

➤ **Q: How to treat the receivables unrecoverable and business losses incurred by Individual Industrial and Commercial Households?**

A: The unrecoverable receivables related to production and business operation may be deductible upon examination by the competent tax department on the valid documents provided by the taxpayers (Those recovered in later years should be included in the income).

The losses incurred by taxpayers may, upon examination of the competent tax department, be carried forward to offset against the business income of the flowing year. In case of the business income of the following year is not enough to offset the losses, the losses may be carried forward to the subsequent years with maximum period of five years.

The difference due to the change of exchange rate at the time of converting into RMB the foreign currency for the settlement in course of production and business operation shall be treated as loss or gains of exchange, which is either deducted from or included in the income of the current period.

The net damages and loss of inventory making of fixed assets and current assets in course of production or business operation may be deducted in the current period after examination by the competent tax department on the inventory making materials.

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