

➤ **Q: What income tax reductions and exemptions may the enterprises with foreign investment of production nature enjoy?**

A: the enterprises with foreign investment of a production nature scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempt from income tax from the third to fifth years if these enterprises with foreign investment are engaged in machine-building and electronics industry, energy industry (excluding oil and natural gas exploitation), metallurgical industry (excluding exploitation of rare metals and precious metals), chemical and building material industries, light industry, textiles and packaging industries, medical apparatus and pharmaceutical industries, agriculture, forestry, animal husbandry, fishery water conservancy industries, construction industry, communications and transportation industries (excluding passenger transportation), the development of science and technology, geological survey and industrial information consultation and maintenance and repair service for production equipment and precision instruments that are directly at the State (e.g., construction, installation, assembly project design and provision of labor services for projects, feeding, breeding, plantation industry, research and development of production technology, and provision of direct services as transportation or storage for clients with taxpayers' own means of transportation or storage facilities). The enterprises with foreign investment which actually operate for a period less than ten years should repay the amount of income tax exempted and/or reduced. The newly established software enterprises may enjoy this preferential treatment without restriction or operational period.

The enterprises with foreign investment of production nature engaged in energy, transportation and port construction and the eligible integrated circuit manufacturing enterprises may, upon approval by the State Administration of Taxation, enjoy a reduced rate of 15% on their enterprise income tax.

The Sino-foreign joint ventures engaged in port and dock construction are allowed for a 15% rate for their enterprise income tax. Among them, those with the operational period exceeding 15 years may, upon the approval by the SAT offices at provincial level where the enterprises are located on their applications, enjoy exemption from enterprise income tax from enterprise income tax from the first profit-making year to the fifth year and reduction in enterprise income tax by 50% from the sixth to the tenth year.

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