

➤ **Q: How to levy income tax payable by the investor of single proprietorship and partnership enterprises by mode of administrative assessment?**

A: The tax authorities may impose administrative assessment method and levy Individual Income Tax on the individual single proprietorship and partnership enterprises with one of the following circumstances:

- a) The enterprises should set up accounting records but not according to relevant rules of the State;
- b) Though the enterprises have set up accounting records, but the accounting records are confusing or the materials of costs, revenue and/or expenses are so incomplete that it is hard to conduct audit on them; or
- c) The taxpayers liable to tax fail to complete tax reports within the statutory time limit and fail again to file tax returns after the tax authorities order them to report within certain time limit.

The administrative assessment mode includes collection of tax by fixed amount, collection of tax by assessing the taxable income rate and other reasonable methods.

The formula for computing the income tax payable by the method of assessing the taxable income rate is:

Tax payable = Taxable income*Applicable tax rate-Quick deduction

Taxable income = Total revenue*Taxable income rate

Taxable income = Costs and expenses/(1-Taxable income rate)*Taxable income rate

The rules for taxable income rate are: 5%-20% for industry, commerce, transportation and traffic; 7%-20% for construction and realty development; 7%-25% for catering services; 20-40% for entertainment; and 10%-20% for other sectors.

Where the enterprises are engaged in multi-sectors, the taxable income rate shall be determined on the basis of the key sector regardless of whether there is separate accounting for different sectors.

Example 1:

Some enterprise has total revenue of 1 million yuan in the current year. The taxable income rate assessed by the local tax authorities is 10%. The tax payable by this enterprise is computed as:

Taxable income = 1 million yuan*10% = 100000yuan

Tax payable = 100000yuan*27% = 27000yuan

Example 2:

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Some enterprise has total cost and expenses of 170000 yuan of the current year. The taxable income rate assessed by the local tax authorities is 15%. The tax payable is computed as:

Taxable income = $170000\text{yuan}/(1-15%)*15\% = 30000\text{yuan}$

Tax payable = $3000\text{yuan}*18\% = 5400\text{yuan}$

The investors under administrative assessment can not enjoy the preferential treatment in Individual Income Tax



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