Accounting Standards for Enterprises No. 18 - Income Taxes

Cai Kuai [2006] No. 3

Chapter I General Provisions

Article 1With a view to regulating the recognition and measurement of enterprise income taxes and the presentation of relevant information, the present Standards are formulated according to the Accounting Standards for Enterprises - Basic Standards.

Article 2The "income taxes" as mentioned in the present Standards shall include all types of domestic and oversea tax amounts based on the amounts of taxable income of enterprises.

Article 3The present Standards shall not cover the recognition and measurement of government subsidies. But the temporary difference of income tax arising from government subsidies shall be recognized and measured according to the present Standard.

Chapter II Tax Base

Article 4Where an enterprise obtains assets or liabilities, it shall determine its tax base.

Where there is difference between the carrying amount of the assets or liabilities and its tax base, the deferred income tax assets or the deferred income tax liabilities shall be determined according to the present Standards.

Article 5The "tax base of an asset" shall refer to the amount which may be deducted from the taxable benefits when the amount of taxable income is calculated according to the tax law provisions during the course of the enterprise' recovering the carrying amount of the asset.

Article 6The "tax base of an liability" shall refer to the carrying amount of a liability minus the amount that can be deducted according to the tax law when the amount of taxable income is calculated in the future period.

Chapter III Temporary Difference

Article 7The "temporary difference" shall refer to the difference between the carrying amount of an asset or liability and its tax base.

As for an item that has not been recognized as an asset or liability, if its tax base can be determined in light of the tax law, the difference between the tax base and its carrying amount shall also be a temporary difference.

Pursuant to the effect of temporary differences on taxable amounts during future periods, they can be classified into taxable temporary differences and deductible temporary differences.

Article 8The term "taxable temporary difference" shall refer to temporary differences that will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled.

Article 9The term "deductible temporary difference" shall refer to temporary differences that will result in amounts that are deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

第四章 确认 <westbank> Chapter IV Recognition

Article 10An enterprise shall recognize the accrued income tax of the current period and prior periods as a liability, and shall recognize the part of the income tax already paid minus the payable amount as an asset.

Where there is any taxable temporary difference or deductible temporary difference, it shall be recognized as a deferred income tax liability or deferred income tax asset according to the present Standards.

Article 11Except for the deferred income tax liabilities arising from the following transactions, an enterprise shall recognize the deferred income tax liabilities arising from all taxable temporary differences:

(1)the initial recognition of business reputation;

(2)the initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:

(a) The transaction is not business combination;

(b) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

The deferred income tax liabilities arising from the taxable temporary differences related to the investments of subsidiary companies, associated enterprises and contractual enterprises shall be recognized according to Article 12 of the present Standard.

Article 12The taxable temporary differences related to the investments of subsidiary companies, associated enterprises and joint enterprises shall recognize corresponding deferred income tax liabilities. However, those that can simultaneously meet the following conditions shall be excluded:

(1)The investing enterprise can control the time of the reverse of temporary differences; and

(2)The temporary differences are unlikely to be reversed in the excepted future.

Article 13An enterprise shall recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference.

However, the deferred income tax assets, which are arising from the initial recognition of assets or liabilities during a transaction which is simultaneously featured by the following, shall not be recognized:

(1)This transaction is not business combination; and

(2)At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

On the balance sheet date, where there is any exact evidence showing that it is likely to acquire sufficient amount of taxable income tax in a future period to offset against the deductible temporary difference, the deferred income tax assets unrecognized in prior periods shall be recognized.

Article 14Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises can meet the following requirements simultaneously, the enterprise shall recognize the corresponding deferred income tax assets:

(1)The temporary differences are likely to be reversed in the expected future; and

(2)It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

Article 15As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

Chapter V Measurement

Article 16On the balance sheet day, the current income tax liabilities (or assets) incurred in the current period or prior periods shall be measured in light of the expected payable (refundable) amount of income taxes according to the tax law.

Article 17On the balance sheet day, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

In case the applicable tax rate changes, the deferred income tax assets and deferred income tax liabilities which have been recognized shall be re-measured, excluding the deferred income tax assets and deferred income tax liabilities arising from any transaction or event directly recognized as the owners' rights and interests, and the amount affected by them shall be recorded into the income tax expenses of the current period during which the change occurs.

Article 18The measurement of deferred income tax assets and deferred income tax liabilities shall reflect the effect of the expected asset recovery or liability settlement method on the balance sheet day on the income taxes, i.e. the tax rate and tax base, which is adopted at the time of measurement of the deferred income tax assets and deferred income tax liabilities and shall be identical with those of expected asset recovery or liability settlement method.

Article 19An enterprise shall not discount any deferred income tax asset or deferred income tax liability.

Article 20The carrying amount of deferred income tax assets shall be reexamined on balance sheet day. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the carrying amount of the deferred income tax assets shall be written down.

When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

Article 21The income taxes of the current period and deferred income tax of an enterprise shall be treated as income tax expenses or incomes, and shall be recorded into the current profits and losses, excluding the income taxes incurred under the following circumstances:

(1)the business combination; and

(2)the transactions or events directly recognized as the owner's rights and interests.

Article 22The income taxes of the current period and deferred income tax related to the transactions or events directly recorded in the owner's rights and interests shall be recorded into the owner's rights and interests.

Chapter VI Presentation

Article 23The deferred income tax assets and deferred income tax liabilities shall be respectively

China Business Engine
Tel +86 21 52289730
Fax +86 21 5228-9730

Website
China site：www.cbize.com
Globe site：www.cbize.net

presented as the non-current assets and non-current liabilities in the balance sheet.

Article 24The income tax expenses shall be presented separately in the profit statement.

25An enterprise shall, in its notes, disclose the following information related to the income taxes:

(1)the main constituent parts of the income tax expenses (incomes);

(2)a statement of the relationship between the income tax expenses (incomes) and the accounting profits;

(3)the amounts of deductible temporary difference or deductible loss of unrecognized deferred income tax assets (if there is a date due, it shall disclose the date due);

(4)every category of temporary difference and deductible loss, the amount of the deferred income tax assets or deferred income tax liabilities which are recognized during the presentation period, and the basis for the recognition of the deferred income tax assets; and

(5)as for any deferred income tax liabilities which have not been recognized, the amounts of temporary differences related to the investments of the subsidiary companies, associated enterprises and joint enterprise.

China Business Engine
Tel +86 21 52289730
Fax +86 21 5228-9730

Website
China site：www.cbize.com
Globe site：www.cbize.net