



**NOTICE OF THE STATE
TAXATION ADMINISTRATION ON HOW
TO HANDLE THE TAXATION OF
FOREIGN-FUNDED ENTERPRISES IN
WHICH THE PROPORTION OF
FOREIGN INVESTMENT IS LOWER
THAN 25%**

(Promulgated on April 18, 2003 by the State
Administration of Taxation)

The administrations of state taxes and the
administrations of local taxes of all provinces,
autonomous regions, municipalities directly under
the Central Government, and cities under state
planning:

In order to facilitate the relevant departments in all
places to accurately understand and ensure the
implementation of the Notice Concerning the
Relevant Issues on Strengthening the
Examination, Approval, Registration, Foreign
Exchange Control and Taxation Administration of
Foreign-Funded Enterprises by the Ministry of
Foreign Trade and Economic Cooperation, the
State Taxation Administration, the State
Administration for Industry and Commerce and
the State Administration of Foreign Exchange (No.
575 [2002] Promulgated by the Department of
Treaties and Law of the MOFTEC), we hereby
clarify the relevant issues on how to handle the
taxation of newly established foreign-funded
enterprises in which the contribution of foreign
investor is lower than 25% (hereinafter referred to
as enterprises in which foreign investment is
lower than 25%) as follows:

I. On the issue of applicable tax system.

Enterprises in which foreign investment is lower

than 25% shall all be considered as domestic
enterprises in the application of tax rules, and
shall not enjoy tax treatments as foreign-funded
enterprises, unless it is otherwise specially
prescribed by the State Council.

II. On the issue of tax registration. Enterprises in
which foreign investment is lower than 25% shall
all be considered as domestic enterprises in
making tax registration, unless it is otherwise
specially prescribed by the State Council.

Please abide by and implement the above
provisions.

State Taxation Administration