



Embassy of Israel
Beijing

שגרירות ישראל
בייג'ינג

Economic and Commercial Section

Tax rates table

General information	
Foreign Exchange Control	The government maintains strict exchange controls.
Accounting principles	New accounting standards based on IFRS were adopted in January 2007. Although currently only mandatory for publicly held companies listed in China, the standards will have a major effect in converging Chinese accounting and future reporting practices with the rest of the world.
Corporate Taxation	
Basis	Residence (a company established in China or its effective management is in China) are taxed on worldwide income, while nonresidents are taxed on China-source income and effectively connected income.
Taxation of dividends	An exemption applies for dividends paid by resident enterprises to other resident enterprises and to nonresident enterprises where those dividends represent effectively connected income of an establishment in China of the nonresident enterprise. This exemption will not apply where the shares held are publicly issued and have held for less than 12 months.
Losses	May be carried forward for 5 years . Carryback is not permitted.
Tax Rate	Starting from 2008, the standard company income tax rate fell from 33% to 25% . Special rates apply to small and thin-profit enterprises (20%) and state encouraged new high-technology enterprises (15%).
Incentives	A new incentive regime was introduced starting in 2008. Principal incentives include 15% preferential tax rate applicable to state encouraged new high-technology enterprises and 50% super deduction for qualifying R&D expenditure. There is also a geographically based incentive focus on state-encouraged new high-technology enterprises established in or after 2008. To qualify, a newly established enterprise must be located and conducted its activities in Pudong or one of 5 special Economic Zones (Shenzhen, Zhuhai, Shantou, Xiamen and Hainan). The incentive (in addition to the 15% rate that applies to all state-encouraged new high-technology enterprises) is a 2 year tax holiday followed by 3 years of tax at a 12.5% rate . Tax exemption and other preferences apply to agriculture, major infrastructure projects, certain environmental and production safety projects, etc.
Withholding Tax	
Dividends	10% starting in 2008 (previously, paid by a Chinese company 25% or more owned by foreign persons).
Interest	10% starting in 2008. The tax arrangement with Hong Kong provides for a lower rate of 7%.
Royalties	10% starting in 2008. A 5% business tax is applicable in addition to the 10% income tax withholding, unless an exemption is obtained because the royalty is technology-related.



Embassy of Israel
Beijing

שגרירות ישראל
בייג'ינג

Economic and Commercial Section

Other tax on corporation	
Real Property Tax	Urban real-estate tax, which is levied on urban land and buildings, is paid by the owner of the real estate at 1.2% per annum on the original cost less a variable allowance or at 12% per annum on rental income. A land usage tax/fee is imposed on land area occupied at taxable rates per square meter that range from 0.6 RMB to 30 RMB per square meter. Other generally minor local levies can apply.
Social security	Employers are required to contribute about 20% of basic payroll for the state-administrated retirement scheme. The actual percentage of contribution varies by location.
Other	Deed tax is imposed at 3%-5% on the total value of land use rights or building ownership rights when transferred. Land Value Added Tax is imposed on the gain realized on the transfer of real estate. Tax is charged in 4 bands ranging from 30% to 60%.
Other taxes on individuals	
Stamp duty	0.05% to 0.1% applies to contracts; agreements and certain documents, and 5 RMB per documentation of rights and licenses.
Social security	Vary across the country.
Value Added Tax	
Taxable transactions	VAT applies to the sales of goods, processing, repair services and import of goods.
Rates	Standard rate is 17%; a lower rate of 13% applies to grain and edible oils, books, water and certain agricultural inputs such as fertilizers. A 6% VAT rate applies to small enterprises and lower rates can apply to second hand property. Different from most other countries, upon export, there is an inability to zero-rate many products.
Other	A business Tax and Consumption Tax also are imposed. Business Tax is a turnover tax imposed on the provision of taxable labor services, the assignment of intangible assents and the sale of immovable property within China. Consumption tax applies to alcohol, fireworks, hair and skin care products, jewelry, motor vehicles, petrol and tobacco. Business Tax rates are 3%-5% withheld at source for most services, but a 20% rate applies to entertainment. Consumption Tax rates range from 3% to 50%.
Source of tax law – Enterprise Income Tax Law; Individual Income Tax Law; Provincial Rules on Value Added Tax; Provisional Rules on Value Added Tax Implementing Rules; Provincial Rules on Business Tax.	
Tax authorities – State Administration of Taxation	