, deputy (general manager, functional directors, director.					

5.4.2 Personal income tax rate for employment income

Income from wages and salaries shall be taxed at progressive rates ranging from 3% to 45%:

Monthly taxable income * (in RMB)	Tax rate (%)
The part below 1,500	3
The part between 1,500 and 4,500	10
The part between 4,500 to 9,000	20
The part between 9,000 to 35,000	25
The part between 35,000 to 55,000	30
The part between 55,000 to 80,000	35
The part exceeding 80,000	45

* Taxable income is monthly income minus the standard deduction of RMB3,500 for each month. Foreigners (including Hong Kong, Macau and Taiwan residents) working in China enjoy monthly deduction of RMB4,800 from monthly taxable income.

This table is not applicable to the situation where the individual's income tax liability is borne by employer. A different tax rate table should be used.

5.4.3 Employment income

Taxable personal income refers to "salary, wage, bonus, year-end bonus, labor dividends, allowances, dividends and other income derived from employment".

Should foreign individuals meet certain criteria, they are exempted from personal income tax on the following employment income:

- Housing subsidy paid by employer (invoice to provide);
- Reasonable travel subsidy for two family visits each year (invoice to provide);
- Reasonable relocation subsidy (invoice to provide);
- Allowances for meals, laundering, language training and children education taking place in China (invoice to provide).

Cash allowances paid by the employer for expected work-related expenses (such as entertainment or business trip expenses) are subject to personal income tax in full. Work-related expenses incurred by individuals (including entertainment expenses, club expenses, local travel expenses, newspaper & magazine expenses, telephone bill, etc.), if by way of disbursement instead of allowance distribution, may be exempted from personal income tax. However, administrative procedures for disbursement of expenses incurred shall be strictly adhered.

5.4.4 Income other than employment income

1.Self-employed individual, sole proprietorship, contracted operator and leased operator: Income derived from production or operation of self-employed individual and sole proprietors and from contracted operation or leased operation of corporate entities shall be taxed at progressive rates ranging from 5% to 35%. In cases that annual taxable income (income minus deducted costs, expenses and losses) exceeds RMB100, 000, the applicable tax rate is 35%.

2.Income from author's contribution fee: Income from author's contribution fee is taxed at 20 % on 70% of his taxable income derive from author's contribution fees.

3.Income from labor service fee: Income from each labor service fee not exceeding RMB20, 000 (after deduction of expenses) is taxed at 20%; the part exceeding RMB20, 000 but lower than RMB50, 000 is taxed at 30%; the part exceeding RMB50, 000 is taxed at 40%.

4.Income from interests, dividends, property transfer, royalties, property rents and others is usually taxed at 20%. Those fulfill certain conditions may enjoy preferential tax treatments

5.4.5 Deductible items

There are specific provisions for deductible items from production and operation of self-employed individuals and sole proprietors and from contracted operation or leased operation of corporate entities. Some of such provisions are similar to those in the Corporate Income Tax Law. In addition, monthly deduction of RMB 3,500 is accorded to the abovementioned categories of income.

Provisions on deductions from income of labor service fee, author's contribution fee, property rents and royalties are listed as follows:

- The deduction is RMB 800 for income less than RMB 4,000.
- The flat rate of deduction is 20% for income more than RMB 4,000.

Acquisition value and its reasonable expenses are deductible from income derived from property transfer. However, no deductible expenses are allowable for income on interests, dividends, bonus or other incomes.

5.4.6 Tax declaration and payment

The deduction is RMB800 for each income less than RMB 4,000. The flat rate of deduction is 20% for each income more than RMB 4,000.

5.4.7 Annual declaration of personal income tax by individuals

Effective January 1, 2007, individuals in four particular categories shall self-declare personal income to the Chinese taxation. Foreigners who fulfill certain criteria may be exempted from tax declaration.

5.5 Labor environment

5.5.1 Employment of local people

1.Channels of staff recruitment

The Labor Law provides that enterprises can independently make decision on time, conditions, mode and quantity of staff recruitment. At present, enterprises can select staff through multiple channels, such as employment agencies, public media or career fairs.

2.Procedures

a. Signing of labor contract: According to the Labor Law, employees shall enter into a labor contract with employers or employees as a whole may sign a collective labor contract with employers. Legal labor relationship exists once labor contract is signed.

b. Authentication of labor contract: Labor contracts executed between enterprises and employees shall be authenticated. Enterprises shall go through authentication formalities for a labor contract signed with local labor administration within 30 days from the commencement of employment.

c. Management of personal files: Enterprises or their permanent establishment may entrust a human resources service institution of staff's place of registered permanent residence or locality of the business to take care of personal files of their Chinese employees.

d. Social insurances: Labor and social security department is responsible for organizing and administering social insurances, which include basic endowment insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, of which the first three are jointly contributed by employer and employee while the latter two are paid by employer only.

5.5.2 Employment of foreigners

1.Entry into China:

a.Apply for Visa;

b.APEC Business Travel Card (area of use, access to special treatment);

c.China residence permit for foreigners;

d.Health certificate;

e.Execution of employment agreement: including employment conditions, employment permit formalities, labor contract management, legal risk of hiring foreigners, etc;

f.Work permit;

g.Personal income tax (including determination of tax payment obligation according to the length of residence in China, determination of sources of income, etc.)

2.Employment certificate within 15 days after arrival:

A foreign employee and his/her employer shall bring along employment permit, labor contract (within a term of no more than five years), passport and employment registration form to obtain an employment certificate from relevant administrative authority. Foreigners holding an employment certificate are allowed to work in a designated field and apply for a residence permit. Upon commencement of employment, employment certificate is subject to annual examination. Employment certificate will be revoked if no annual examination is done before deadline. In case that a foreigner's residence qualification is revoked due to violation against Chinese laws or his/her labor contract expires, his/her employment certificate becomes null and void as well.

3.Rights accessible:

a.Foreigners working in China enjoy the same rights as Chinese employees, including minimum wage standards, labor hygiene standards and entitlement to public holidays.

b.Chinese residents working in China's real economy sector enjoy social security. The Social Security Law of the People's Republic of China is implemented on July 1, 2011; and the Interim Measures for Participation in Social Insurances of Foreigners Employed in China was put into effect on October 15, 2011. Foreign individuals working in China and their employers are required to contribute to China's social insurance fund, including endowment insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

5.6 Indirect Tax

5.6.1 Value-added tax (VAT)

1.Scope of taxation:

Enterprises and individuals engaged in sales and import of goods as well as provision of labor services such as processing, mending & parts replacement, etc. should pay value-added tax.

2.Tax rate:

a.The standard VAT rate is 17%;

b.Living necessities such as agro-products, running water, and gas are taxed at 13%;

c.Enterprises identitied as small-scale taxpayer pay 3% VAT.

3.Calculation of VAT:

Payable value-added tax = VAT on sales – VAT on purchases

For general VAT payers, VAT on purchases can be set-off against VAT on sales in calculation of VAT payable.

4.Export rebate:

Generally, exports are zero-rated. VAT on purchases of raw materials bought in China can be refunded for exported goods. Export refund rate varies between 0% to 17%, and calculated based on respective formulae. VAT on purchases of most exported commodities cannot be refunded in full. In other words, exporters have to pay certain amount of export VAT.

5.6.2 Replace Business Tax with Value-added Tax

Approved by the State Council, the program of replacing business tax with value-added tax has been piloted nationwide since May 1, 2016. The construction, real estate, financial, life services industries are the pilot sectors that value-add tax (hereinafter referred to as “VAT”) will be levied to replace the business tax

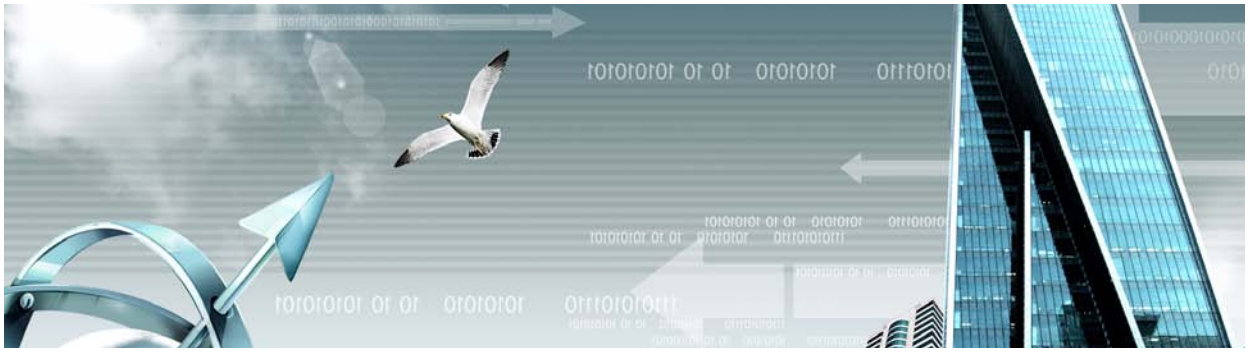
1.Scope of taxation

All organizations and individuals engaged in sales of services intangible assets or real estate within the territory of the People’s Republic of China shall pay VAT in accordance with the laws and cease paying the business tax.

The sales of services refer to the provision of transportation, postal, telecommunication, construction, financial, modern and life services.

The sales of intangible properties refer to the transfer of the ownership or right to use intangible properties. Intangible properties include technologies, trademarks, copyrights, good will, rights to use natural resources and other equity intangible properties.

The sales of real property refer to the transfer of the ownership of real properties. Real properties include buildings and structures.



2.Tax rate and leviable rate

a.The VAT rate:

<table>
<tr><th>Goods or services</th><th>Tax rate</th><th colspan="2">Taxable services</th></tr>
<tr><td>Selling or importing goods (except those with lower tax rate)</td><td rowspan="2">17%</td><td colspan="2" rowspan="2">Leasing services of tangible and movable properties</td></tr>
<tr><td>Providing processing, repair and replacement services</td></tr>
<tr><td>Foodstuffs and edible plant oil — agricultural products and edible salt</td><td rowspan="4">13%</td><td rowspan="2">11%</td><td rowspan="2">Transportation services, postal services, basic telecommunication services, construction, leasing of real properties, selling real properties and transferring land use rights</td></tr>
<tr><td>Tap water, heating, air conditioning, hot water, coal gas, liquefied petroleum gas, natural gas, biogas and coal products for civilian use and dimethyl ether.</td></tr>
<tr><td>Books, newspapers, magazines, audiovisual products and electronic publications</td><td rowspan="2">6%</td><td rowspan="2">Value-added telecommunication services, financial services, modern services and lifestyle services, sale of intangible assets other than land use rights</td></tr>
<tr><td>Animal feeds, chemical fertilizers, agricultural chemicals, agricultural machinery and agricultural protection covers</td></tr>
<tr><td>Exporting goods</td><td colspan="2">0%</td><td>Cross-border taxable activities specified by the Ministry of Finance and the State Administration of Taxation</td></tr>
</table>

b.The VAT collection rate leviable: 3% and 5% (for certain activities).

The 3% rate generally applies to supplies by small-scale VAT taxpayers

3.Input tax that can be deducted from output tax

a.The amount of VAT indicated in the VAT invoices obtained from the sellers.

b.The amount of VAT indicated on the tax payment receipts of import VAT obtained from the customs office.

c.When purchasing agricultural products, the input tax calculated based on the purchase price indicated in the receipts for the purchase of agricultural products or in the invoices for sale and the deduction rate of 13 percent.

d.The amount of VAT indicated on the VAT payment documents obtained from the taxation authorities or the withholding agents for the services, intangible properties or real properties purchased from foreign organizations or individuals.

4.The items exempted from VAT

a.Railway and aerial transportation services, which are provided free of charge pursuant to the national orders, and public welfare services offered in accordance with the stipulated regulations.

b.Interest from placement of deposit

c.Insurance compensation

d.The repair funds for residential housing collected by the competent departments of real estate or designated institutions, the administration centers for housing provident fund, and the property developers and management agents.

e.During the process of asset reorganization, the transfer of real properties and right of land in the context of transferring wholly or partially physical assets together with the related creditor's rights, liabilities and labor forces to other organizations and individuals by way of merger, division, selling or replacement in asset reorganization.

5.6.3 Consumption tax

Apart from tariff and VAT, consumption tax is levied on certain commodities. Consumption tax is applicable to production and import of commodities such as tobacco, wine, cosmetics, jewelry, firecracker, fireworks, gasoline, diesel and relevant products, motor bicycle, automobiles, golf clubs, yacht, luxurious watch, disposable chopsticks, solid-wood flooring, battery and coating. Consumption tax may be calculated with selling price or sales volume by commodity type.

5.7 Double taxation relief

5.7.1 Foreign tax credit

1.Corporate income tax

In accordance with the international taxation practices, there are two basic principles to follow: first, only enterprises with permanent establishment are taxable; second, only profit effectively connected with permanent establishment are taxable. The so-called “permanent establishment” refers to all or part of fixed business premise of an enterprise, mainly including management locality, branch, factory, workplace, representative office, natural resources development site, construction site, erection works, etc. as well as dependent agents that have signed a contract to act on behalf of the enterprise and all or nearly all of agents acting on commission and on behalf of the enterprise.

2.Personal income tax

The Chinese and foreign treaty parties shall discuss which part of labor service income can be exempted from personal income tax on the precondition of the territorial principle. Generally, beneficiaries are taxed in the country of residence on the following items:

a.Short-term (90 days in China) employment: income derived from an employer of the country of residence

b.Income from employment exercised on board of ship or aircraft in international transportation

c.Income of government employees from secondment in a foreign country

d.Income of teaching or research staff of a contracting state from giving lectures in another contracting state for no more than two or certain years.

In addition, the state of origin usually does not levy tax on income obtained by foreign students and interns to cover their study or living costs and income of actors/actresses, athletes, etc. involved in cultural exchanges on inter-government agreement

3.Withhold income tax on investment returns

The Chinese and foreign parties share investment returns through negotiation over restricting tax rates. It is often clearly provided in agreement that both parties have right to levy tax, but the state of origin has priority over taxation right, with restrictions on withholding tax rates prescribed.

4.Ways to avoid double taxation

Under a tax credit method, tax paid to the state of origin can be deducted from the taxable amount payable to the home country. At present, the majority of countries adopt the tax credit method, which also applies to China.

In practice, tax credit is divided into direct tax credit method and indirect tax credit method.

Direct tax credit means the government of residence allows taxes directly paid by its resident taxpayer to a non-resident state to offset income tax amount payable to the home government. Direct tax credit method is applicable to an economic entity with cross-border tax exposures, such as tax credit associated with profit pooling between headquarter and its branches.

Indirect tax credit is applicable to tax credit between multinational parent company and subsidies. In relation to a dividend from its foreign subsidiary, credit for underlying tax is credit granted by parent company's government for the tax levied on the profits of the foreign subsidiary out of which the dividends have been paid.

Tax credit	Definition	Scope of application
Direct tax credit	Taxpayer uses tax directly paid to a foreign country to offset its tax payable to its home state of residence.	Tax credit between headquarters and branches under the same economic entity
Indirect tax credit	In relation to a dividend from its foreign subsidiary, cross-border taxpayer is allowed to credit the tax levied on the profits of the foreign subsidiary out of which the dividends have been paid.	Applicable to operation mode of parent company and subsidiary and multi-layer operation mode of parent company, subsidiary, and subsidiary of subsidiary

5.7.2 Agreement on double taxation avoidance

According to international taxation agreements signed by the People's Republic of China and other countries/regions, resident taxpayers of either party can enjoy exemption or reduction of taxes levied by the contractual counterpart. Such taxation agreements are designed to reduce foreign enterprises or foreign individuals' burden of withholding tax and corporate/personal income tax paid to the People's Republic of China, and vice versa. As at January 1, 2015, international taxation agreements entered into by China and the following 97 countries and two special administrative regions have come into effect.

Albania	India	The Philippines
Algeria	Indonesia	Poland
Armenia	Iran	Portugal
Australia	Ireland	Qatar
Austria	Israel	Romania
Azerbaijan	Italy	Russia
Bahrain	Jamaica	Saudi Arabia
Bangladesh	Japan	Seychelles
Barbados	Kazakhstan	Singapore
Belarus	Republic of Korea	Slovakia
Belgium	Kuwait	Slovenia
Bosnia and Herzegovina	Kyrgyzstan	South Africa
Brazil	Laos	Spain
Brunei	Latvia	Sri Lanka
Bulgaria	Lithuania	Sudan
Canada	Luxembourg	Sweden
Croatia	Macau Special Administrative Region	Switzerland
Cuba	Macedonia	Syria
Cyprus	Malaysia	Tajikistan
Czech Republic	Malta	Thailand
Denmark	Mauritius	Trinidad and Tobago
Ecuador	Mexico	Tunis
Egypt	Moldova	Turkey
Estonia	Mongolia	Turkmenistan
Ethiopia	Morocco	Ukraine
Finland	Nepal	The United Arab Emirates
France	The Netherlands	The United Kingdom
Georgia	New Zealand	The Uited States
Germany	Nigeria	Uzbekistan
Greece	Norway	Venezuela
Hong Kong Special Administrative Region	Oman	Vietnam
Hungary	Pakistan	Yugoslavia
Iceland	Papua New Guinea	Zambia

Contact us

Reanda Certified Public Accounts LLP

Chief Partner: Huang Jinhui

Address: 11-12th floor, Building E, Sino-Ocean International (2nd Phase),

No. 210, Ciyunsi Beili, Chaoyang District, Beijing, PRC,100025

Tel: +86.10.8588.6680

Fax: +86.10.8588.6690

E-mail: reanda@reanda.com

Website: www.reanda.com

Reanda International Network Limited

Hong Kong administrative office

Address: 21/F Tai Yau Building, 81 Johnston Road, Wanchai, Hong Kong

Tel: +85 2 31014822

Fax: +85 2 31014811

E-mail: enquiry@reanda-international.com

Website: www.reanda-international.com

Editorial Committee Member

Chief editors: Zhu Yuxiang and Chan Yee Ming

Editorial advisor: Koong Lin Loong

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Reanda China

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