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## China Taxation Summary of Preferential Tax Policies for Small Enterprises

The State Taxation Administration and the Ministry of Finance of the People's Republic of China have issued a series of preferential tax policies to support the development of small enterprises. We have hereby summarized these preferential tax policies as below:

### 1. Criteria of Small Low-profit Enterprises

Small low-profit enterprises refer to those enterprises engaged in non-restricted and non-prohibited industries of China and meet the following conditions:

Annual taxable income is less than RMB3,000,000, the number of employees is less than 300, and the total assets are less than RMB50 million.

The number of employees includes those who have established employment relations with the enterprise and who are working for the enterprise through labour dispatching.

The number of employees and the total assets shall be the average value of each quarter within one calendar year. The calculation formula is as follows:

The average value for each quarter = (beginning value of the quarter + closing value of the quarter) / 2

The average value for a whole year = the total of the average value of each quarter / 4

Those who commence business or cease operation in the middle of a year, the aforesaid related indicators shall be calculated based on actual operation period.

### 2. Enterprise Income Tax Preferential Policies for Small Low-profit Enterprises

From January 1, 2019 to December 31, 2021, for the portion of the annual taxable income of small low-profit enterprises that does not exceed RMB1,000,000, it will be reduced to 25% when calculating and paying enterprise income tax and the applicable rate is 20%. For the portion of annual taxable income exceeding RMB1,000,000 but not more than RMB3,000,000, 50% shall be deducted from the taxable income and enterprise income tax shall be calculated and paid at the rate of 20%.

### 3. VAT Preferential Policies for VAT Small-scale Taxpayers

From January 1, 2019 to December 31, 2021, VAT small-scale taxpayers whose monthly sales are not more than RMB100,000 (quarterly sales not exceeding RMB300,000 for enterprises making tax declaration on quarterly basis) are exempt from VAT.

### 4. Other Tax Preferential Policies

From January 1, 2019 to December 31, 2021, VAT small-scale taxpayers are subject to a 50% reduction in resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, and stamp tax (excluding securities transaction stamp tax), farmland occupation tax, education fee surcharge and local education surcharge.

Enterprises whose monthly sales are not more than RMB100,000 (quarterly sales not exceeding RMB300,000 for enterprises making tax declaration on quarterly basis), are exempted from educational surcharge, local educational surcharge, water conservancy construction fund.

*If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at [www.kaizencpa.com](http://www.kaizencpa.com) or contact us through the following and talk to our professionals:*

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