

➤ **Q: What income tax reductions and exemptions may be enjoyed by the enterprises with foreign investment and foreign enterprises located in Special Economic Zones, Economic and Technological Development Zones, Coastal Economic Open Zones, State New and high-tech Industry Development Zones and/or Bonded Zones?**

A: For the enterprises with foreign investment and foreign enterprises established in Special Economic Zones in Shenzhen, Zhuhai, Shantou and Xiamen and Hainan, Economic and Technological Development Zones (refer to the economic and technological development zones in the coastal port cities established with the approval of the state council), state new and high-tech industrial development zones and bonded zones, they may enjoy the following tax exemptions or reductions:

- a. 15% rate may be applicable for the enterprises with foreign investment established in special economic zones, the foreign enterprises having establishments or places in special economic zones engaged in production or business operation and the enterprises with foreign investment of a production nature in economic and technological development zones.
- b. 24% rate may be applicable for the enterprises with foreign investment of production nature established in coastal economic open zones, in the old urban districts of cities where the special economic zones or the economic and technological development zones are located, and in the open cities approved by the state council and for the enterprises with foreign investment established in national tour and holiday resorts.
- c. 15% rate may, upon approval by the state administration of taxation, be applicable for the enterprises with foreign investment of production nature established in the coastal open economic areas, the special economic zones, or in the old urban districts of cities where the economic and technological development zones are located, which are engaged in technology intensive or knowledge intensive projects, projects with foreign investment over US\$30 million and with long return period.
- d. Foreign banks, banks with Chinese and foreign joint investment and other financial institutions established in the special economic zones and other areas approved by the state council may be eligible for 15% rate on enterprise income tax if the capital input by the foreign investors or the operating funds of the branches appropriated by the foreign investors or the operating funds of the branches appropriated by the head office exceeds US\$10 million and the period of operation exceeds ten years. Moreover, these taxpayers may, upon approval by the local competent tax offices, enjoy income tax exemption for the first year and 50% tax reduction for the second and third years starting from the year of making profits.

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- e. 15% rate may be applicable for the enterprises with foreign investment recognized as new and high technology enterprises, which are established in the state new and high-tech industry development zones approved by the state council. Among them, Chinese-foreign joint ventures scheduled to make profit, be exempt from income tax in the first and second years upon approval by the local competent tax offices.
- f. The enterprises with foreign investment established in the special economic zones and engaged in service industry may, upon approval by the local competent tax office, be exempt from enterprise income tax for the first profit-making year and eligible for 50% reduction of the tax for the second and third years if the foreign investment exceeds US\$5million and the operational period is more than 10years.
- g. The enterprises with foreign investment of a production nature established in the bonded zones approved by the state council engaged in export processing business may enjoy 15% tax rate.



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