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**Circular of the State Council on Implementation of
Transitional Preferential Policies on Enterprise Income Tax**
国务院关于实施企业所得税过渡优惠政策的通知

Issued By **State Council**
Subject **Enterprise Income Tax**
Promulgated on **December 26th 2007**
Effective from **December 26th 2007**
Source www.gov.cn

According to Article 57 of the Enterprise Income Tax Law dated 1 January 2008, the State Council is entitled to make transitional tax preferential policies for enterprises in order to implement the unified tax rules provided by the law, and the State Council recently promulgated the Circular to explain the implementation of transitional preferential policies.

1. As of 1 January 2008, the original preferential policies with low tax rates shall be gradually intergraded into the unified rates within 5 years after the execution of the new tax law. Among which, the enterprises originally subjected to 15% tax rate shall subject to 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25%, which is the legal unified rate, in 2012. The enterprises originally subjected to 24% tax rate shall subject to the new tax rate of 25% as of 2008.

As of 1 January 2008, the enterprises originally enjoyed the policies of “two years exemption and three years half deduction” and “five years exemption and five years half deduction” may continue to enjoy such preferential policies until such policies are expired, however, if an enterprise fails to enjoy such preferential policies due to its failure of making profits, its preferential duration shall be calculated as of 2008.

Enterprises applicable to the abovementioned preferential policies refer to the enterprises incorporated prior to 16 March 2007, and the items and scope of such transitional preferential policies shall be interpreted in line with the List of Implementation of Transitional Preferential Policies on Enterprise Income Tax. Such List consists of 30 main categories which show the details of all kinds of currently available preferential policies.

2. Tax preferential policies on implementation of development of the Western Areas will be continuously enforced, and such preferential policies were provided by the

Circular of the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs on Issues of Preferential Policies on Taxation For the Strategy of the Great Development of the Western Areas (Caishui[2001]No.202).

3. Enterprises following the transitional preferential policies shall calculate the taxable income according to the provisions on income and deduction provided by the new tax law and its implementation regulations, and shall according to the first part of the Circular calculate the applicable tax preferential policies.

If preferential policies are intersectional between the transitional preferential policies mentioned by the Circular and the preferential policies provided by the new tax law and its implementation regulations, enterprises may choose the best favorable policies to them, however, enterprises shall not enjoy these two categories of preferential policies at the same time, and enterprises shall not change their minds upon option.

4. For more detailed information on preferential tax policies related to foreign investment in China, the foreign investors are strongly suggested contact with lawyers who are experts in such tax field.

Interim Regulations of the People's Republic of China on Farmland Occupation Tax

中华人民共和国耕地占用税暂行条例

Issued By	State Council
Subject	Farmland Occupation Tax
Promulgated on	December 1st 2007
Effective From	January 1st 2008
Source	www.gov.cn

The farmland occupation tax is levied where farmland is occupied for house-building or other non-agricultural purposes. The farmland mentioned by the Regulations is the land for the purpose of planting of crop. Foreign invested enterprises and foreign enterprises are also taxpayers in case farmland is occupied by them.

The farmland occupation tax shall be calculated according to the acreage of farmland that actually occupied, and levied in a lump sum to the appropriate tax amount. The tax amount shall be: per square meter in each county,

1. RMB 10 to 50 where average farmland per person is less than 1 acre;
2. RMB 8 to 40 where average farmland per person is more than 1 but less than 2 acres;
3. RMB 6 to 30 where average farmland per person is more than 2 but less than 3 acres; and
4. RMB 5 to 25 where average farmland per person is more than 3 acres. And the average tax amount of each province, autonomous region and municipality shall be clarified by the state tax administrative department.

In case farmland is occupied for medical, educational, military and rest home services, the farmland occupation tax is exempted. In case farmland is occupied for the purposes of railway, highway, parking apron, and port, the tax amount shall be RMB 2 per square meter.

The previous Interim Regulations promulgated on 1 April 1987 shall be abolished.

Circular on Average Tax Amount and the Commencement Time of the Duty of Tax-Payment of Farmland Occupation Tax (Caishui[2007]176)

关于耕地占用税平均税额和纳税义务发生时间问题的通知(财税[2007]176号)

Issued By	State Administration of Taxation
Subject	Farmland Occupation Tax
Promulgated on	December 28th 2007
Effective from	December 28th 2007
Source	www.chinatax.gov.cn

According to the Interim Regulations of the People's Republic of China on Farmland Occupation Tax, which came into force as of 1 January 2008, the SAT recently clarified the average tax amounts per square meter in each provinces, autonomous regions, and municipalities.

The average tax amount per square meter is RMB 45 in Shanghai, RMB 40 in Beijing, RMB 35 in Tianjin, RMB 30 in Jiangsu, Zhejinag, Fujian and Guangdong, RMB 25 in Liaoning,

Hubei and Hunan, RMB22.5 in Hebei, Anhui, Jiangxi, Shandong, Henan, Sichuan and Chongqing, RMB 20 in Guangxi, Hainan, Guizhou, Yunnan and Shanxi, RMB17.5 in Shanxi, Jilin and Heilongjiang, and RMB 12.5 in Inner Mongolia, Tibet, Qinghai, Ningxia and Xinjiang.

Notice that the above price is the average price, and the specific tax amount for farmland occupation shall be clarified by each county according to the Interim Regulations and the provisions of the Circular, and upon approval by the provincial government.

In case the farmland occupation is approved, taxpayers shall start to pay the tax as of the date that they receive the notice from competent land administrative department that requires them to proceed with the related procedures.

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