
CORPORATE INCOME TAX LAW OF THE PEOPLE'S REPUBLIC OF CHINA

(Amended in 2018) (Adopted at the 5th Session of the Tenth National People's Congress on March 16, 2007, amended for the first time in accordance with the Decision on Revision of the Corporate Income Tax Law of the People's Republic of China adopted at the 26th Session of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on February 24, 2017, and amended for the second time in accordance with the Decision on Revision of Four Laws Including the Electric Power Law of the People's Republic of China adopted at the 7th Session of the Standing Committee of the Thirteenth National People's Congress on December 29, 2018)



Chapter 1 General Provisions

Article 1

Enterprises and other organizations that derive income from or have income accruing in the People's Republic of China (hereinafter collectively referred to as "enterprises") shall be corporate income tax payers with corporate income tax payable pursuant to the provisions of this Law. This Law shall not apply to enterprises wholly-owned by an individual and partnership enterprises.

Article 2

Enterprises shall be divided into resident enterprises and non-resident enterprises. A resident enterprise referred to in this Law shall mean, an enterprise lawfully incorporated in China, or an enterprise lawfully incorporated pursuant to the laws of a foreign country (region) but where actual management functions are conducted in China. A non-resident enterprise referred to in this Law shall mean, an enterprise lawfully incorporated pursuant to the laws of a foreign country (region) that has an office or premises established in China with no actual management functions performed in China, or an enterprise that has income derived from or accruing in China although it does not have an office or premises in China

Article 3

Corporate income tax shall be payable by a resident enterprise for income derived from or accruing in or outside China. Corporate income tax shall be payable by a non-resident enterprise, for income derived from or accruing in China by its office or premises established in China, and for income derived from or accruing outside China for which the established office or premises has a de facto relationship. Where the non-resident enterprise has no office or premises established in China or the income derived or accrued has no de facto relationship with the office or premises established, corporate income tax shall be payable by the non-resident enterprise for income derived from or accruing in China.

Article 4

The corporate income tax shall be at the rate of 25%. The applicable tax rate for income of a non-resident enterprise under the provisions of the third paragraph of Article 3 shall be 20%.

Chapter 2 Taxable Amount of Income

Article 5

The taxable amount of income of an enterprise shall be the total income of the enterprise in each tax year less non-taxable income, tax-exempt income, various deductions and permitted amount of losses in previous years made good.

Article 6

The total income of an enterprise comprises monetary and non-monetary forms of income received by the enterprise from various sources, which include:

1. income from sale of goods;
2. income from provision of labor services;
3. income from transfer of property;
4. gains from dividends, bonus issues or other returns on equity investment;
5. interest income;
6. rental income;
7. income from royalties;
8. income from gifts and donations; and
9. other income.

Article 7

The following income within the total income is deemed as non-taxable income:

1. financial allocation;
2. administrative and institutional expenses and government funds lawfully collected and brought under financial administration;
3. other non-taxable income stipulated by the State Council

Article 8

Costs, expenses, taxes, losses and other reasonable expenditure incurred in relation to income received by an enterprise may be deducted when computing the taxable amount of income

Article 9

Expenditure in the form of charitable donations and gifts which falls within 12% of the gross annual profit by an enterprise, may be deducted when computing the taxable amount of income; the portion in excess of 12% of the gross annual profit may be carried forward for deduction when computing the taxable amount of income for the next three years

Article 10

The following expenditures may not be deducted when computing the taxable amount of income:

1. dividends, bonus issues or other returns on equity investment issued to investors;
2. corporate income tax;
3. late tax payment fine
4. penalties, fines and losses on confiscated property;
5. expenditures in the form of donations and gifts other than those stipulated in Article 9;
6. sponsorship expenditure;
7. expenditures out of the capital reserves that have yet been audited and determined;
8. other expenses unrelated to income

Article 11

Fixed asset depreciation computed by an enterprise pursuant to provisions may be deducted when computing the taxable amount of income. Depreciation is not deductible for the following fixed assets:

1. fixed assets other than houses and buildings that have not been put into use;
2. fixed assets rented under an operating lease;
3. fixed assets rented out under a financing lease;
4. fixed assets still in use despite having been fully depreciated;
5. fixed assets unrelated to business activities;
6. independently valued land that is regarded as a fixed asset account entry; and
7. other fixed assets for which deduction of depreciation is not allowed.

Article 12

Amortization of intangible asset expenses computed by an enterprise pursuant to provisions may be deducted when computing the taxable amount of income. Amortization of expenses is not deductible for the following intangible assets:

1. expenditure for intangible assets developed by the enterprise that have already been deducted during computation of the taxable amount of income;
2. individually created goodwill;
3. intangible assets unrelated to business activities;
4. other intangible assets for which deduction of amortization expenses is not allowed

Article 13

The following expenditures incurred by an enterprise as long-term prepaid expenses that are amorti-

zed pursuant to provisions may be deducted when computing the taxable amount of income:

1. expenditure for the reconstruction of fixed assets which have been fully depreciated;
2. expenditure for the reconstruction of fixed assets under lease;
3. expenditure for the overhaul of fixed assets; and
4. other expenditure which ought to be regarded as long-term prepaid expenses

Article 14

Asset investment costs for asset investments made by an enterprise during the period of external investment may not be deducted when computing the taxable amount of income.

Article 15

Inventory costs computed by an enterprise pursuant to provisions for inventory used or sold by the enterprise may be deducted when computing the taxable amount of income.

Article 16

The net value of an asset transferred by an enterprise may be deducted when computing the taxable amount of income.

Article 17

When an enterprise consolidates computation of the corporate income tax payable, it shall not set-off an overseas business entity's losses against the profits of a business entity in China

Article 18

Where an enterprise incurs a loss in a tax year, the enterprise is allowed to carry the loss forward to subsequent years to be set-off against income from subsequent years, provided the loss carried forward does not exceed five years

Article 19

The taxable amount of income for income derived by or accruing to a non-resident enterprise pursuant to the provisions of the third paragraph of Article 3 shall be computed as follows:

1. the taxable amount of income for gains from dividends, bonus issues or other returns on equity investment, and income from interest, rental and royalty shall be the total amount of gains or income;

2. the taxable amount of income for a transfer of property shall be the total amount of income from the transfer less the net value of the property; and
3. the taxable amount of income for all other income shall be computed with reference to the above methods stipulated in items (1) and (2).

Article 20

The specific scopes, standards and asset tax treatment measures for incomes and deductions stipulated in this Chapter shall be formulated by the finance and taxation departments of the State Council

Article 21

Where an enterprise's financial and accounting methods during computation of the enterprise's taxable amount of income are inconsistent with the provisions in tax laws and administrative regulations, the provisions in laws and administrative regulations shall prevail

Chapter 3 Tax Amount Payable

Article 22

The amount of tax payable by an enterprise shall be its taxable amount of income multiplied by the applicable tax rate less any tax reduction and exemption incentives stipulated in this Law

Article 23

Where an enterprise has paid income tax overseas for any of the following income derived, the income tax paid overseas may be used to set-off the amount of tax payable for the current period; the total allowable amount of tax set-off shall be limited to the total amount of tax payable over such income pursuant to the provisions of this Law; amounts in excess of the tax set-off limit for the current period may be used to set-off the amount of tax payable for subsequent periods within their tax set-off limits within the next five years:

1. taxable income derived by a resident enterprise outside China;
2. taxable income derived from or accruing outside China by a non resident enterprise with office or premises established in China for which the income has a de facto relationship with the offices or premises in China

Article 24

Where dividends, bonus issues or other returns on equity investment gains from sources outside China are distributed to a resident enterprise by a foreign enterprise controlled directly or indirectly by the resident enterprise, the portion of overseas income tax paid by the foreign enterprise for the said gains which is part of corporate income tax may be set-off against the amount of overseas income tax payable by the resident enterprise within the tax set-off limits stipulated in Article 23.

Chapter 4 Tax Incentives

Article 25

The State grants corporate income tax incentives to key industries and projects supported and encouraged by the State.

Article 26

The following enterprise income shall be tax-exempt income:

1. income from interest on treasury bonds;
2. gains from dividends, bonus issues or other returns on equity investment between qualified resident enterprises;
3. gains from dividends, bonus issues or other returns on equity investment obtained by a non-resident enterprise with an office or premises established in China, from a resident enterprise which has a de facto relationship with the offices or premises; and
4. income of qualified non-profit organizations

Article 27

Corporate income tax may be reduced or exempted for the following enterprise income:

1. income from agriculture, forestry, husbandry and fishery projects;
2. income from investment in and operation of key public infrastructure projects supported by the State;
3. income from qualified environmental protection, energy conservation and water conservation projects;
4. income from qualified technology transfer projects; and
5. income stipulated under the third paragraph of Article 3.

Article 28

Corporate income tax for qualified small profit enterprises shall be at a reduced tax rate of 20%. Corporate income tax for key advanced and new technology enterprises supported by the State shall be at a reduced tax rate of 15%

Article 29

The autonomous agency of an ethnic autonomous region may reduce or exempt the autonomous region's share of entitlement to corporate income tax payable by enterprises of the ethnic autonomous regions. The decision of an autonomous prefecture or autonomous county to reduce or exempt corporate income tax must be submitted to the People's Government of the relevant province, autonomous region or centrally-administered municipality for approval

Article 30

The following expenditure of an enterprise may be deducted when computing the taxable amount of income:

1. research and development expenses for the development of new technologies, new products and new processes;
2. wage payments for placement arrangements of disabled employee and other employees as encouraged by the State

Article 31

Where venture capital enterprises engage in key venture capital investments supported and encouraged by the State, the taxable amount of income may be set-off against a certain percentage of the investment amount.

Article 32

Where accelerated depreciation of an enterprise's fixed assets is necessary as a result of advancement in technology, the total number of years of depreciation may be reduced or an accelerated depreciation method may be adopted.

Article 33

Income from the consolidated utilization of resources and the manufacture of products which comply with State industrial policy provisions may be deducted when computing the taxable amount of income.

Article 34

Investments by an enterprise in the acquisition of special facilities for environmental protection, energy conservation, water conservation, work safety and other special facilities may be set-off against the taxable amount based on a certain percentage.

Article 35

Specific measures on tax incentives stipulated by this Law shall be formulated by the State Council.

Article 36

The State Council may, pursuant to the needs of the national economy and social development or any major effect that unexpected events may have on enterprise business activity, formulate special incentive policies for corporate income tax and file records with the Standing Committee of the National People's Congress.

Chapter 5 Deduction at Source

Article 37

Income tax over non-resident enterprise income pursuant to the provisions of the third paragraph of Article 3 shall be subject to withholding at the source, where the payer shall act as the withholding agent. The tax amount for each payment made or due shall be withheld by the withholding agent from the amount paid or payable.

Article 38

The tax authorities may designate the payer of project fees or labor service fees as the withholding agent to withhold income tax over non-resident enterprise income derived in China from projects or the provision of labor services

Article 39

Where a withholding agent fails to withhold tax or perform tax withholding obligations pursuant to the provisions of Article 37 and Article 38, the taxpayer shall pay tax at the place where the income is derived. Where the taxpayer fails to pay tax pursuant to law, the tax authorities may demand payment of the tax amount payable, from a payer of the taxpayer with payable tax amounts from other taxable income items in China

Article 40

Withholding agents shall turn over tax withheld to the Treasury within seven days from the date of withholding and file a corporate income tax withholding report with the tax authorities at their location

Chapter 6 Special Tax Adjustment

Article 41

Where business dealings between an enterprise and its interested parties fail to comply with the independent transaction principle, and reductions are made to the taxable income or the amount of income of the enterprise or its interested parties, the tax authorities have a right to make adjustments according to a reasonable method. Where intangible assets are jointly developed or transferred by an enterprise and its interested party, or labor services are jointly provided or received by an enterprise and its interested party, costs shall be apportioned according to the independent transaction principle when computing the taxable amount of income.

Article 42

An enterprise may propose the pricing principle and computation method for business dealings between the enterprise and its interested parties to the tax authorities. Pre-determined pricing arrangements shall be concluded after negotiation and confirmation between the tax authorities and the enterprise

Article 43

An enterprise shall attach an annual interested party business dealings report for all business dealings between the enterprise and its interested parties when filing annual corporate income tax returns. Where the tax authorities conduct investigations into interested party business dealings, the enterprise and its interested parties and other enterprises related to the interested party business dealing under investigation shall provide the relevant information pursuant to the provisions

Article 44

Where an enterprise fails to provide information on a business dealing between the enterprise and its interested parties, or provides false or incomplete information which fails to reflect the true nature of the interested party business dealing, the tax au-

thorities have the right to determine the taxable amount of income pursuant to law.

Article 45

Where the actual tax burden of an establishment controlled by a resident enterprise or by a resident enterprise jointly with Chinese residents, is clearly lower than an enterprise in a country (region) stipulated in the first paragraph of Article 4, and any undistributed or reduced distribution of profit does not result from reasonable operational needs, the share of the said profit attributable to the resident enterprise shall be included as income of the resident enterprise for the current period.

Article 46

Where the ratio of debt investment to equity investment from associated parties exceeds the prescribed standard, the interest expense so incurred shall not be deducted when calculating the amount of taxable income.

Article 47

Where the taxable income or amount of income of an enterprise is reduced as a result of arrangements with no reasonable commercial objectives implemented by the enterprise, the tax authorities have a right to make adjustments according to a reasonable method

Article 48

Where the tax authorities have made tax adjustments pursuant to the provisions of this chapter and the taxpayer is required to make up outstanding tax payments, the additional tax amount shall be levied and collected with interest pursuant to the provisions of the State Council.

Chapter 7 Administration of Levying and Collection

Article 49

The administration of levying and collection of corporate income tax shall comply with the provisions of this Law and the provisions of the Law of the People's Republic of China on Administration of Tax Levying and Collection

Article 50

Unless tax laws and administrative regulations pro-

vide otherwise, the place of incorporation shall be the location for tax payment by a resident enterprise; and the place of the actual management office shall be the location for tax payment by enterprises incorporated overseas. Where a resident enterprise has established a non-legal-person business entity in China, corporate income tax shall be computed and paid in a consolidated basis

Article 51

Where a non-resident enterprise derives income pursuant to the second paragraph of Article 3, the office or premises of the entity shall be the location for tax payment. Where a non-resident enterprise has established two or more offices or premises in China and meets the conditions prescribed by the taxation department of the State Council, the non-resident enterprise may arrange for its main office or premises to pay tax in a consolidated basis. Where a non-resident enterprise derives income pursuant to the third paragraph of Article 3, the location of the withholding agent shall be the venue for tax payment.

Article 52

Unless the State Council stipulates otherwise, enterprises shall not make combined payments of corporate income tax.

Article 53

Corporate income tax shall be computed based on a tax year. A tax year commences in 1 January and ends in 31 December of a calendar year. Where an enterprise commences operations or terminates business activities during a tax year and the actual period of business operations within the tax year is less than 12 months, the actual period of business operations shall be deemed as a tax year. When an enterprise undergoes liquidation pursuant to law, the period of liquidation shall be deemed as a tax year.

Article 54

Corporate income tax shall be prepaid on a monthly or quarterly basis. Enterprises shall file corporate income tax returns with the tax authorities and prepay tax within 15 days after each month or quarter ends. Enterprises shall file annual corporate income tax returns with the tax authorities within five months after each year ends, compute the tax payment and settle tax payments and refunds. Enterprises shall attach the financial accounting report and other rele-

vant materials pursuant to the provisions when filing corporate income tax returns.

Article 55

Where business activity is terminated by an enterprise during the year, it shall compute and settle corporate income tax for the current period with the tax authorities within 60 days after the date of termination of operations. The enterprise shall compute the income, file tax returns with the tax authorities and pay corporate income tax before completing de registration formalities.

Article 56

Corporate income tax paid pursuant to this Law shall be computed in Renminbi. Where the computation is made in a currency other than Renminbi, a Renminbi conversion shall be made for tax payment purposes.

Chapter 8 Supplementary Provisions

Article 57

Enterprises approved and incorporated prior to the promulgation of this Law and subject to low tax rates pursuant to tax laws and administrative regulations may implement a progressive transition to the tax rates stipulated in this Law within five years from the implementation of this Law pursuant to the provisions of the State Council; enterprises entitled to tax reductions and exemptions for a fixed period may, upon implementation of this Law, continue to enjoy the entitlements until the fixed period expires; but the preferential treatment period shall commence from the year of implementation of this Law for enterprises which have yet to make a profit to enjoy the entitlement. Advanced and new technology enterprises in statutory designated areas for foreign economic cooperation and technological exchange, and advanced and new technology enterprises in areas where special regional policies of the State Council are implemented, may be entitled to transitional tax incentives; the specific measures shall be stipulated by the State Council. Other encouraged enterprises determined by the State shall be entitled to tax reduction and exemption incentives pursuant to the provisions of the State Council.

Article 58

Where any tax treaty concluded between the Go-

vernment of the People's Republic of China and a foreign government contains provisions which differ from the provisions of this Law, the provisions of the relevant tax treaty shall prevail.

Article 59

The State Council shall formulate the implementation regulations pursuant to this Law

Article 60

This Law shall be effective January 1, 2008, repealing simultaneously the Corporate income tax Law of the People's Republic of China for Foreign Investment Enterprises and Foreign Enterprises adopted by the 4th Session of the Seventh National People's Congress on April 9, 1991 and the Provisional Regulations of the People's Republic of China on Corporate income tax promulgated by the State Council on December 13, 1993.



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