

Tax Newsflash

SAT issues "Catalogue of Codes for Tax Exemptions and Reductions"



China's State Administration of Taxation (SAT) recently issued a "Catalogue of Codes for Tax Exemptions and Reductions," which contains a set of standard codes for various preferential tax policies. When taxpayers apply for tax exemptions or reductions in the future, they will have to include the corresponding codes in the forms submitted to the tax authorities.

The Chinese government has granted an extensive range of tax exemptions and tax reductions, which are set out in tax circulars. Until now, it generally has been difficult for a Chinese taxpayer to have a clear and comprehensive view of all of these policies. The standard codes provided in the Catalogue should help taxpayers become aware of which tax exemptions and reductions are available and facilitate a search for the relevant information, thus ultimately improving the transparency of tax policies.

The Catalogue consists of more than 600 items, representing almost all of the valid tax exemptions and reductions provided by the central government as at 30 September 2015. These items include preferential tax policies in the form of reduced tax rates (e.g. 15% rate for

high and new technology enterprises), tax credits, preferential treatment in calculating taxable income (e.g. the R&D super deduction, accelerated depreciation), etc. Exemptions or reduced rates under tax treaties also are included in the Catalogue. However, special tax treatment for reorganizations (i.e. tax deferral) and tax payments in installments are not considered "tax exemptions and reductions" and, therefore, are excluded from the Catalogue.

Each item in the Catalogue is assigned an eight-digit code, with the first two digits representing the type of taxation (i.e. Value-added tax - 01, Consumption tax - 02, Business tax - 03, Enterprise income tax - 04, Individual income tax - 05). For example, code designations for a reduced tax treaty rate for dividends derived by a nonresident would be as follows:

Type of taxation	Category	Sub-category	Code	Name of the item
Enterprise income tax	Tax treaty relief	Dividends	04 13 54 01	Reduced enterprise income tax for dividends under a tax treaty

It is possible that certain tax exemptions or reductions are not specified in the Catalogue, and in these cases, the policy will be classified as "Other."

The Catalogue will be updated monthly and published on the SAT's website. The SAT also has asked the local tax authorities to prepare and issue similar catalogues that set out tax exemptions and reductions provided by the local governments.

Relevant circular:

[Bulletin on Issuing the "Catalogue of Codes for Tax Exemptions and Reductions" \(Bulletin of the State Administration of Taxation \[2015\] No. 73\) \(Chinese version\)](#)

Please click [here](#) to view the Chinese version of this newsletter, which was issued on 18 November 2015.

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