

➤ **Q: What are the main provisions for business tax reduction and exemption?**

A: The rules concerning business tax exemptions and reductions are regulated by the state council. The following items may be exempt from business tax:

- a. Nursing services provided by nurseries, kindergartens, homes for the aged, welfare institutions for the handicapped, matchmaking and funeral services.
- b. Services provided by the disabled on individual basis.
- c. Medical service income obtained in line with the state specified prices by non-profit medical institutions, disease control institutions and woman and children health institutions. The medical service income earned by the profitable medical institutions may be exempt from business tax for three years starting from the date of obtaining the business licenses if they use the income directly in improving the medical and health conditions.
- d. Educational services provided by schools and other educational institutions, and services provide by students participating in par-time work.
- e. Agricultural mechanical ploughing, irrigation and drainage, prevention and treatment of plant diseases and insect pests, plant protection, insurance for farming and animal husbandry and related technical training services; breeding and the prevention and treatment of diseases of poultry, livestock and aquatic animals.
- f. Admission fees (referred to the first gate charge) for cultural activities conducted by memorial hall, museum, cultural center, art gallery, exhibition hall, academy of painting and calligraphy, library and cultural protective units; admission fees for cultural and religious activities conducted at places of religious worship.
- g. The release income earned by the film release units from the film playing units.
- h. The insurance premiums derived from such insurance business as ordinary life insurance, annuity insurance and health insurance operated by insurance companies on one-or-more-than-one-year-period basis and with principal and interest paid back at maturity and other ordinary life insurance, annuity insurance and health insurance as approved by the ministry of finance, the state administration of taxation to be exempt from the tax.
- i. The income derived from transfer of copyright by individuals.
- j. The income derived from transfer of technology, technology development and the relevant technology consultation and technical services by units and individuals after verified by the competent science and technology department and reviewed by the local tax bureaus at provincial level. The technology transferred by foreign enterprises and foreigners into China from abroad after examined by the local tax bureaus at provincial level and approved by the state administration of taxation.
- k. The transfer of land-use right to farmers for agriculture production.
- l. The interest of the state loans for education support.
- m. For the ordinary residential building acquired and lived in for more than one year by

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individuals, the business tax shall be exempt at the time of sales. Business tax shall be computed and levied on the balance of the selling prices after deduction of acquisition costs for the ordinary residences purchased and lived in for less than one year. The residences self-constructed for self-use by individuals shall be exempt from business tax at the time of sales. Business tax is temporarily exempt on the revenue derived from sales of residences at house-reform cost prices or standard prices by enterprises, institutional units and administrative units.

- n. The leasing of residential houses priced by the government is exempt from business tax. The rent-out of private residential houses at market price is provisionally taxed at 3% rate under business tax.
- o. Business tax may be exempt on the union dues charge by the non-profit social organizations (such as associations, institute, joint societies, research institutes, funds) approved for establishment within China by the state competent department in charge of social organizations if the charges are in line with the standards ruled by the ministry of finance or the department of civil affairs.
- p. The levying of business tax on the flow of fund between the joint banks of financial enterprises, financial enterprises and the people's bank and the enterprises of the same trade may be temporarily suspended.
- q. Taxable services (excluding hotel services, catering and entertainment services) provided by school-run enterprises for teaching or scientific research of the school may be temporarily exempt from business tax.
- r. For civil welfare enterprises engaged in service industry (except for advertisement business) whose employment of the disabled covers more than 35% of its staff, the business tax may be temporarily exempt.
- s. Business tax may be periodically exempt for the business revenue derived from providing community services by the laid-off workers, individual industrial and commercial households or the enterprises with laid-off workers more than 60% of the total employees.

The individual taxpayers whose sales volume does not reach the threshold as specified by the ministry of finance shall be exempt from business tax. The current rules are: for tax payment for certain period, the threshold is 200-800 Yuan sales per month; for tax payment at each time (or day), the threshold is 50yuan sales each time or (day). The local tax bureaus at provincial level may determine the threshold for its own jurisdiction within the above ranges in consideration of the local condition.

Where taxpayers are involved in both tax exempt items and tax reduction items, they should respectively calculate the turnovers for the tax exempt items and tax reduction items. Otherwise, the tax department will not handle any tax exemption or reduction for them.

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