

➤ **Q: Who are taxpayers of Foreign Enterprise Income Tax?**

A: Taxpayers of Foreign Enterprise Income Tax include the following two categories:

- a. The enterprises with foreign investment, including Chinese-foreign joint ventures, Chinese-foreign co-operative enterprises and wholly foreign funded enterprises.
- b. Foreign enterprises, including foreign companies, enterprises and other economic organizations having establishments or places in China and engaged in production or business operations and those without establishments or places in China but having income from sources within China.

The establishments and places mentioned above refer to the establishments of management, business establishments, representative offices and factories, places for natural resource exploitation, places for engineering work of contracted construction, instillation, assembling or prospecting, places for providing labor services and business agents (i.e., the companies, enterprises and other economic organizations or individuals entrusted by foreign enterprises for business operation)

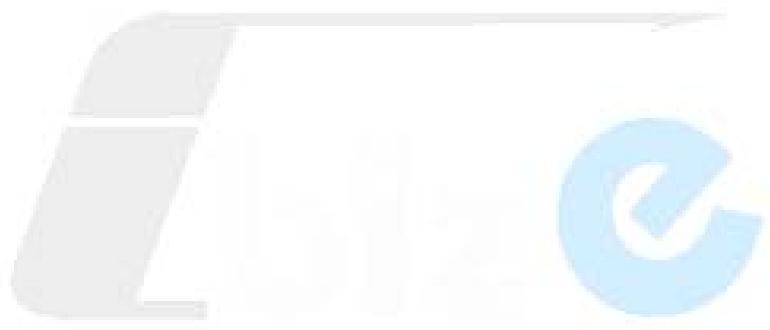
For the income derived by foreign enterprises from construction, installation, assembling and prospecting and provision of consultation, management and training services within China, the tax department may designate the payers of the engineering consideration and the service remuneration as the withholding agents of the income tax.

The Sino-foreign co-operative enterprises which are not legal persons may compute and pay the tax by one of the following ways:

- a. Where each party of the co-operation respectively pays the Enterprise Income Tax, the Chinese party should pay the Enterprise Income Tax in accordance with the Provisional Regulations of Enterprise Income Tax, and the foreign party should be regarded as the foreign companies, enterprise and other economic organizations having establishments, places in China and pay the income tax in accordance with the Income Tax Law on the Enterprises with Foreign investment and Foreign enterprises.
- b. Where the company charter has been formulated for joint operation and management, unified accounting and jointly bearing the profits and losses and investment risks , the enterprises may apply to the local tax authorities for approval of consolidated report and payment of the income tax according to the Income Tax Law on the Enterprises with Foreign Investment and Foreign Enterprises.

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- c. The enterprises with investment from overseas Chinese and compatriots from Hong Kong, Macau and Taiwan are also subject to this tax.



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