

## **Preferential Tax Policies for Technological-advanced Service Enterprises**

On November 5th, the Chinese government issued a Circular on Tax Policies for Technologically-advanced Service Enterprises, specifying preferential enterprise income tax (EIT) policies for advanced technology service enterprises.

Outsourcing service enterprises, which are qualified as technologically-advanced, can be subject to a preferential EIT rate of 15% rather than the unified 25% rate. This Circular was retrospectively effective as of July 1, 2010 and will be effective until December 31, 2013. Moreover, it is applicable to advanced technology service enterprises that are located in 21 cities, including: Beijing, Tianjin, Shanghai, Chongqing, Guangzhou, Dalian, Shenzhen, Wuhan, Harbin, Chengdu, Nanjing, Xi'an, Jinan, Hangzhou, Hefei, Nanchang, Changsha, Daqing, Suzhou, Wuxi and Xiamen.

In addition, the education cost, that does not exceed 8% of the company's total salary outcome, can be removed from the calculation of its total income. The amount that exceeds 8% will be carried forward to following tax years.

The circular specifies the qualification requirements for technologically-advanced service enterprises, as well as administration measures.

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