

Corporate Income Tax Time Limit and Place for Tax Payment

The enterprise income tax and local income tax payable by the enterprises with foreign investment and foreign enterprises shall be computed on annual basis and paid in advance to the local competent tax offices in quarterly installments. The taxpayers should file the quarterly tax returns for pre-payment of tax and pre-pay the tax to the local competent tax offices within fifteen days from the end of each quarter. The annual tax returns and the final accounting statements (regardless of gain or loss) shall be filed within four months from the end of each tax year and the final settlement shall be made within five months from the end of each tax year. Any excessive payment shall be refunded and any deficiency shall be paid.

The quarterly pre-payment of the enterprise income tax should be based on the actual amount of profits in each quarter. In case of having difficulty to do so, the taxpayers may pre-pay the tax based on one quarter of the taxable income of the previous tax year or by use of other method agreed by the local competent tax offices.

For the enterprises with foreign investment of chain operation crossing jurisdictions, the headquarters shall be responsible for reporting and paying the tax on consolidated basis.

Where the foreign enterprises have set up two or more business operation organizations in China, the enterprises may select one of them for consolidated report and payment of income tax. But this one operation organization should have the responsibility of monitoring the business operation of other business operation organizations and have complete accounting records and vouchers which can correctly reflect the revenue, cost, expenses and profits and losses of every operation organization.

Where consolidated report and payment of income tax is adopted, the selected business operation organization should submit application to the local tax authorities for examination. Where the business operation organizations are in the same province, autonomous region or municipality directly under the State Council, it shall be approved by the tax department at provincial level. Where the business operation organizations are not in the same province, autonomous region or municipality directly under the State Council, it shall be approved by the State Administration of Taxation.

Where the business organizations under the consolidation are subject to different tax rates, the taxable income should be respectively computed fairly and tax should be paid at different rates. Where any profit remains after offsetting of the profit and loss between different organizations, the tax should be paid at the rate applicable to the profit-making organization. In case of loss, the business organization should use the profit in later years to offset the loss and any profit remained after offsetting shall be subject to tax at the rate applicable to the organization, and the offsetting amount should be taxed at the rate applicable to the business

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organization devoting profits for offsetting the losses of the loss-making organization.

An enterprise which is merged, spun off or terminated in middle of the tax year shall, within sixty days after the local competent tax offices, with the excess payment refunded or deficiency made good.

For the foreign enterprises having no establishment or places in China and having income of profits, interest, rentals, royalties and/or other income from China and for the foreign enterprises having establishment or places in China but with the above income being not effectively connected with the establishment or places, the real beneficiaries shall be the taxpayers and the payers of the income shall be the withholding agents when paying the enterprise income tax. The tax shall be withheld from each payment made by the payers. The withholding agents should, within five days, turn the taxes withheld on each payment over to the State Treasury and submit a withholding income tax return to the local competent tax offices.



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