



China Tax Alert

Trusture Business Service Company Limited

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Shanghai • China

SAT Bulletin [2014] No.29

Notice regarding Certain Issues Related to Taxable Income in Enterprise Income Tax

The State Administration of Taxation (the “SAT”) issued Bulletin [2014] No. 29 on 23 May 2014 concerning issues related to taxable income in Enterprise Income Tax (the “EIT”), which is applicable to the annual EIT filing of year 2013 and onward. Certain issues addressed by Bulletin 29 are highlighted as follows:

- Clarifying the tax treatment of accepting the assets transfer from government to enterprises and from shareholders to enterprises;
- Pursuant to Caishui [2012] No. 45, various reserves of insurance company shall be deductible for EIT according to relevant accounting rules published by the Ministry of Finance (the “MOF”). Difference of making the reserves according to China Insurance Regulatory Commission rather than MOF shall be adjusted to the taxable income;
- Expenses incurred for training nuclear power plant operators can be treated as cost of the power plant and tax deductible. These training expenses shall be strictly differentiated from employee education expenses, which is subject to deduction threshold of 2.5% of total salaries and wages, and accounted for separately;
- Where an entity’s depreciation period under accounting policy is shorter than the minimum depreciation period under taxation laws, the depreciation charges calculated according to accounting policy in excess of the depreciation charges calculated according to taxation laws should be treated as an add-back items when calculating the taxable income; where assets have been fully depreciated under accounting policy but not yet under taxation laws, the depreciation charges calculated according to taxation laws for the remaining tax depreciation period are deductible.

Release Date

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Jurisdiction

China

Issue / Topic

Enterprise Income Tax

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- Where the depreciation period under accounting policy is longer than the minimum depreciation period under taxation laws, the depreciation charges for tax deduction purpose shall be followed the depreciation charges calculated according to accounting policy;
- Impairment losses of fixed assets recognised according to accounting policy are non-tax deductible. The depreciation charges for tax deduction purpose shall still be calculated according to the tax basis stipulated by taxation laws;
- Where fixed assets are eligible for accelerated depreciation treatment according to relevant taxation laws or regulations, their depreciation charges are fully deductible for tax purpose; and
- The difference of depreciation charges between tax and accounting calculations and treatments for oil and gas assets, which owned by enterprises engaged in exploitation of petroleum and natural gas, shall be adjusted according to taxation laws and regulations.

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About this Publication

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