

➤ **Q: How to deduct the property losses incurred by the enterprises with foreign investment and foreign enterprises?**

A: The net losses of inventory loss, damages and scraps of fixed assets and current assets, the bad debt losses and the abnormal losses resulting from the unexpected events like natural disasters and civil lawsuits (hereinafter referred to as property losses under this question) may, upon examination and approval by the tax department, be deducted from the taxable income when computing the enterprise income tax for the current period.

After verifying the sum of the property losses, the enterprises should submit to the local competent tax department the written application for property losses deduction by indicating the type, extent and quantity of property losses, the reasons for deduction and the period for the deduction, and by attaching the documents issued by the relevant department and institutions for verifying the property losses and other relevant materials as requested by the tax department.

If the enterprises could prove that the property losses have been incurred but are unable to make sure the value of the losses before reporting the enterprise income tax for the current period, they may, according to the above rules, report to the local competent tax department and apply for current deduction by the amount of losses agreed by the tax department after examination. After the value of the losses is verified, the adjustment shall be made to the difference between the verified amount and the estimated amount in the period of verification.

Where the enterprises fail to report to the local competent tax department in time according to the above rules, the losses may be deducted from the taxable income of the period when the losses occurred after examination by the tax department if the losses occurred within three years before, or the tax department would ignore it if the losses have occurred three years ago.

The property losses incurred by the foreign enterprises having establishments and places in China engaged in production and business operation may be treated in reference to the above rules.

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