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Corporate income tax (CIT) compliance in China.

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Whether your business is located in China, Hong Kong or anywhere else in the world, China tax compliance, according to local regulations, can be a painful task for many organisations.

It is not simply a case of just transferring solutions that have been used in the West to promote tax compliance in China. Instead, it is necessary to keep in mind the best way for a company to ensure tax compliance since it varies depending on the specific region of its operation.

Making sure your company is fully compliant with tax requirements will not only allow your company to operate efficiently, knowing that future costs are placed upon you will be paid, but also will allow you to foster a strong positive business ethos throughout all your operations, both for internal and external observation.

For many Foreign Invested Enterprises (FIEs), tax compliance in China is a challenge. China Accounting Standards (CAS) will be different compared to their domestic country (GAAP & IFRS) and registration to the local tax bureau and other legal taxation bureaus and thus might seem complicated. Furthermore, the annual audit has to be in Renminbi (¥), the local Chinese currency.

When using the CAS, there are different ways to calculate the impairment of assets, inventory cost & reversal, capitalisation of development costs, depreciation expenses, interest rates, dividends and asset valuation. These different methods for tax compliance can have an impact on your business ratios, the level of profitability and the level of taxation.

Corporate income tax reporting

Corporate income tax is calculated against the net income after deducting reasonable business costs and losses in a financial year. It is calculated annually but often paid quarterly with adjustments either refunded or accrued to the next year. The final calculation is 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.

However, there are a few exceptions that are as follows:

- Small-scale enterprises may be given a rate of between 10-20% depending on if certain requirements are met
- High-technology businesses are given a 15% tax rate
- Enterprises in certain regions or that are engaged in encouraged business activities could potentially receive a tax rate of 15%
- Tax exemptions can also apply to a number of encouraged business areas

Here at Acclime, we have dedicated teams who are extremely knowledgeable about the Chinese taxation system and who will help your company report its taxes. We will seek the proper breaks and incentives that your company can qualify for. Acclime's extensive experience with accounts means we can provide reliable bookkeeping for all tax matters efficiently.

Tax refund application

Tax refund applications are incredibly important for companies to fill out. Often, companies are too diligent in paying their taxes and therefore miss out on tax incentives or breaks that they hadn't considered. That is why it is important to have professionals seek out where there may be hidden breaks that your company is currently not taking advantage of.

Tax breaks or tax refunds can be given for several reasons, an example of which is tax breaks for companies that produce exports. These incentives are given to encourage this sector of the Chinese economy, and companies within this sector are entitled to receive this break, which will ultimately have a positive impact on their bottom line. What type of refund could your company be leaving on the table? Acclime and its dedicated team of specialists can help your company figure it out.

Acclime has a team comprised of members who are expert navigators of the tax code and who are looking to help your company get all the tax benefits that they are entitled to. Our team is practiced and skilled in navigating the complex [PRC tax code](#) and works hard to ensure that your organisation will not be over-taxed.

In doing so, they are aware of who does and does not qualify for reimbursements, and what reimbursement rates a client could potentially qualify for. Therefore, Acclime is prepared to demonstrate only the highest level of skill to ensure that your company is taking advantage of all of the legal opportunities for relief in the tax code possible. We have a long and profitable history in accounting and tax regulations and we are here to share our knowledge and experience with you.

Negotiation of tax penalties

Foreign investors often make faulty assumptions regarding tax matters in China. They believe that China's tax laws are straightforward and that no expert help is needed. However, there are various complex rules covering numerous aspects of a Foreign Invested Enterprise's business activities in China.

Thousands of tax rulings have been issued by the State Administration of Taxation (SAT). Although there are still loopholes in the system, foreign investors unaware of tax planning methods may face serious penalties or losses due to paying over the odds and thus require services to negotiate tax penalties.

Acclime can support you if required to effectively negotiate with the relevant authorities in order to minimise the impact on your business.

Tax penalties & punishment

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

How Acclime can support the negotiation of tax penalties

At Acclime, we offer access to tax specialists who have extensive experience in dealing with China's tax officials to help you prepare for a tax audit and to handle queries from tax officials. In doing so, you will be able to identify tax risk areas and amend them prior to a tax audit. In case of fraud, here are some penalties that your company or yourself could receive:

- Tax penalties could reach up to five times the unpaid tax
- If a company is penalised for fraudulent invoices or receipts, the penalties incurred could range from RMB 10 000 – 50 000 for small cases and up to RMB 50 000 – 500 000 for more serious cases
- In several cases of tax evasion, jail sentences have been imposed
- In the most serious cases of massive fraud, corruption & tax evasion, the death penalty could be applied



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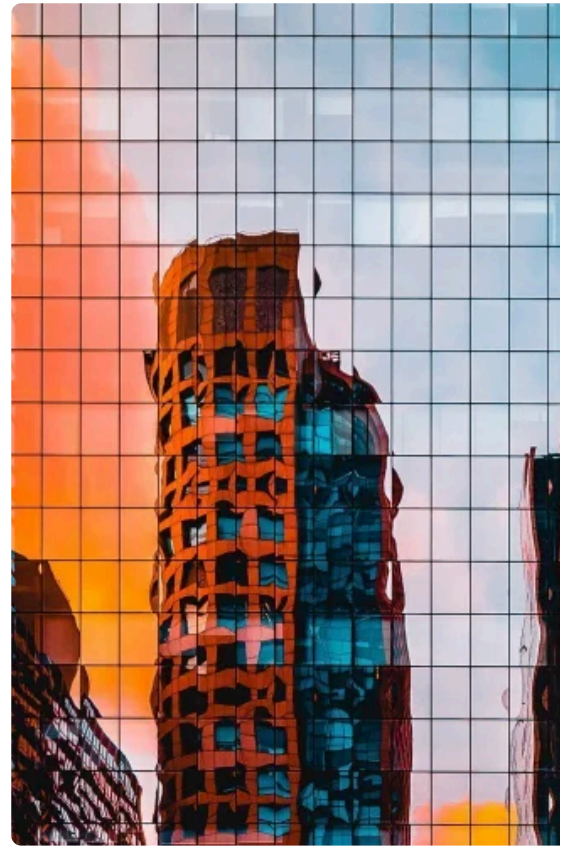
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