

China Taxation Preferential Policy on Income Deduction for Corporate Income Tax

'Income deduction' refers to a preferential tax measure that allows income from certain business activities to be reduced by a certain proportion. There are 5 preferential situations listed as following:

1. Comprehensive utilization of resources

According to Chinese tax law, if sales income obtained from products that not restricted or prohibited by Government and conform to relevant national & industrial standards with resources specified in Preferential Catalogue of Enterprise Income Tax for Comprehensive Utilization of Resources as the main raw material, it be accounted into total income of current year by 90%.

2. Financial institutions provide microcredit services for farmers

According to Chinese tax law, from 1 January 2017 to 31 December 2023, interest income obtained by financial institutions from microcredit for farmers shall be accounted into total income by 90% in taxable income computation.

3. Insurance enterprise provide services for planting and breeding industry

According to Chinese tax law, from 1 January 2017 to 31 December 2023, insurance income obtained by insurance company from services for planting and breeding industry shall be accounted into total income by 90% in taxable income computation.

4. Microfinance company provide small loan to farmer

According to Chinese tax law, from 1 January 2017 to 31 December 2023, interest income from small loan for farmers that obtained by microfinance company established with the approval of provincial

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finance administration departments (financial office, financial bureau, etc.) shall be accounted into total income by 90% in taxable income computation.

5. Corporate investor holds railway bonds

Railway bonds refer to the bonds issued and repaid by China Railway Corporation, including China railway construction bonds, medium-term notes, short-term financing bonds and other debt financing instruments. Corporate Income Tax of interest income will be halved for corporate investors holding railway bonds issued in 2019-2023.

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