

➤ **Q: How to compute the land appreciation tax payable?**

A: In calculating the land appreciation tax payable, the appreciation amount shall be first determined by deducting the sum of deductible items from the proceeds derived from the transfer of real estate by the taxpayer. Then according to the appreciation amount in proportion to the sum of deductible items, the applicable rate for each part of the appreciation amount shall be determined, on the basis of which the land appreciation tax payable for each part of the appreciation amount shall be computed. The add-up of the land appreciation tax payable for every part of the appreciation amount shall be the total amount of land appreciation tax payable by the taxpayer.

The formula for computing the amount of tax payable is;

$$\text{Tax payable} = \sum(\text{appreciation} * \text{applicable tax rate})$$

Example:

Some enterprise sold one building at the price of 60 million yuan. The sum of deductible items of costs, expenses and paid taxes is totally 30 million yuan. The amount of land appreciation tax payable by the enterprises is calculated as:

$$\text{Appreciation amount} = 60 \text{ million yuan} - 30 \text{ million yuan} = 30 \text{ million yuan}$$

$$\text{Tax payable} = 15 \text{ million yuan} * 30\% + 15 \text{ million yuan} * 40\% = 10.5 \text{ million yuan}$$

There is another simple way for calculation as follows:

- a. For the appreciation amount not exceeding 50% of the sum of deductible items:

$$\text{Tax payable} = \text{appreciation amount} * 30\%$$

- b. For the appreciation amount exceeding 50%, but not exceeding 100%, of the deductible items:

$$\text{Tax payable} = \text{appreciation amount} * 40\% - \text{sum of deductible items} * 5\%$$

- c. For the appreciation amount exceeding 100%, but not exceeding 200%, of the sum of the deductible items:

$$\text{Tax payable} = \text{appreciation amount} * 50\% - \text{sum of deductible items} * 15\%$$

- d. For the appreciation amount exceeding 200% of the sum of deductible items:

$$\text{Tax payable} = \text{appreciation amount} * 60\% - \text{sum of deductible items} * 35\%$$

For the same example above:

$$\text{Tax payable} = 30 \text{ million yuan} * 40\% - 30 \text{ million yuan} * 5\% = 10.5 \text{ million yuan}$$

Renminbi is used as the basic unit in calculating the land appreciation tax. When the income received from the transfer of real estate is in foreign currency, it shall be converted into Renminbi according to the exchange rate quoted by the people's bank of china on the day of payment or on the first day of the month of payment (or the rate worked out according to relevant rules), and then the amount of tax payable shall be calculated and paid on the basis of the Renminbi.

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