

➤ **Q: Under what circumstances are some expenses allowed to be deducted for the computation of business tax?**

A: Certain expenses are deductible for the computation of turnover in the following situations:

- a. For transportation enterprises carrying passengers or cargoes out of China and sub-contracting the passengers or cargoes to other transportation enterprises overseas, the turnover shall be the balance of freight charges for the whole journey less the freight charges paid to the other transportation enterprises overseas.
- b. For travel enterprises organizing tour groups to travel outside China and sub-contracting to other travel enterprises overseas, the turnover shall be the balance of tour charges for the whole journey less the payment made to sub-contracted travel enterprises.
- c. For the prime contractors in the construction business who sub-contract work to others, the turnover shall be the balance of the total contract sum less the payment made to the sub-contractors.
- d. For re-lending businesses, the turnover shall be the balance of interest on lending less the interest on borrowing.
- e. For banks and non-bank financial institutions buying and selling foreign currencies, marketable securities and non-commodity futures, the turnover shall be the balance of the selling price less the buying price.
- f. For entertainment performances by units or individuals, the turnover shall be the balance of the total box-office proceeds or block-booking proceeds after deduction of the payment to the relevant units and brokers.
- g. For tourist enterprises organizing tour groups to travel within the territory of China, the turnover shall be the balance of the total charges received after deduction of payment to other units for room charges, meal charges, transportation, admission fees and other charges.
- h. Turnover of transportation enterprises engaged in through transport business shall be the turnover actually received.
- i. For agency business, the turnover shall be the considerations received from the principal for agent business.
- j. For financial leasing businesses, the turnover shall be the balance of the total consideration plus relevant expenses (including salvage value) charged to the leases after deduction of the actual cost incurred to the leasers.
- k. Other situations as regulated by the ministry of finance

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