Regulations on the Implementation of the Enterprise Income Tax Law of the PRC

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Adopted at the 197th Executive Meeting of the State Council on November 28, 2007, promulgated by Decree No. 512 of the State Council of the People's Republic of China on December 6, 2007

Amended in accordance with the Decision of the State Council on Amending Certain Administrative Regulations on April 23, 2019

Effective: January 1, 2008

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Chapter I — General Provisions

Article 1 — These Regulations are formulated in accordance with the Enterprise Income Tax Law of the People's Republic of China (hereinafter referred to as the "EIT Law").

Article 2 — For the purposes of Article 1 of the EIT Law, the term "enterprises and other organizations that derive income" means enterprises and other organizations lawfully established within the territory of the People's Republic of China, or enterprises and other organizations established in accordance with the laws of foreign countries (regions) but with their actual management institutions within the territory of the People's Republic of China.

Article 3 — For the purposes of Article 2 of the EIT Law, the term "enterprises established in accordance with the law within the territory of the People's Republic of China" includes enterprises, public institutions, social organizations, and other organizations that derive income, established within the territory of the People's Republic of China in accordance with the laws and administrative regulations of the People's Republic of China. "Enterprises established in accordance with the laws of foreign countries (regions)" include enterprises and other organizations that derive income, established in accordance with the laws of foreign countries (regions).

Article 4 — The "actual management institution" as referred to in Article 2 of the EIT Law means the institution that exercises substantive and overall management and control over the production and business operations, personnel, accounting, property, and other aspects of an enterprise.

Article 5 — The "establishments or places" as referred to in Article 3(2) of the EIT Law means establishments or places within the territory of the People's Republic of China that are engaged in production and business operations, including: (1) places of management, business offices, and representative offices; (2) premises for factories, farms, or the exploitation of natural resources; (3) places for the provision of labor services; (4) places for construction, installation, assembly, repair, exploration, or other engineering projects; (5) other establishments or places for production and business operations. Where a non-resident enterprise entrusts a business agent within the territory of the People's Republic of China to engage in production and business operations, including the entrusting of an entity or individual to regularly sign contracts, store goods, or deliver goods on its behalf, the business agent shall be deemed to be the establishment or place of the non-resident enterprise within the territory of the People's Republic of China.

Article 6 — The types of income from sources within and outside the territory of the People's Republic of China as referred to in Article 3 of the EIT Law shall be determined in accordance with the following principles: (1) income from the sale of goods shall be determined by the place where the transaction activities occur; (2) income from the provision of labor services shall be determined by the place where the labor services are provided; (3) income from the transfer of property, including income from the transfer of immovable property by the place where the immovable property is located, income from the transfer of movable property by the place where the enterprise or establishment or place that transfers the movable property is located, and income from the transfer of equity investment assets by the place where the invested enterprise is located; (4) income such as dividends and bonuses derived from equity investments shall be determined by the place where the enterprise that distributes the dividends and bonuses is located; (5) income from interest, rent, and royalty shall be determined by the place where the enterprise or establishment or place that bears or pays the interest, rent, or royalty is located; and (6) other income shall

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be determined by the State Council in conjunction with the competent finance and taxation departments.

Article 7 — Income sourced from within and outside the territory of the People's Republic of China as referred to in Article 3 of the EIT Law shall be calculated separately for resident enterprises and non-resident enterprises with establishments or places within the territory, based on the type of income specified in Article 6 of the EIT Law. For non-resident enterprises having no establishment or place within the territory, or having an establishment or place within the territory but where the income derived has no actual connection with such establishment or place, the income sourced from within the territory shall be calculated in accordance with items (3) to (5) of the preceding Article.

Chapter II — Taxable Income

Section 1 — General Provisions

Article 8 — The calculation of taxable income by an enterprise shall be based on the accrual basis of accounting. Any income belonging to the current period, regardless of whether the money has been received, shall be treated as income of the current period; any costs and expenses not belonging to the current period, even if the money has been paid, shall not be treated as costs and expenses of the current period, unless otherwise provided for by these Regulations or the competent finance and taxation departments of the State Council.

Article 9 — Where the monetary transactions of an enterprise are calculated in a currency other than Renminbi, the amount of taxable income calculated for the prepayment of enterprise income tax shall be converted into Renminbi at the central parity rate of Renminbi exchange rates published by the People's Bank of China on the last day of the month or quarter in which the tax is prepaid. At the end of the year, during the final settlement and payment of tax, the amount of taxable income calculated for the prepaid enterprise income tax on a monthly or quarterly basis that has already been converted into Renminbi shall not be converted again. Only the portion of taxable income for the tax year that has not been subject to enterprise income tax shall be converted into Renminbi at the central parity rate of Renminbi exchange rates published by the People's Bank of China on the last day of the tax year at the time of the final settlement and payment of tax.

Article 10 — The term "loss" as referred to in Article 5 of the EIT Law means the amount by which the total income of an enterprise in each tax year, after deducting non-taxable income, tax-exempt income, and various deductions, is less than zero.

Article 11 — The term "liquidation income" as referred to in Articles 53 and 55 of the EIT Law means the balance of the total amount of all assets of an enterprise, after deducting the liquidation expenses, payment of employee wages, social insurance premiums and statutory compensation, and settlement of outstanding enterprise income tax and other taxes and debts, which exceeds the paid-in capital.

Article 12 — For the purposes of Article 6 of the EIT Law, the term "monetary form in which an enterprise obtains income" includes cash, deposits, accounts receivable, notes receivable, bonds to be held to maturity, and debt relief, etc. The "non-monetary form in which an enterprise obtains income" includes fixed assets, biological assets, intangible assets, equity investments, inventories, bonds not to be held to maturity, labor services, and relevant rights and interests.

Article 13 — Where an enterprise obtains income in non-monetary form, the income shall be determined at fair value. For the purposes of the preceding paragraph, "fair value" means the value determined in accordance with the market price.

Section 2 — Income

Article 14 — For the purposes of Article 6(1) of the EIT Law, "income from the sale of goods" means income derived by an enterprise from the sale of commodities, products, raw materials, packaging, low-value

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consumables, and other inventories.

Article 15 — For the purposes of Article 6(2) of the EIT Law, "income from the provision of labor services" means income derived by an enterprise from the provision of services such as construction and installation, repair and maintenance, transportation, warehousing and leasing, finance and insurance, postal and telecommunications, consulting and brokerage, culture and sports, scientific research, technical services, training and education, catering and accommodation, intermediary and agency services, health services, community services, tourism, entertainment, processing, and other labor service activities.

Article 16 — For the purposes of Article 6(3) of the EIT Law, "income from the transfer of property" means income derived by an enterprise from the transfer of fixed assets, biological assets, intangible assets, equity, creditor's rights, and other property.

Article 17 — For the purposes of Article 6(4) of the EIT Law, "income from dividends, bonuses, and other equity investments" means income derived by an enterprise from equity investments in other enterprises as a result of the investee enterprises distributing dividends, bonuses, etc. The income from dividends, bonuses, and other equity investments shall be recognized based on the date on which the investee enterprise makes a decision on profit distribution, unless otherwise provided for by the State Council in conjunction with the competent finance and taxation departments.

Article 18 — For the purposes of Article 6(5) of the EIT Law, "income from interest" means income derived by an enterprise from the provision of funds for use by others, but not constituting equity investment, or from the occupation of the enterprise's funds by others, including income from deposits, loans, corporate bonds, and other interest. "Income from rent" means income derived by an enterprise from the provision of the right to use fixed assets, packaging, or other tangible assets. "Income from royalties" means income derived by an enterprise from the provision of the right to use patents, non-patented technologies, trademarks, copyrights, and other intangible assets. Interest income shall be recognized based on the date stipulated in the contract for the debtor to pay the interest. Rental income shall be recognized based on the date stipulated in the contract for the lessee to pay the rent. Royalty income shall be recognized based on the date stipulated in the contract for the user of the concession to pay the royalty.

Article 19 — For the purposes of Article 6(6) of the EIT Law, "income from the acceptance of donations" means income derived by an enterprise from the acceptance of monetary or non-monetary assets donated by other enterprises, organizations, or individuals.

Article 20 — For the purposes of Article 6(7) of the EIT Law, "other income" includes income from appreciation of enterprise assets, deposits of packaging deposits that are not refundable, accounts payable that cannot be settled, accounts receivable recovered after being written off as bad debts, income from debt restructuring, income from subsidies, income from liquidated damages, and income from exchange gains.

Article 21 — For the purposes of Article 6(9) of the EIT Law, "other income as prescribed by the State Council in conjunction with the competent finance and taxation departments" refers to income determined by the State Council in conjunction with the competent finance and taxation departments in accordance with special circumstances, which shall be specially recognized by enterprises.

Article 22 — The non-taxable income as referred to in Article 7(3) of the EIT Law includes the special financial appropriations prescribed by the State Council in conjunction with the competent finance and taxation departments that are approved by the State Council and for which special fund management and accounting are carried out, and the funds collected and included in financial administration in accordance with the law and charged to the government, as well as other non-taxable income as prescribed by the State Council.

Article 23 — The following income of an enterprise is tax-exempt income as referred to in Article 7 of the EIT Law: (1) interest income from government bonds; (2) dividends, bonuses, and other equity investment

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income distributed between qualified resident enterprises; (3) dividends, bonuses, and other equity investment income obtained by a non-resident enterprise that has an establishment or place within the territory from a resident enterprise and that is effectively connected with such establishment or place; and (4) income of qualified non-profit organizations.

Article 24 — The special financial appropriations referred to in Article 7(3) of the EIT Law are financial funds allocated by the people's governments at all levels to taxpayer enterprises, public institutions, and social organizations that are included in budget management, unless otherwise provided for by the State Council or the competent finance and taxation departments of the State Council.

Chapter III — Deductions

Section 1 — General Provisions

Article 25 — The costs as referred to in Article 8 of the EIT Law mean the costs of sales, cost of services, operating expenses, and other expenses incurred by an enterprise in the course of its production and business operations.

Article 26 — The expenses as referred to in Article 8 of the EIT Law mean the selling expenses, administrative expenses, and financial expenses incurred by an enterprise in the course of its production and business operations, except for those already included in costs.

Article 27 — The taxes as referred to in Article 8 of the EIT Law mean all taxes and surcharges incurred by an enterprise, except for enterprise income tax, value-added tax that is deductible, and input VAT of small-scale taxpayers.

Article 28 — The losses as referred to in Article 8 of the EIT Law mean the losses and damages of assets such as inventory losses, damage, and scrapping of assets, losses on the transfer of property, bad debt losses, losses from natural disasters and other force majeure events, and other losses incurred by an enterprise in the course of its production and business operations. The balance of enterprise losses after deducting compensation from the responsible party and insurance compensation shall be deducted in accordance with the provisions of the competent finance and taxation departments of the State Council. Losses incurred by an enterprise that have been treated as losses may be recovered in a later year, and the recovered portion shall be included in the total income of the year of recovery.

Article 29 — The term "other expenditures" as referred to in Article 8 of the EIT Law means other expenditures reasonably incurred by an enterprise in the course of its production and business operations that are related to the acquisition of income, in addition to costs, expenses, taxes, and losses.

Article 30 — Expenses for employee welfare, trade union funds, and employee education funds incurred by an enterprise shall be deducted to the extent of 14 percent, 2 percent, and 8 percent, respectively, of the total wages and salaries, unless otherwise provided for by the State Council in conjunction with the competent finance and taxation departments. Employee education funds that exceed the deduction limit may be carried forward and deducted in subsequent tax years.

Article 31 — The donation expenditures of an enterprise for public welfare shall be deducted to the extent of 12 percent of its total annual profit. The "total annual profit" means the annual accounting profit calculated by the enterprise in accordance with the unified national accounting standards.

Article 32 — With respect to business entertainment expenses incurred by an enterprise in connection with its production and business operations, 60 percent of the actual amount incurred shall be deducted, provided that the maximum deduction shall not exceed 0.5 percent of the enterprise's sales or business revenue for that year.

Article 33 — With respect to advertising and business promotion expenses incurred by an enterprise, the portion not exceeding 15 percent of its sales or business revenue for that year shall be deductible, and the

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excess portion may be carried forward and deducted in subsequent tax years, unless otherwise provided for by the State Council in conjunction with the competent finance and taxation departments.

Article 34 — Interest expenses on borrowings incurred by an enterprise in the course of its production and business operations shall be deductible to the extent of the following: (1) interest expenses on borrowings from financial institutions shall be deducted based on the actual amount incurred; (2) interest expenses on borrowings from non-financial institutions shall be deducted to the extent not exceeding the interest rate for the same type and same period of loans from financial institutions.

Article 35 — Where an enterprise provides basic social insurance contributions such as basic old-age insurance, basic medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance for its employees in accordance with the scope and standards prescribed by the competent authorities of the State Council or the provincial people's governments, such contributions shall be deductible. Where an enterprise pays supplementary old-age insurance and supplementary medical insurance for its investors or employees, such payments shall be deductible within the scope and standards prescribed by the State Council in conjunction with the competent finance and taxation departments.

Article 36 — Where an enterprise purchases property insurance in accordance with the relevant provisions of the state, the insurance premiums paid shall be deductible. Where an enterprise purchases personal safety insurance for special types of workers in accordance with the relevant provisions of the state, the insurance premiums paid shall be deductible.

Article 37 — Expenses reasonably incurred by an enterprise for the lease of fixed assets in the course of production and business operations shall be deducted based on the following methods: (1) lease expenses under an operating lease shall be deducted on an equal basis over the lease term; (2) lease expenses under a finance lease shall be treated as the value of the fixed assets and shall be deducted in the form of depreciation expense on a period-by-period basis.

Article 38 — Where an enterprise uses or sells its inventory, the cost of the inventory may be deducted in accordance with the relevant provisions. Inventory shall be valued at cost. The cost calculation methods that may be used by an enterprise for the use or sale of inventory include the first-in first-out method, the weighted average method, and the specific identification method.

Article 39 — Where an enterprise transfers assets, the net value of such assets shall be deductible. The term "net value of assets" means the balance of the cost of the assets after deducting the reserves set aside and depreciation and amortization already made in accordance with the provisions.

Article 40 — The following expenditures shall not be deducted in the calculation of taxable income: (1) dividends, bonuses, and other equity investment income distributed to investors; (2) enterprise income tax payments; (3) late payment surcharges on taxes; (4) fines, penalties, and losses of confiscated property; (5) donation expenditures not falling under Article 9 of the EIT Law; (6) sponsorship expenditures; (7) unapproved reserve expenditures; (8) other expenditures not related to the acquisition of income.

Section 2 — Depreciation of Fixed Assets

Article 41 — Fixed assets refer to non-monetary assets held by an enterprise for the purpose of producing goods, providing labor services, leasing, or business management and with a useful life of more than 12 months, including houses, buildings, machinery, mechanical equipment, means of transport, and other equipment, appliances, and tools relating to production and business operations.

Article 42 — The basis for the tax calculation of fixed assets shall be determined in accordance with the following methods: (1) for purchased fixed assets, the basis shall be the purchase price, relevant taxes, and other expenses directly attributable to making the assets ready for their intended use; (2) for self-constructed fixed assets, the basis shall be all expenditures incurred prior to the completion of construction; (3) for fixed assets acquired through finance leasing, the basis shall be the amount determined in the lease agreement

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for the total lease payment and the expenses incurred by the lessee in the course of signing the lease contract, or if the lease agreement does not specify the total lease payment, the fair value of the asset and the expenses incurred by the lessee in the course of signing the lease contract.

Article 43 — Depreciation of fixed assets shall be calculated using the straight-line method. The minimum useful life for the calculation of depreciation of fixed assets shall be as follows: (1) 20 years for houses and buildings; (2) 10 years for aircraft, trains, ships, machinery, mechanical equipment, and other production equipment; (3) 5 years for appliances, tools, furniture, and other items relating to production and business operations; (4) 4 years for means of transport other than aircraft, trains, and ships; and (5) 3 years for electronic equipment.

Article 44 — The following fixed assets shall not be subject to depreciation deductions: (1) fixed assets other than houses and buildings that are not yet in use; (2) fixed assets leased under an operating lease; (3) fixed assets leased under a finance lease; (4) fixed assets that have been fully depreciated but remain in use; (5) fixed assets not related to business operations; (6) land recorded separately as an asset for which the fixed asset is accounted; and (7) other fixed assets for which depreciation may not be calculated as deductions.

Section 3 — Amortization of Intangible Assets

Article 45 — Intangible assets as referred to in Article 12 of the EIT Law mean non-monetary long-term assets held by an enterprise for the purpose of producing goods, providing labor services, leasing, or business management, which have no physical form, including patents, trademark rights, copyrights, land use rights, non-patented technologies, and goodwill.

Article 46 — Intangible assets shall be amortized using the straight-line method over a period of not less than 10 years. As for intangible assets acquired by an enterprise as a result of capital contributions from investors or as a result of a transfer, the amortization period shall be the useful life stipulated by the law or contract. Intangible assets such as self-developed goodwill and goodwill not arising from a transfer shall not be amortized.

Section 4 — Amortization of Long-Term Deferred Expenses

Article 47 — For the purposes of Article 13 of the EIT Law, "long-term deferred expenses" include: (1) expenditure on the improvement of fixed assets under an operating lease; (2) expenditure on the improvement of fixed assets that have been fully depreciated; and (3) other long-term deferred expenses.

Article 48 — Expenditure on the improvement of fixed assets under an operating lease as referred to in Article 13(1) of the EIT Law shall be amortized on an equal basis over the remaining lease term. Expenditure on the major repair of fixed assets as referred to in Article 13(3) of the EIT Law shall be amortized on an equal basis over the remaining useful life of the fixed assets. Other long-term deferred expenses as referred to in Article 13(4) of the EIT Law shall be amortized over a period of not less than three years, counting from the month following the month in which the expenses are incurred.

Chapter IV — Tax Incentives

Article 49 — Preferential tax policies for key industries and projects encouraged and supported by the state for development shall be applied in accordance with the industrial policies stipulated by the state and the specific preferential measures prescribed by the State Council.

Article 50 — The term "income from agriculture, forestry, animal husbandry, and fishery projects" as referred to in Article 27(1) of the EIT Law shall be determined in accordance with the specific types of projects and conditions prescribed by the State Council in conjunction with the competent finance and taxation departments. Income from projects such as flower, tea, and other beverage crops, and spice crops, aquaculture, and livestock and poultry farming, shall be subject to enterprise income tax at half the applicable rate.

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Article 51 — The term "income from investment in and operation of public infrastructure projects supported by the state" as referred to in Article 27(2) of the EIT Law refers to income derived by enterprises from investment in and operation of public infrastructure projects within the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment as prescribed by the State Council in conjunction with the competent finance and taxation departments. Qualified enterprises may enjoy the preferential treatment of enterprise income tax exemption or reduction for the first to third years and enterprise income tax at half the rate for the fourth to sixth years, starting from the tax year in which the project generates its first production and business operation income.

Article 52 — For the purposes of Article 27(3) of the EIT Law, "income from qualifying technology transfer" means income derived by a resident enterprise from the transfer of technology within the scope of technology transfer prescribed by the State Council in conjunction with the competent finance and taxation departments. Where the income from technology transfer does not exceed RMB 5 million in a tax year, the enterprise income tax shall be exempted; where the income exceeds RMB 5 million, the enterprise income tax on the excess shall be levied at half the rate.

Article 53 — The "high and new technology enterprises eligible for key support" as referred to in Article 28(2) of the EIT Law must own proprietary intellectual property rights over their core technologies and meet the following conditions: (1) their products or services fall within the scope of the key high and new technology fields supported by the state; (2) the proportion of research and development expenses to sales revenue is not lower than the prescribed ratio; (3) the proportion of income from high and new technology products or services to total enterprise income is not lower than the prescribed ratio; (4) the proportion of scientific and technical personnel to the total number of employees of the enterprise is not lower than the prescribed ratio; and (5) other conditions as set out in the measures for the administration of the accreditation of high and new technology enterprises.

Article 54 — For a qualified small-scale enterprise with low profits as referred to in Article 28(1) of the EIT Law, enterprise income tax shall be levied at a reduced rate of 20 percent.

Article 55 — The term "research and development expenses" as referred to in Article 30(1) of the EIT Law means the expenses incurred by an enterprise for the research and development of new technologies, new products, and new processes. Where such expenses have not resulted in intangible assets and are included in the current profit or loss, an additional 75 percent of the research and development expenses actually incurred may be deducted on the basis of the actual deduction as prescribed; where such expenses have resulted in intangible assets, they may be amortized at 175 percent of the cost of the intangible assets. Where such expenses incurred by manufacturing enterprises have not resulted in intangible assets, an additional 100 percent may be deducted on the basis of the actual deduction as prescribed.

Article 56 — The term "wages paid to disabled employees" as referred to in Article 30(2) of the EIT Law means the wages actually paid by an enterprise to disabled employees placed in employment. An additional 100 percent of such wages may be deducted on the basis of the actual deduction as prescribed.

Article 57 — Enterprises engaged in venture capital investment as encouraged by the state may deduct a certain proportion of their investment amount from their taxable income. The calculation of the deductible amount of taxable income as referred to in Article 31 of the EIT Law shall be 70 percent of the investment amount made by a venture capital enterprise in an unlisted small or medium-sized high and new technology enterprise, which may be deducted from the taxable income of the venture capital enterprise in the year in which it holds the equity interest for two years. Where the deduction is not fully made in that year, the excess may be carried forward and deducted in subsequent tax years.

Article 58 — The term "accelerated depreciation of fixed assets" as referred to in Article 32 of the EIT Law means that where the fixed assets of an enterprise need to be depreciated on an accelerated basis due to technological advancement or other reasons, the useful life may be shortened, or the accelerated

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depreciation method may be adopted. The fixed assets for which the useful life may be shortened or the accelerated depreciation method may be adopted include: (1) fixed assets for which technological advancement leads to rapid obsolescence; and (2) fixed assets that are under constant vibration or in a highly corrosive environment throughout the year.

Chapter V — Withholding at Source

Article 59 — For the purposes of Article 37 of the EIT Law, "income as referred to in Article 3(3) of the EIT Law" means income derived by a non-resident enterprise within the territory of the People's Republic of China, including dividends, bonuses, and other equity investment income, interest, rent, royalty income, income from the transfer of property, and other income.

Article 60 — The amount of tax payable as referred to in Article 37 of the EIT Law shall be the taxable income calculated in accordance with Article 19 of the EIT Law multiplied by the tax rate, and the tax shall be withheld at source by the payer. The payer referred to in the preceding paragraph means the relevant entity or individual that directly makes the relevant payment to the non-resident enterprise in accordance with the law or the contract.

Article 61 — Where the tax payable on the income as referred to in Article 37 of the EIT Law is not withheld by the withholding agent, or the withholding agent is unable to perform the withholding obligation, the taxpayer shall declare and pay the tax at the place where the income is derived. Where the taxpayer fails to pay the tax in accordance with the law, the tax authorities may pursue the tax from other income derived by the taxpayer within the territory of the People's Republic of China that is payable by another payer, or from other property of the taxpayer.

Chapter VI — Special Tax Adjustment

Article 62 — For the purposes of Article 41 of the EIT Law, "related parties" mean enterprises, other organizations, or individuals that have any of the following relationships with an enterprise: (1) direct or indirect control relationships in terms of capital, operations, or purchases and sales; (2) direct or indirect control by the same third party; or (3) other relationships associated with common interests.

Article 63 — The arm's length principle as referred to in Article 41 of the EIT Law means the principle whereby business transactions between an enterprise and its related parties shall be conducted in the same manner as business transactions between independent parties, with prices and fees determined on a fair and reasonable basis.

Article 64 — The reasonable methods as referred to in Article 41 of the EIT Law include the comparable uncontrolled price method, the resale price method, the cost-plus method, the transactional net margin method, the profit split method, and other methods that comply with the arm's length principle.

Article 65 — For the purposes of Article 45 of the EIT Law, "an enterprise that is actually controlled by a resident enterprise, or by a resident enterprise and a Chinese resident individual, and established in a country or region where the effective tax rate is obviously lower than the tax rate prescribed in Article 4(1) of the EIT Law" means a Controlled Foreign Corporation (CFC). The profits of a CFC that are not distributed or are distributed in a reduced amount and are not for reasonable business needs shall be included in the current income of the resident enterprise as profits attributable to the resident enterprise, and shall be subject to enterprise income tax.

Article 66 — The term "thin capitalization" as referred to in Article 46 of the EIT Law means the ratio of the debt investments received by an enterprise from its related parties to the equity investments. The standard ratio of debt investments to equity investments shall be prescribed by the State Council in conjunction with the competent finance and taxation departments.

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Article 67 — Where an enterprise implements other arrangements that are not for reasonable business purposes and thereby reduces its taxable income or the amount of tax payable, the tax authorities shall have the power to make adjustments in accordance with reasonable methods. "Arrangements that are not for reasonable business purposes" means arrangements whose main purpose is to obtain tax benefits such as reduction, exemption, or deferral of tax payments.

Chapter VII — Collection and Administration

Article 68 — Enterprise income tax shall be administered in accordance with the provisions of the EIT Law and the Law of the People's Republic of China on the Administration of Tax Collection and other relevant laws and administrative regulations.

Article 69 — For the purposes of Article 51 of the EIT Law, the place of tax payment for a resident enterprise shall be the place of registration, unless the place of registration is outside the territory, in which case the place of tax payment shall be the place where the actual management institution is located. For a non-resident enterprise with an establishment or place within the territory, the place of tax payment shall be the place where the establishment or place is located.

Article 70 — For the purposes of Article 53 of the EIT Law, "tax year" means the period from January 1 to December 31 of the Gregorian calendar year. Where an enterprise commences or terminates its business operations in the middle of a tax year such that its actual business period in that tax year is less than 12 months, the actual business period shall be deemed to be one tax year. Where an enterprise undergoes liquidation in accordance with the law, the liquidation period shall be deemed to be one tax year.

Article 71 — Enterprise income tax shall be paid in advance on a monthly or quarterly basis. Enterprises shall submit their enterprise income tax returns to the tax authorities and prepay the tax within 15 days after the end of each month or quarter. Enterprises shall submit their annual enterprise income tax returns for final settlement and payment to the tax authorities and settle the tax payable or refundable within five months after the end of each year.

Article 72 — When submitting the annual enterprise income tax return for final settlement and payment of tax, an enterprise shall, in accordance with the provisions, attach its financial accounting reports and other relevant materials. The financial accounting reports shall be prepared in accordance with the unified national accounting standards and the relevant provisions.

Chapter VIII — Supplementary Provisions

Article 73 — Enterprises enjoying tax incentives such as tax exemption and reduction as provided for in the EIT Law and these Regulations shall calculate the tax exemption, reduction, and other incentives in accordance with the prescribed period and scope, and shall separately account for the income and costs and expenses of the projects eligible for preferential treatment and those not eligible for preferential treatment.

Article 74 — For the purposes of these Regulations, the word "above" includes the number itself, and the word "below" excludes the number itself, unless otherwise specified.

Article 75 — The State Council may, based on the needs of national economic and social development and due to unexpected events such as sudden public incidents, formulate special preferential tax policies for enterprises, which shall be reported to the Standing Committee of the National People's Congress for the record.

Article 76 — These Regulations shall enter into force on January 1, 2008. The Regulations of the People's Republic of China on the Implementation of the Enterprise Income Tax Law promulgated by the State Council on December 13, 1991 shall be repealed on the same date.

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