

Interim Provisions of the State Council Concerning the Reduction of and
Exemption From Enterprise Income Tax and Consolidated Industrial and
Commercial Tax in the Special Economic Zones and
the Fourteen Coastal Port Cities
(Promulgated by the State Council on November 15, 1984)

In order to enable the four special economic zones, namely Shenzhen, Zhuhai, Xiamen, and Shantou and the fourteen coastal port cities, namely Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang, and Beihai to expand economic cooperation and technical exchange with foreign countries, attract foreign capital, introduce advanced technology and accelerate the construction of socialist modernization, companies, enterprises, and individuals from foreign countries, Hong Kong, Macao, and other regions (hereinafter referred to collectively "external investors") that invest in the above mentioned special zones and cities in setting up Chinese-foreign equity joint ventures, Chinese-foreign contractual joint ventures and foreign capital enterprises shall be accorded preferential treatment in the form of reduction of or exemption from enterprise income tax and consolidated industrial and commercial tax.

Chapter I Special Economic Zones

1. Chinese-foreign equity joint ventures, Chinese-foreign contractual joint ventures and foreign-capital enterprises (hereafter referred to as "special zone enterprises") established in the special economic zones (hereinafter referred to as "special zones") shall be subject to enterprise income tax at the reduced rate of 15% on income from production and business operations and other income. Of such enterprises:

(1) enterprises engaged in industry, communications and transport, agriculture, forestry, animal husbandry and other production-oriented industries that are scheduled to operate for a period of ten years or more shall, upon approval by the special zone tax authorities of applications filed by them, be exempt from income tax for the first and second years commencing from the first profit-making year, and shall be allowed a

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be subject to consolidated industrial and commercial tax at one half of the tax rates stipulated in the tax laws. The people's government of the special zone may also determine on its own to fully exempt or to collect a reduced consolidated industrial and commercial tax with respect to a minority of products. Other products shall no longer be subject to the consolidated industrial and commercial tax.

8. Special zone enterprises that transport inland imported goods in respect of which reductions of or exemptions from consolidated industrial and commercial tax have been granted or products produced in the special zones shall, at the time such goods are transported inland, make good reductions of or exemptions from consolidated industrial and commercial tax in accordance with the provisions of the tax laws. Reasonable quantities of luggage articles for daily use that individuals or external investors personally carry inland from the special zone for personal use shall be exempt from consolidated industrial and commercial tax.

9. The income of special zone enterprises engaged in commerce, communication and transport and service trades shall be subject to consolidated industrial and

1. Production-oriented enterprises organized as Chinese foreign equity joint ventures, Chinese-foreign contractual joint ventures and foreign capital enterprises (hereinafter referred to collectively as "old urban district enterprises") established in the old urban districts of the fourteen coastal port cities and the urban district of Shantou, Zhuhai and Xiamen municipalities (hereafter referred to collectively as "old urban districts") shall, upon approval of the Ministry of Finance, be subject enterprise income tax at the reduced rate of 15% respect of projects which are technology-intensive or knowledge-intensive, or in which the amount invested by foreign investors is 30 million US\$ or more and the investment recovery period is long or which involve energy development or construction of communications or port facilities.

Old urban district enterprises that do not qualify for the tax reductions prescribed in the preceding paragraph, but which involve one of the industries listed below, may, upon approval by the Ministry of Finance, be subject to enterprise income tax calculated at 80% of the tax rate stipulated in the tax laws:

- (1) machine manufacturing and electronics industries;
- (2) metallurgical, chemical and building materials industries;
- (3) light industries, textiles and packaging industries;
- (4) medical apparatus and instruments and pharmaceutical industries;
- (5) agriculture, forestry, animal husbandry and aquaculture industries and the related processing industries;
- (6) construction industries.

Reductions of and exemptions from enterprise income tax for old urban district enterprises shall be dealt with according to the above-mentioned preferential tax rates and in conformity with the time limits and scope stipulated in the Income Tax Law of the People's Republic of China for Chinese Foreign Equity Joint Ventures and the Income Tax Law of the People's Republic of China for Foreign Enterprises.

2. With respect to the local income tax imposed on old urban district enterprises, the municipal people's government shall determine whether preferential treatment in the form of tax reduction or exemption needs to be granted.

3. With the exception of income which is exempt from income tax in accordance with the law, dividends, interest, rentals, royalties and other income derived from sources within the old urban districts by external investors not having establishments in China shall be subject to income tax at the reduced tax rate of 10%. Of such external investors, with respect to those that provide capital or equipment on preferential terms or transfer technology which is advanced, their preferential treatment in regard to further tax reductions or tax exemptions shall be decided by the municipal people's government.

4. Production equipment, equipment for business operations and building materials imported as investment contributions or additional investment, as well as means of transport and office supplies imported by old urban district enterprises for their own use shall be exempt from consolidated industrial and commercial tax.

5. Products for export produced by old urban district enterprises, excluding those whose export is restricted by the State, shall be exempt from consolidated industrial and commercial tax; products that are sold domestically shall be taxed according to the tax laws.

6. The portion of raw materials, spare parts and fittings, components, packaging materials and other such materials imported by old urban dist