Corporate income tax (CIT) guide in China.

Written by Acclime China, updated 5 June 2026.

Foreign-invested enterprises (FIEs) operating in China must navigate a tax framework that differs significantly from many other jurisdictions, with compliance requirements shaped by local regulations, administrative practices and accounting standards.

Corporate Income Tax (CIT) is a core component of the system, applying to both resident and non-resident enterprises under the Enterprise Income Tax Law, effective from 1 January 2008. It applies to both resident and non-resident enterprises, with residency determining the scope of taxation.

This guide outlines the standard CIT rate, key preferential regimes, filing obligations and penalties for non-compliance.

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Key takeaways

- China levies Corporate Income Tax (CIT) at a standard rate of 25% on the taxable income of resident and non-resident enterprises, with preferential rates available to qualifying businesses across several regimes.
- For small and low-profit enterprises (SLPEs), the taxable income is reduced to 25% of the original amount, and CIT is imposed at the rate of 20%.
- Apart from integrated circuit enterprises and industrial machine tool enterprises, which can apply the 220% additional deduction policy before the end of 2027, other industries can enjoy the 200% additional deduction.
- Penalties for non-compliance range from 50% to five times the tax underpaid, with a daily surcharge of 0.05% on overdue amounts and, in serious cases, criminal liability.

Corporate income tax scope and structure

Corporate income tax is calculated against the net income after deducting reasonable business costs and losses in a financial year. It is calculated annually, with the final calculation based on the year-end audit. The income tax rate for both foreign and domestic companies in China is set at 25%. On top of the 25%, there are industry-based tax incentives.

The annual CIT liability is paid in advance through quarterly prepayments, with a final settlement made after the year-end audit. Where prepayments exceed the final liability, the excess is refunded or credited against the following year.

There are a few exceptions as follows:

Small and low-profit enterprises (SLPEs)

Taxed on a tiered basis under rules effective from 1 January 2023 to 31 December 2027. A 20% statutory rate applies to 25% of taxable income up to CNY 3 million, giving an effective rate of 5%.

High and new technology enterprises (HNTEs)

Eligible for a 15% CIT rate subject to certification. Key requirements include ownership of core intellectual property, minimum R&D expenditure and technical staff ratios. Certification is valid for three years and must be renewed.

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Regional and sector incentives

A 15% rate may apply to enterprises in certain regions or engaged in encouraged industries, including western China regions (extended to 31 December 2030) and the Hainan Free Trade Port.

Tax exemptions

Available for selected encouraged activities, including public infrastructure, environmental protection, energy-saving projects, agriculture and qualifying venture capital investment in technology startups.

R&D super-deduction

Enterprises conducting qualifying R&D may claim enhanced deductions. Qualifying enterprises may deduct 200% of eligible costs. Claims require project-level documentation and are subject to audit scrutiny.

Preferential CIT regimes

China maintains a range of preferential CIT regimes to encourage investment in specific sectors, technologies and regions. Eligibility is not automatic and is actively assessed and maintained each year. For businesses with cross-border structures, it is also worth reviewing whether China's double tax agreements affect how these regimes interact with overseas tax obligations.

The main regimes and current rates are as follows:

REGIME	RATE	KEY CONDITIONS
High and new technology enterprises (HNTEs)	15%	Owns core IP, meets R&D expenditure thresholds and technical staff ratios. Certification valid for three years and must be renewed. Scrutiny of self-assessments has increased since 2023.
Small and low-profit enterprises (SLPEs)	5% effective (income up to CNY 3m)	Annual taxable income not exceeding CNY 3 million, no more than 300 employees, total assets not exceeding CNY 50 million. Extended through 2027.

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REGIME	RATE	KEY CONDITIONS
Western China development incentive	15%	Encouraged industries in qualifying western regions including Xinjiang, Tibet and Qinghai. Extended through 31 December 2030.
Hainan Free Trade Port	15%	Encouraged industries with genuine operations in Hainan. Introduced in 2020. Substantive presence requirements are reviewed closely.
Technology-advanced service enterprises (TASEs)	15%	IT outsourcing, business process outsourcing and knowledge process outsourcing in approved cities, subject to qualifying revenue and staff education thresholds.
R&D super-deduction	200% deduction	

Additional preferential treatment applies to public infrastructure projects, environmental protection and energy-saving projects, qualified software and integrated circuit enterprises, agricultural businesses and venture capital funds investing in qualifying technology startups. The criteria and filing requirements for each differ and should be assessed against your specific activities.

Tax refund application

Tax refund applications form part of Corporate Income Tax compliance, particularly where overpayments arise or incentives have not been fully utilised. Refunds or credits may arise for several reasons. Where quarterly prepayments exceed the final annual liability, the excess may be refunded or credited against the following year's prepayments. Claims must be made within the applicable limitation period, after which entitlements are forfeited.

Filing and compliance obligations

CIT returns are filed annually with the local tax authority using the Enterprise Income Tax Annual Return. Enterprises subject to the standard regime file Form A. Quarterly prepayment returns are due within 15 days of the end of each quarter.

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Enterprises claiming preferential rates or the R&D super-deduction are required to self-assess their eligibility and file supporting schedules with their annual return. The State Taxation Administration's (STA) move toward a self-assessment model has shifted more compliance risk onto enterprises, as claims are subject to post-filing audit rather than pre-approval in most cases.

Documentation requirements are substantial. Enterprises should maintain contemporaneous records supporting their income calculations, deduction claims, related-party transactions and any preferential regime positions. Transfer pricing documentation, including a local file and, where applicable, a master file and country-by-country report, must be prepared for enterprises that meet the relevant thresholds. CIT compliance also sits within a broader reporting framework that includes

Local tax authorities retain discretion in interpreting and applying national rules, and practice varies across cities and provinces. Compliance approaches that work in one location may not be sufficient in another, and engaging local tax professionals who understand the practice of the relevant bureau is an important step.

The key annual deadlines are as follows:

DEADLINE	OBLIGATION
15 days after each quarter-end	Quarterly prepayment return and payment
31 May	Annual CIT return submission and final settlement
31 May	Transfer pricing local file (where applicable)
30 June	Country-by-country report (where applicable)

CIT annual reconciliation

The annual CIT reconciliation (汇算清缴) is the process of reconciling quarterly prepayments against the final assessed liability for the year. Enterprises submit the reconciliation return by 31 May, calculate whether prepayments were sufficient and either settle any shortfall or apply for a refund of any excess.

Where an enterprise identifies an underpayment before the tax authority raises it, voluntary correction through the reconciliation process can reduce or avoid the 50% to five times penalty that would otherwise apply. Proactive disclosure during the reconciliation window is

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treated more favourably than corrections made after an audit has commenced.

The reconciliation process follows these steps:

1. Obtain the financial statements for the year, prepared under CAS
2. Identify all adjustments required to convert accounting profit to taxable income, including disallowable expenses, exempt income and preferential deductions
3. Calculate the final CIT liability against adjusted taxable income
4. Compare the final liability against total quarterly prepayments made during the year
5. Submit the annual reconciliation return by 31 May, together with all supporting schedules for any preferential regimes or super-deduction claims
6. Pay any outstanding balance or file for a refund, depending on the outcome

Tax penalties and non-compliance

Foreign and local investors in China are required to declare, properly and clearly, all income earned in Mainland China. Some investors hide revenues and create fraudulent invoices, purchasing receipts and transportation invoices in order to reduce their tax liability.

The most frequent sources of CIT penalties for foreign-invested enterprises are late or incomplete quarterly prepayments, errors in the annual reconciliation return, unsupported preferential regime claims and transfer pricing adjustments following audit. Since 2022, the STA's expanded data-matching capability means discrepancies between CIT filings and VAT invoice records are identified more quickly, reducing the window between an error arising and the tax authority becoming aware of it.

The current penalty framework is as follows:

Late filing or payment

A daily surcharge of 0.05% of the overdue tax accrues from the due date.

Underreporting or failure to declare

Penalties range from 50% to five times the amount of tax underpaid, depending on the severity of the default.

Fraudulent invoices or receipts

Fines typically range from CNY 10,000 to CNY 50,000 for less serious cases and from CNY 50,000 to CNY 500,000 for more serious cases.

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Tax evasion

Criminal liability may arise, including custodial sentences in serious cases.

Severe offences

In cases involving significant fraud or corruption, the most severe penalties under Chinese criminal law may apply.

The STA has expanded its data-matching and risk-scoring capabilities significantly since 2022, drawing on VAT invoice data, banking records and information exchanged under China's tax treaty network and the Common Reporting Standard. This has increased the likelihood that discrepancies between filings and third-party data will be identified and pursued.

Foreign investors should not assume that penalty positions are straightforwardly negotiable. While there is scope in some circumstances for voluntary disclosure and cooperative engagement with the tax authority to reduce exposure, outcomes depend heavily on the facts, the attitude of the local bureau and the quality of the enterprise's documentation. Early professional advice is important where a potential compliance issue has been identified.

Conclusion

CIT in China applies at a standard rate of 25%, with a structured set of preferential regimes available to enterprises that meet the qualifying criteria. The effective rate depends on sector, size, location and the strength of supporting documentation, and the gap between the standard rate and the best available preferential rate can be significant.

That means confirming which regime applies, maintaining the records needed to support any preferential claims, meeting quarterly and annual filing deadlines and monitoring how local tax authorities interpret the rules in your specific location.

The annual reconciliation process offers a structured opportunity to identify and correct errors before they attract the higher penalty tiers. For most foreign-invested enterprises, the combination of documentation requirements, audit risk and local variation makes professional support a practical necessity.

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