

Tax preferential treatment in China for hi-tech enterprises

The Enterprise Income Tax Law provides tax incentives for certain hi-tech enterprises. These include lower tax rates, potential tax holidays and exemption from Chinese business tax at five per cent.

Tax incentives

High/new technology enterprises (HNTEs)

- Corporate income tax (CIT) rate of 15% (instead of 25%)
- Two years' exemption from CIT and three years' 50% deduction if established in a special economic zone or the Shanghai Pudong new area

Qualified technologically advanced service companies (TASCs)

Until 31 December 2013, TASCs based in 21 model cities are entitled to:

- 15% CIT rate
- Business tax (BT) exemption (at five per cent) for outsourcing these services to non-Chinese based businesses

Foreign investment in west China

Reduced 15% CIT rate.

Software and integrated circuit industries

- Two year exemption and three year 50% deduction from CIT
- Potential amortisation period of two to three years for tangible or intangible fixed assets
- Preferential CIT rates for businesses with capital over RMB 8 billion or integrated circuit width of a certain size

BT exemption for offshore outsourcing service income

BT exemption up to 31 December 2013 for certain services including IT provided from 21 model cities in China to non-Chinese based businesses.

Tax exemption and deduction for technology developed in and transferred out of China

- Exemption for the first RMB 5 million of income generated from the technology transfer
- 50% deduction for income above RMB 5 million on transfer of technology
- BT exemption for income closely related to technology transfer and consulting

Enhanced deduction for research & development (R&D) expenses

- 50% enhanced R&D deduction
- 50% enhanced amortisation for intangibles relating to the R&D

Super deduction for disabled employees

- 200% deduction for disabled employees' wages
- Partial VAT refund based on disabled employees' wages



Recycling business

10% deduction on total income.

Special deduction on qualifying expenditure of specialist environmentally friendly equipment

Tax credit based on 10% of the purchase price of special equipment for environmental protection, energy and water saving, and manufacturing safety.

Who should I contact?

Whether you are looking to grow your business by exporting, investing or doing business in China, Grant Thornton's dedicated China Britain Services Group has the international capability, the cultural understanding and the partner commitment to help you drive your business forward.

Nick Farr

Partner and Head of China Britain Services Group

Grant Thornton UK LLP

T +44 (0)207 728 2691

E nick.farr@uk.gt.com