




The corporate tax reform on innovation-driven development in China

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Encouragement of the corporate R&D innovation

▲ improve the preferential policy for weighted deduction of corporate R&D costs (since 2016)

- 1. Eliminate the directory restrictions on the scope of R&D activities
- 2. Expand the scope of R&D costs entitled to weighted deduction
- 3. Simplify the review process, and no R&D certificate is required from the enterprises.

Encouragement of the corporate R&D innovation

▲ Further improve the pretax weighted deduction proportion of R&D costs

- For the small and medium-sized technology-based enterprises.
- During the period from January 1, 2017 to December 31, 2019.
- The pretax weighted deduction proportion of the qualified R&D costs increased from 50% to 75%.
- For those forming intangible assets, it shall be amortized before tax in an amount equal to 175% of the costs of intangible assets.

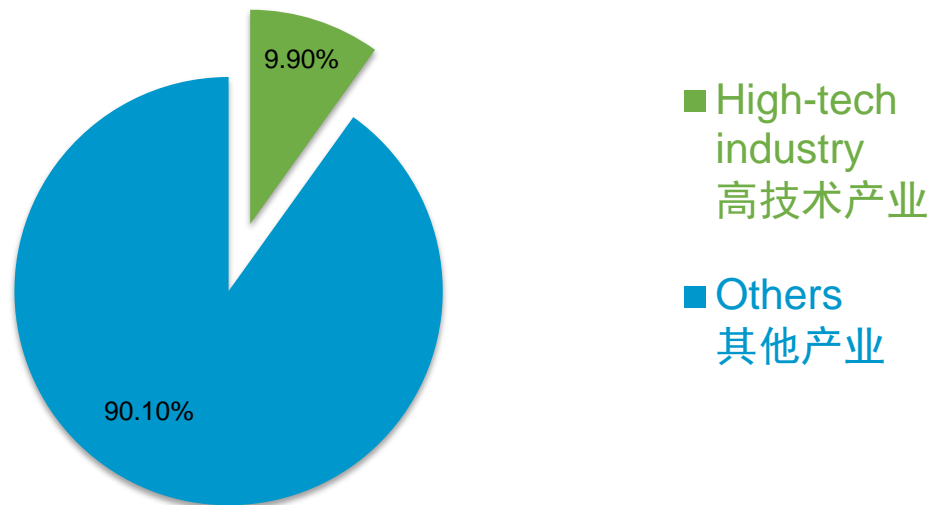
▲ **Modify the Administrative Measures for Determination of High and New Technology Enterprises (since 2016)**

1. Further lower the requirements for determination of high and new technology enterprises.

2. Expand the scope of high and new technology areas. The software, microelectronic technique, computer products and their network application technology, communication technology and the industrial core technology related to “Internet +” have been included in the New and High Technology Areas.

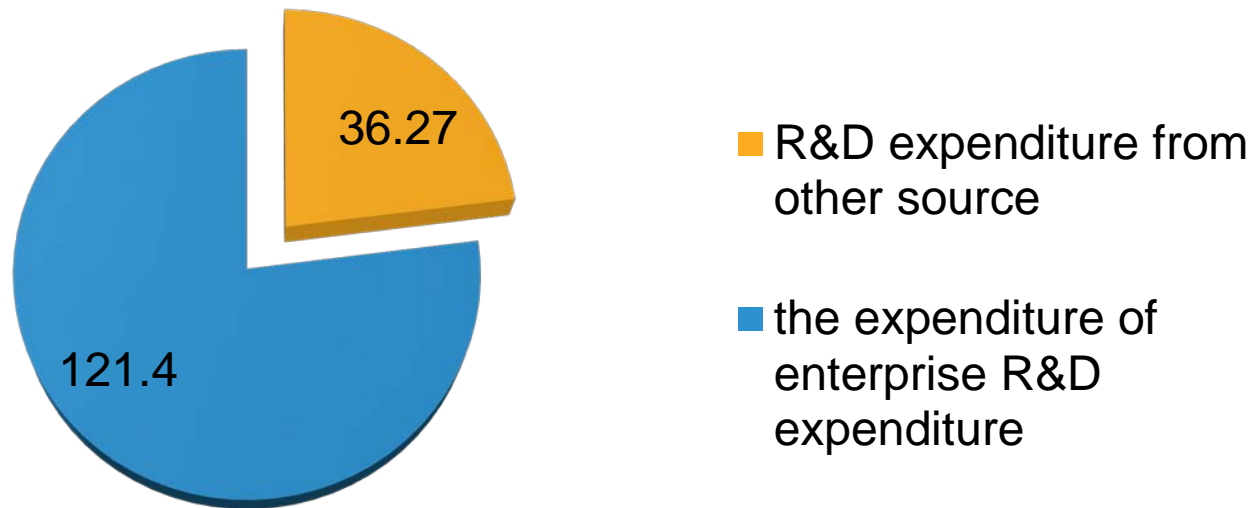
Encouragement of the corporate R&D innovation

- China's national innovation index rose from 48th in the world in 2006 to 22nd in 2016.
- The contribution of scientific and technological progress to economic growth increased from 50.9% in 2010 to 56.2% in 2016.
- The added value of the high-tech industry accounted for 12.4% of the total industrial added value, an increase of 3 percentage points over 2012.




Encouragement of the corporate R&D innovation

In 2016, China's total R&D expenditure reached 157.67 billion CNY, second only to the United States in the world. R&D spending intensity reached 2.11%, up 0.05 percentage points from 2015. Among them, the expenditure of enterprise R&D expenditure is 121.44 billion CNY, accounting for 77.5% of the total social R&D expenditure.




Improvement of the accelerated depreciation policies for fixed assets



▲ Shorten the period of depreciation or apply the accelerated depreciation method(since 2015)

- For the fixed assets newly purchased by the enterprises engaged in some industries (such as light industry, textile, machinery and automobiles).

- For R&D equipment newly purchased by the enterprises in all industries, also apply the accelerated depreciation policies.



Expand the scope of small low-profit enterprise under the enterprise income tax preference

- The taxable income of such an enterprise shall be 50% off.
- The enterprise income tax shall be paid at a tax rate of 20%.
- During the period from January 1, 2017 to December 31, 2019.
- For a small low-profit enterprise with annual taxable income less than CNY 500,000.

- For the venture capital enterprises in investment seed period and the technology-based enterprises in start-up stage.
- Their taxable income may be deducted in an amount equal to 70% of the investment amount.
- Since April 2017.
- The pilot projects of the preferential tax policy ,at some experimental areas of comprehensive innovation and reform.

Expand the tax preference for venture capital investment

- The above tax preference policy were expanded from legal persons and partners of corporate and limited-partnership venture capital enterprises to the individual investors.
- Since July 1, 2017

Expand the tax preference for venture capital investment

At the end of 2015, the number of various institutions in China's venture capital investment reached 1775, an increase of 224 from 2014 and an increase of 14.4%. Among them, there were 1,311 venture capital enterprises (funds), up 144 from 2014, an increase of 12.3%. The number of venture capital management enterprises was 464, up 80 from 2014 and 20.8%.

