

Announcement of the Ministry of Finance and the State Taxation Administration on Further Improving the Policies Regarding Weighted Pre-tax Deduction of Research and Development Expenses

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For the purposes of further encouraging enterprises to increase investment in research and development and supporting scientific and technological innovation, the issues concerning the policies regarding weighted pre-tax deduction of research and development (“R&D”) expenses of enterprises are hereby announced as follows:

I. With respect to the R&D expenses actually incurred by a manufacturing enterprise when it conducts any R&D activity, an extra 100% of the amount of R&D expenses actually incurred shall be deducted before tax payment, in addition to the deduction of actual expenses as prescribed, from January 1, 2021, provided that the said expenses are not converted into intangible assets and included in the current profits and losses. If the said expenses have been converted into intangible assets, such expenses may be amortized at the rate of 200% of the costs of the intangible assets before tax payment as of January 1, 2021.

For the purpose of this Article, a “manufacturing enterprise” means an enterprise whose income from its main business (which is the manufacturing business) accounts for more than 50% of its total income in the year when it enjoys the preferences. The scope of manufacturing shall be determined in accordance with the Industrial Classification for National Economic Activities (GB/T 4574-2017). If the relevant department of the state updates the Industrial Classification for National Economic Activities, the updated version shall prevail. Total income shall be governed by [Article 6](#) of the [Enterprise Income Tax Law](#).

II. When an enterprise files an enterprise income tax prepayment return of the third quarter (prepayment on a quarterly basis) or September (prepayment on a monthly basis) of the current year, it may choose to enjoy the preferential policies regarding weighted deduction of R&D expenses in the first half of the current year on its own initiative, which shall be handled under the mode of “self-determination, application for enjoyment, and retention of relevant materials for future inspection.”

An eligible enterprise may calculate the amount deductible on a weighted basis on its own initiative, complete the Monthly (Quarterly) Enterprise Income Tax Prepayment Return of the People's Republic of China (Category A) to enjoy tax preferences, and complete a Detailed Statement on the Preferences for Weighted Deduction of Research and Development Expenses (A107012) based

on information on R&D expenses qualified for the preferences for weighted deduction (first half of the year). The Detailed Statement on the Preferences for Weighted Deduction of Research and Development Expenses (A107012) shall be retained for future inspection along with other materials as prescribed by relevant policies.

Where an enterprise does not choose to enjoy the preferential policies regarding weighted deduction of R&D expenses when filing an enterprise income tax prepayment return of the third quarter or September, it may enjoy it in a unified manner when filing a tax return on a consolidated basis the next year.

III. Other policy standards and management requirements for enterprises to enjoy the policies regarding weighted pre-tax deduction of R&D expenses shall be governed by the relevant provisions of the [Notice by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology of Improving the Policies Regarding Weighted Pre-tax Deduction of Research and Development Expenses](#) (No. 119 [2015], MOF), the [Notice by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology of Issues Concerning the Relevant Policies Regarding Weighted Pre-tax Deduction of the Entrusted Overseas Research and Development Expenses of Enterprises](#) (No. 64 [2018], MOF) and other documents.

IV. This Announcement shall come into force on January 1, 2021.

Ministry of Finance

State Taxation Administration

March 31, 2021

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