

## **Provisional Regulations of the People's Republic of China on Enterprises Income Tax**

(Decree Number 137 of the State Council of the People's Republic of China:

"Provisional Regulations of the People's Republic of China on Enterprises Income Tax" have been adopted at the 12th General Meeting of the State Council held on 26th November, 1993. They are hereby published and shall come into force on 1st January, 1994. Premier Li Peng 13 December, 1993

Article 6. Deductible Items for the purposes of arriving at the Taxable Income are costs, expenses and losses incurred by the Taxpayer in earning that income.

(1) Interest expenses incurred by a Taxpayer on borrowings from financial institutions during the course of production and business operations shall be deductible on an actual basis. Interest expenses incurred on the extent that such interest payments do not exceed those on similar borrowings provided by financial institutions during the same period.

(2) Salaries and wages paid to employees by a Taxpayer shall be deductible based on the amount of tax salaries and wages. The People's Governments of Provinces, Autonomous Regions and Directly Administered Municipalities shall determine, within the range set down by the Ministry of Finance, the bases for calculating the tax salaries and wages and shall submit them to the Ministry of Finance for record keeping purposes.

(3) Employees' union expenses, employees' welfare costs and employees' educational expenses are deductible at 2%, 14% and 1.5%, respectively, of the amount of tax salaries and wages.

(4) Donations for community benefits and charitable donations by a Taxpayer in a year are deductible up to 3% of the Taxable Income.

Items other than the above-listed shall be deducted in accordance with laws, executive regulations and relevant tax rules promulgated by the State.

### **Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Enterprise Income Tax**

(February 4, 1994: (94) CaiFaZi No. 3)

Article 12 "Donations for community benefits and charitable donations" mentioned in Item (iv), Article 6 of the Regulations means donations made by taxpayers to educational institutions, civil administration organs and areas suffered from natural disasters or poverty through non-profit social organizations or governmental organs located inside The People's Republic of China. The donations made by taxpayers directly to the donation recipient shall not be allowed deductible.

"Social organizations" mentioned in the preceding paragraph refers to China Youth Development Fund, Hope Project Fund, Song Qingling Fund, Disaster Relief Society, China Red Cross Society,

China Handicapped Union, All-China Aged Fund, Promotion Society For Old Area and other non-profit organizations established upon the approval of the Civil Administration Departments.