

(2) entering into agency agreements or contracts with principals, storing on a regular basis products or commodities owned by principals, and delivering on behalf of principals such products or commodities to other parties; and

(3) having authority to represent principals on a regular basis in signing of sales contracts or in accepting of purchase orders.

Article 5 "Head office" mentioned in Article 3 of the Tax Law refers to the central organization which is established in China by an enterprise with foreign investment as a legal person pursuant to the laws of China and which is responsible for the management, operations and control over such enterprise.

Income from production and business operations and other income derived by the branches within or outside China of an enterprise with foreign investment shall be consolidated by the head office for purposes of the payment of income tax.

Article 6 "Income derived from sources inside China" mentioned in Article 3 of the Tax Law refers to:

(1) income from production and business operations derived by enterprises with foreign investment and foreign enterprises which have establishments or places in China, as well as profits (dividends), interest, rents, royalties and other income arising within or outside China actually connected with establishments or sites established in China by enterprises with foreign investment or foreign enterprises;

Article 8 "Tax year" mentioned in Article 4 of the Tax Law begins on January 1 and ends on December 31 under the Gregorian Calendar.

Foreign enterprises that have difficulty computing taxable income in accordance with the tax year stipulated in the Tax Law may, upon approval by the local tax authorities of an application submitted by such enterprises, use their own 12month fiscal year as the tax year.

Enterprises commencing business operations in the middle of a tax year or actually operating for a period of less than 12 months in any tax year due to such factors as merger or shutdown shall use the actual period of operations as the tax year.

Enterprises that undergo liquidation shall use the period of liquidation as the tax year.

Article 9 "The competent authority for tax affairs under the State Council" mentioned in Article 8, paragraph 3 and Article 19, paragraph 3, Item (4) of the Tax Law and Article 72 of these Rules refers to the Ministry of Finance and the State Tax Bureau.

Chapter II Computation of Taxable Income

Article 10 "The formula for the computation of taxable income" mentioned in Article 4 of the Tax Law is as follows:

(1) Manufacturing:

(a) taxable income = (profit on sales) + (profit from other operations) + (non-business income) - (non-business expenses);

(b) profit on sales = (net sales) - (cost of products sold) - (taxes on sales) - [(selling expenses) + (administrative expenses) + (finance expenses)];

(c) net sales = (gross sales) - [(sales returns) + (sales discounts and allowances)];

(d) cost of products sold = (cost of products manufactured for the period) + (inventory of finished products at the beginning of the period) - (inventory of finished products at the end of the period);

(e) cost of products manufactured for the period = (manufacturing costs for the period) + (inventory of semifinished products and products in process at the beginning of the period) - (inventory of semi-finished products and products in process at the end of the period);

(f) manufacturing costs for the period = (direct materials consumed in production for the period) + (direct labour) + (manufacturing expenses).

(2) Commerce:

(a) taxable income = (profit on sales) + (profit from other operations) +

crude oil of similar quality.

Article 13 In respect of income obtained by enterprises in the form of non-monetary assets or rights and interests, such income shall be computed or

- (1) expenses in connection with the acquisition or construction of fixed assets;
- (2) expenses in connection with the transfer or development of intangible assets;
- (3) interest on capital;
- (4) various income tax payments;
- (5) fines for illegal business operations and losses due to the confiscation of property;
- (6) surcharges and fines for overdue payment of taxes;
- (7) the portion of losses due to natural disasters or accidents for which there has been compensation;
- (8) donations and contributions other than those used in China for public welfare or relief purposes;
- (9) royalties paid to the head office;
- (10) other expenses not related to production or business operations.

Article 20 Reasonable administrative expenses paid by a foreign enterprise with an establishment or site in China to the head office in connection with production or business operations of the establishment or site shall be permitted to be itemized as expenses following agreement by the local tax authorities after an examination and verification of documents of proof issued by the head office in respect of the scope of the administrative expenses, total amounts, the basis and methods of allocation, which shall be provided together with an accompanying verification report of a certified public accountant.

Administrative expenses in connection with production and business operations shall be allocated reasonably between enterprises with foreign investment and their branches.

Article 21 Reasonable interest payments incurred on loans in connection with production and business operations shall be permitted to be itemized as expenses following agreement by the local tax authorities after an examination and verification of documents of proof, which shall be provided by the enterprises in respect of the loans and interest payments.

Interest paid on loans used by enterprises for the purchase or construction of fixed assets or the transfer or development of intangible assets prior to the assets being put into use shall be included in the original value of the assets.

"Reasonable interest" mentioned in the first paragraph of this Article refers to interest computed at a rate not higher than normal commercial lending rates.

Article 22 Entertainment expenses incurred by enterprises in connection with production and business operations shall, when supported by authentic records or invoices and vouchers, be permitted to be itemized as expenses subject to the following limits:

(1) Where annual net sales are 15 million yuan (RMB) or less, not to exceed 0.5% of net sales; for that portion of annual net sales that exceeds 15 million yuan (RMB), not to exceed 0.3% of that portion of net sales.

(2) Where annual gross business income is 5 million yuan (RMB) or less, not to exceed 1% of annual gross business income; for that portion of annual gross business income that exceeds 5 million yuan (RMB), not to exceed 0.5% of that portion of annual gross business income.

Article 23 Exchange gains or losses incurred by enterprises during pre-construction or during production and business operations shall, except as otherwise provided by the State, be appropriately itemized as gains or losses for that respective period.

Article 24 Salaries and wages, and benefits and allowances paid by enterprises to employees shall be permitted to be itemized as expenses following agreement by the local tax authorities after an examination and verification of the submission of wage scales and supporting documents and relevant materials.

Foreign social security premiums paid by enterprises to employees working in China shall not be itemized as expenses.

Article 25 Enterprises engaged in such businesses as credit and leasing operations may, on the basis of actual requirements and following approval by the local tax authorities of a report thereon, provide year-by-year bad debt provisions, the amount of which shall not exceed 3% of the amount of the year-end loan balances (not including inter-bank loans) or the amount of accounts receivable, bills receivable and other such receivables, to be deducted from taxable income of that year.

The portion of the actual bad debt losses incurred by an enterprise which exceeds the bad debt provisions of the preceding year may be itemized as a loss in the current year; the portion less than the bad debt provisions of the previous year shall be included in taxable income of the current year.

Bad debt losses mentioned in the preceding paragraph shall be subject to approval after examination and verification by the local tax authorities.

Article 26 "Bad debt losses" mentioned in Article 25, paragraph 2 of these Rules refers to the following accounts receivable:

(1) due to the bankruptcy of the debtor, collection is still not possible after the use of the bankruptcy assets for settlement;

(2) due to the death of the debtor, collection is still not possible after the use of the estate for repayment;

(3) due to the failure of the debtor to fulfil repayment obligations for over two years, collection is still not possible.

Article 27 Accounts receivable already itemized as bad debt losses which are

recovered in full or in part by an enterprise in a subsequent year shall be included in taxable income of the year of recovery.

Article 28 Foreign enterprises with establishments or places in China may, except as otherwise provided by the State, deduct as expenses foreign income tax, which has been paid on profits (dividends), interest, rents, royalties and other income received from outside China and actually connected with such establishments or places.

Article 29 "Net assets or remaining property" mentioned in Article 18 of the Tax Law means the amount of all assets or property following deduction of various liabilities and losses upon the liquidation of an enterprise.

Chapter III Tax Treatment for Assets

Article 30 "Fixed assets of enterprises" means houses, buildings and structures, machinery, mechanical apparatus, means of transport and other such equipment, appliances and tools related to production a

production.

Article 33 In respect of the computation of depreciation of fixed assets, the

Article 38 The scope of railway rolling stock, ships, machinery, mechanical apparatus and other production equipment mentioned in Article 35, Item (2) of these

following agreement by the local tax authorities after examination and verification of certifying documents so submitted, compute depreciation according to the remaining useful life.

Article 42 Where expenditures incur during the course of the use of fixed assets due to increased value caused by expansion, replacement, reconstruction and technical innovation of fixed assets, the original value of fixed assets shall be increased; where the period of use of fixed assets can be extended, the useful life shall be appropriately extended and the computation of depreciation adjusted accordingly.

Article 43 No further depreciation shall be allowed in respect of fixed assets which can be continued to be used after having been fully depreciated.

Article 44 The balance of proceeds from the transfer or disposal of fixed assets by an enterprise shall, after deduction of the undepreciated amount or the salvage value and handling fees, be entered

petroleum (gas) resources are no longer maintained in China, reasonable exploration expenses already incurred in respect of the terminated contract field shall, upon examination and confirmation and the issuance of certification by the tax authorities, be permitted to be amortized against production income of a newly owned contract field when the new contract for cooperative exploitation of oil (gas) resources is signed within ten years from the date of the termination of the old contract.

Article 49 Expenses incurred by enterprises during the period of organization shall be amortized beginning with the month following the month in which production and business operations commence; the period of amortization shall not be less than five years.

The period of organization mentioned in the preceding paragraph means the period from the date of approval of the organization of the enterprise to the date of commencement of production and business operations (including trial production and trial business operations).

Article 50 Inventories of merchandise, finished products, goods in process, semi-finished products, raw materials, and other such materials of enterprises shall be valued at cost.

Article 51 Enterprises may choose one of the following such methods: first-in, first-out; moving average; weighted average or last-in, first-out as the method of computing actual costs in respect of the delivery or receipt and use of goods in stock.

Once a method of valuation has been adopted for use, no change shall be made thereto. Where a change in the method of valuation is indeed necessary, the matter

Enterprises have a duty to provide to the local tax authorities relevant materials such as standard prices and charges in respect of business dealings with their associated enterprises.

Article 54 Where prices in respect of purchase and sales transactions between an enterprise and its associated enterprises are not based on independent business dealings, adjustments may be made thereto by the local tax authorities according to the following arrangements and methods of determination:

(1) based on prices of the same or similar business activities between independent enterprises;

(2) based on the level of profits obtained from resales in respect of unassociated and unrelated third party prices;

(3) based on costs plus reasonable expenses and profit margin;

(4) based on any other reasonable method.

Article 55 Where interest paid or received in respect of accommodating financing between an enterprise and an associated enterprise exceeds or is lower than the amount that would be agreed upon by unassociated and unrelated parties, or where the rate of interest exceeds or is lower than the normal rate of interest in respect of similar business, adjustments may be made thereto by the local tax authorities with reference to normal rates of interest.

Article 56 Where labour service fees paid or received in respect of the provision of labour services by an enterprise to an associated enterprise are not based on business dealings between independent enterprises, adjustments may be made thereto by the local tax authorities with reference to the normal fee standards of similar labour activities.

Article 57 Where the valuation or the receipt or payment of usage fees in respect of such business dealings as the transfer of property or the granting of rights to the use of property between an enterprise and an associated enterprise is not based on business dealings between independent enterprises, adjustments may be made thereto by the local tax authorities with reference to amounts that would be agreed to by unassociated and unrelated parties.

Article 58 Management fees paid by an enterprise to an associated enterprise shall not be expensed.

Chapter V Withholding at Source

Article 59 "Taxable income on profits, interest, rents, royalties and other income" mentioned in Article 19, paragraph 1 of the Tax Law shall, except as otherwise stipulated by the State, be computed on the basis of gross income. Gross

royalties obtained from the provision of patents and proprietary technology include fees for blueprint materials, technical services and personnel training, as well as other related fees.

Article 60 "Profits" mentioned in Article 19 of the Tax Law means income derived from the right to profits according to the proportion of investment, equity rights, stockholding, or other non-debt profitsharing rights.

Article 61 "Other income" mentioned in Article 19 of the Tax Law includes gains from the transfer of property such as houses, buildings and structures and attached facilities within China and land-use rights.

"Gains" mentioned in the preceding paragraph means the amount remaining from the receipt on transfer minus the original value of the property. Where foreign enterprises are unable to provide correct certification of the original value of the property, the original value of the property shall be determined by the local tax authorities according to the specific circumstances thereof.

Article 62 "The amount of payment" mentioned in Article 19, paragraph 2 of the Tax Law means cash payments, payment by remittances, and amounts paid by account transfers, as well as amounts in equivalent cash value paid in noncash assets or rights and interests.

Article 63 "Profits obtained from an enterprise with foreign investment" mentioned in Article 19, paragraph 3, Item (1) of the Tax Law means income obtained from profits of an enterprise with foreign investment following the payment or the reduction of or exemption from income tax in accordance with the provisions of the Tax Law.

Article 64 "International finance organizations" mentioned in Article 19, paragraph 3, Item (2) of the Tax Law means financial institutions such as the International Monetary Fund, the World Bank, the Asian Development Bank, the International Development Association, and the International Fund for Agricultural Development.

Article 65 "Chinese State banks" mentioned in Article 19, paragraph 3, Item (2) and Item (3) of the Tax Law means the People's Bank of China, the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China, the People's Construction Bank of China, the Bank of Communications of China, the Investment Bank of China, and other financial institutions authorized by the State Council to engage in credit businesses such as foreign exchange deposits and loans.

Article 66 The scope of the reduction of or exemption from income tax on royalties provided for in Article 19, paragraph 3, Item (4) of the Tax Law is as follows:

(1) royalties received in providing proprietary technology for the development of farming, forestry, animal husbandry and fisheries:

(a) technology provided to improve soil and grasslands, develop barren mountainous regions and make full use of natural conditions;

(b) technology provided for the supplying of new varieties of animals and plants and for the production of pesticides of high effectiveness and low toxicity;

(c) technology provided such as to advance scientific production management in respect of farming, forestry, fisheries and animal husbandry, to preserve the ecological balance, and to strengthen resistance to natural calamities;

(2) royalties received in providing proprietary technology for scientific institutions, institutions of higher learning and other scientific research units to conduct or cooperate in carrying out scientific research or scientific experimentation;

(3) royalties received in providing proprietary technology for the development of energy resources and expansion of communications and transportation;

(4) royalties received in providing proprietary technology in respect of energy conservation and the prevention and control of environmental pollution;

(5) royalties received in providing the following proprietary technology in respect of the development of important fields of science and technology:

(a) production technology for major and advanced mechanical and electrical equipment;

(b) nuclear power technology;

(c) production technology for large-scale integrated circuits;

(d) production technology for photoelectric integrated circuits, microwave semi-conductors and microwave integrated circuits, and manufacturing technology for microwave electron tubes;

(e) manufacturing technology for ultra-high speed computers and microprocessors;

(f) optical telecommunications technology;

(g) technology for longdistance, ultra-high voltage direct current power transmission; and

(h) technology for the liquefactr-Ta

Article 68 Pursuant to the provisions of Article 6 of the Tax Law, the granting of any necessary preferential treatment in respect of enterprise income tax to enterprises with foreign investment that are encouraged by the State shall be implemented in accordance with the provisions of the relevant laws and administrative rules and regulations of the State.

Article 69 "Special economic zones" mentioned in Article 7, paragraph 1 of the Tax Law means the special economic zones of Shenzhen, Zhuhai, Shantou and Xiamen and the Hainan Special Economic Zone established by law or established upon approval of the State Council; economic and technological development zones mentioned therein means the economic and technological development zones in the coastal port cities established upon approval of the State Council.

Article 70 "Coastal economic open zones" mentioned in Article 7, paragraph 2 of the Tax Law means those cities, counties and districts established as coastal economic open zones upon approval of the State Council.

Article 71 "Imposition of enterprise income tax at the reduced rate of 15%" mentioned in Article 7, paragraph 1 of the Tax Law shall be limited to income obtained by enterprises from production and business operations in the respective areas so specified in Article 7, paragraph 1 of the Tax Law.

"Imposition of enterprise income tax at the reduced rate of 24%" mentioned in Article 7, paragraph 2 of the Tax Law shall be limited to income obtained by enterprises from production and business operations in the respective areas so specified in Article 7, paragraph 2 of the Tax Law.

Article 72 "Enterprises with foreign investment of a production nature" mentioned in Article 7, paragraph 1 and paragraph 2 and Article 8, paragraph 1 of the Tax Law means enterprises with foreign investment engaged in the following industries:

- (1) machine manufacturing and electronics industries;
- (2) energy resource industries (not including exploitation of oil and natural gas);
- (3) metallurgical, chemical and building material industries;
- (4) light industries, and textiles and packaging industries;
- (5) medical equipment and pharmaceutical industries;
- (6) agriculture, forestry, animal husbandry, fisheries and water conservation;
- (7) construction industries;
- (8) communications and transportation industries (not including passenger transport);
- (9) development of science and technology, geological survey and industrial information consultancy directly for services in respect of production and services in respect of repair and maintenance of production equipment and precision instruments;

State and established in other areas stipulated by the State Council. Enterprises with foreign investment in projects listed in Item(1) of the preceding paragraph shall, following approval by the State Tax Bureau

highways and power stations where the period of operations is 15 years or more shall, following application by the enterprise and approval thereof by the tax authorities of the municipality of Shanghai and commencing with the first profitmaking year, be exempt from enterprise income tax from the first year to the fifth year and subject to enterprise income tax at a rate reduced by one half for the sixth year through the tenth year.

(4) Enterprises with foreign investment established in the special economic zones and engaged in serviceoriented industries where the amount of the foreign investment exceeds US \$5 million and the period of operations is ten years or more shall, following application by the enterprise and approval thereof by the tax authorities of the special economic zone and commencing with the first profit-making year, be exempt from enterprise income tax in the first year and subject to enterprise income tax at a rate reduced by one half for the second and third years.

(5) Financial institutions such as foreign capital banks and Chineseforeign banks established in the special economic zones and other areas approved by the State Council where the capital contribution of the foreign investor or the funds for business activities allocated by the head office bank to the branch bank exceeds US \$10 million and the period of operations is ten years or more shall, following application by the enterprise and approval thereof by the local tax authorities and commencing with the first profit-making year, be exempt from enterprise income tax in the first year and subject to enterprise income tax at a rate reduced by one half for the second and third years.

(6) Chinese-foreign equity joint ventures recognized as high or new technology enterprises and established in the State high or new technology industrial development zones designated by the State Council where the period of operations is ten years or more shall, following application by the enterprise and approval thereof by the local tax authorities and commencing with the first profit-making year, be exempt from enterprise income tax in the first year and second year. Enterprises with foreign investment established in the special economic zones and the economic and technological development zones shall be governed by the preferential tax provisions of the special economic zones and the economic and technological development zones. Enterprises with foreign investment established in the new technology industrial development experimental zone of the municipality of Beijing shall be governed by the preferential tax provisions of the new technology industrial development experimental zone of the municipality of Beijing.

(7) Export-oriented enterprises invested in and operated by foreign businesses for which in any year the output value of all export products amounts to 70% or more of the output value of the products of the enterprise for that year may pay enterprise

income tax at the tax rate specified in the Tax Law reduced by one half after the period of enterprise income tax exemptions or reductions has expired in accordance with the provisions of the Tax Law. However, export-oriented enterprises in the special economic zones and economic and technological development zones and other such enterprises subject to enterprise income tax at the tax rate of 15% that qualify under the above-mentioned conditions shall pay enterprise income tax at the tax rate of 10%.

(8) Advanced technology enterprises invested in and operated by foreign

provisions of Article 8, paragraph 1 of the Tax Law shall not apply to enterprises engaged in the exploitation of such natural resources as petroleum, natural gas, rare metals and precious metals.

Article 79

technology enterprises.

Enterprises in which foreign investors have reinvested in respect of the organization or expansion thereof which within three years of commencing production or operations have not achieved the standards in respect of exportoriented enterprises or have not continued to be confirmed as advanced technology enterprises shall repay 60% of the amount of tax refunded.

these Rules, the actual amount of income tax paid abroad may be deducted from the amount of tax payable; where the deductible limit is exceeded, the portion in excess shall not be deducted from tax and shall not be itemized as an expense, however, the portion not exceeding the limit thereof may be used as a deduction against following year's taxes; the time limit for such supplemental deductions shall not exceed five years.

Article 86 The provisions of Article 83 to Article 85 of these Rules shall apply only to enterprises with foreign investment with head offices established within China. Enterprises with foreign investment that deduct taxes in accordance with the provisions of Article 12 of the Tax Law shall provide the original tax payment certificates signed and issued by the foreign tax authorities in respect of the same year; copies or tax payment certificates of different years shall not be used as tax deduction certificates.

Chapter VIII Tax Administration

Article 87 Enterprises shall, within 30 days of completing business registration, complete tax registration with the local tax authorities. Enterprises with foreign investment that establish or terminate branch offices outside China shall, within 30 days of the date of establishment or termination thereof, complete with the local tax authorities procedures in respect of tax registration, amendments to the registration, or cancellation of the registration.

Enterprises that complete registrations in the preceding paragraph shall, in accordance with the provisions, present relevant documents, licenses and materials.

Article 88 Enterprises that undergo important registration changes such as changes of address, restructuring, mergers, spin-offs, terminations, as well as changes in the amount of capital and scope of business shall, within 30 days of the completion of the change in business registration or prior to the cancellation of registration, complete the change in registration or cancellation of registration with the local tax authorities with the relevant documents.

Article 89 Foreign enterprises which establish two or more business organizations in China may use one of the selected business organizations in respect of the consolidated filing and payment of income tax. However, the business organization so selected shall meet the following conditions:

(1) assumption of supervisory and management responsibility over the business operations of the other respective business organizations;

(2) maintenance of complete account records and certificates which accurately reflect the income, cost, expense and profit and loss situations of the respective business organizations.

respective business organizations, the local tax authorities may make a reasonable apportionment among the respective business organizations of the gross taxable income based on the proportion of business revenues, the proportion of cost and expenses, the proportion of capital assets, and the proportion

supplementary tax payments in the case of underpayments of tax, the amount of supplementary tax payments shall be converted into Renminbi according to the foreign exchange rate at the date of issuance of the certificate for supplementary tax payments.

Article 99 Enterprises with foreign investment that undergo liquidation shall, prior to the completion of the cancellation of business registration, complete the filing of income tax returns with the local tax authorities.

Article 100 Except as otherwise provided by the State, enterprises shall maintain in China accounting vouchers, books and statements that support the correct computation of taxable income.

Accounting vouchers, books and statements, and reports of enterprises shall be completed in the Chinese language or completed in both the Chinese language and a foreign language.

Enterprises that use electronic computers for purposes of book-keeping shall treat the accounting records in computer storage or in printed form as account books. All records on magnetic tape and diskette that have not been printed out shall be completely retained.

Accounting vouchers, books and statements, and reports of enterprises shall be retained for at least 15 years.

Article 101 Invoices and certificates of receipts of enterprises shall be subjected to approval by the local tax authorities prior to printing and use.

Administrative measures in respect of the printing and use of invoices and certificates of receipts of enterprises shall be formulated by the State Tax Bureau.

Article 102 All enterprise income tax returns and certificates of tax payments shall be printed by the State Tax Bureau.

Article 103 If the final day of the period for payment of tax and the period for filing of a tax return falls on a Sunday or a legal holiday, the day following the holiday shall be used as the last day of the period.

Article 104 Tax authorities may pay withholding agents as specified in Article 19, paragraph 2 of the Tax Law and Article 67 of these Rules a handling fee based on a certain proportion of the am

provisions of Article 87; Article 90, paragraph 2; Article 95; Article 96; Article 97; Article 99; Article 100 and Article 101 of these Rules.

Article 107 "Tax evasion" mentioned in Article 25 of the Tax Law means the illegal actions of a taxpayer who has intentionally violated the provisions of the Tax Law such as by: falsifying, altering or destroying account books, receipts or accounting vouchers; falsely itemizing or overstating costs and expenses; concealing or understating taxable income or receipts; or avoiding taxes or fraudulently recovering taxes already paid.

Article 108 The tax authorities shall, in punishing taxpayers or withholding agents in accordance with the provisions of the Tax Law and these Rules, serve notice of contravention.

Article 109 Any entity or individual shall have the right to report a failure to comply with the Tax Law and the violators thereof. The tax authorities shall maintain confidentiality for informants and award them in accordance with the relevant provisions herein.

Chapter IX Supplementary Provisions

Article 110 Enterprises with foreign investment which completed business registration prior to the promulgation of the Tax Law may, in respect of the payment of income tax in accordance with the provisions of the Tax Law and where the liability for tax is higher than that prior to the entry into force of the Tax Law, use the original applicable tax rate during the approved period of operations. Where there is no established period of operations, income tax may be paid using the original applicable tax rate for five years commencing on the date of the entry into force of the Tax Law. However, in respect of the above-mentioned period, if during a tax year the tax liability is higher than that stipulated in the Tax Law, income tax shall be paid commencing with that tax year according to the tax rate stipulated in the Tax Law.

Article 111 Preferential treatment in terms of exemptions from and reductions of enterprise income tax enjoyed pursuant to the laws and administrative rules and regulations prior to the entry into force of the Tax Law by enterprises with foreign investment which completed business registration prior to the promulgation of the Tax Law may continue to remain in effect until the termination of the period of exemptions and reductions.

Enterprises with foreign investment which completed business registration prior to the promulgation of the Tax Law but which have not earned profits or have earned profits for less than five years may, in accordance with the provisions of Article 8, paragraph 1 of the Tax Law, be granted a corresponding period of treatment in respect

of exemptions from or reductions of enterprise income tax.

Article 112 Enterprises with foreign investment which completed business registration after the promulgation of the Tax Law but prior to the entry into force of the Tax Law may refer to the provisions of Article 110 and Article 111 of these Rules for implementation herein.

Article 113 The Ministry of Finance and the State Tax Bureau shall be responsible for the interpretation of these Rules.

Article 114 These Rules shall come into force on the effective date of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises. The Detailed Rules for the Implementation of the Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures and the Detailed Rules for the Implementation of the Income Tax Law of the People's Republic of China for Foreign Enterprises shall be abrogated at the same time.