

➤ **Q: What income tax reductions and exemptions may be enjoyed by foreign investors and foreign enterprises?**

A: Foreign investors and foreign enterprises are granted with the following income tax exemption and reduction treatments:

- a. The profits obtained by foreign investors from the enterprises with foreign investment shall be exempted from income tax.
- b. The interest on loans made to the Chinese Government and Chinese state bank by international financial organizations (like IMF, world bank) shall be exempt from income tax
- c. The interest on loans made at a preferential interest rate to Chinese State bank by foreign banks shall be exempt from income tax.
- d. The royalties earned by foreign enterprises for the supply of technical know-how in scientific research, exploitation of energy resources, development of the communications industries, agricultural, forestry and animal husbandry production and the development of important technologies may, upon approval by the state administration of taxation, be eligible for the reduced rate of ten percent. Where the technology supplied is advanced or the terms are preferential, exemption from income tax may be granted.
- e. The interests, rentals, royalties and other income derived from within China by the foreign enterprises having no establishment or place in China or having no establishment or place in China or having establishment or place in China which however has nothing to do with the above income shall be subject to 10% rate except for those foreign enterprises enjoying tax exemptions.
- f. The dividends, interests, rentals, royalties and other income derived by foreign enterprises from special economic and technological development zones, coastal economic open zones and other open areas approved by the state may be eligible for a reduced rate of 10% or exemptions. In addition, for those who provide fund or equipment with special preferential terms or transfer advanced technology, further income tax exemption or reduction may be available at the discretion of the provincial governments or municipal governments where their establishments are located.

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