

Notice of State Administration of Taxation on Tax Matters relating to Donations and Gifts Received by Foreign Investment Enterprises and Foreign Enterprises

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To: State tax bureaux of all provinces, autonomous regions, centrally-administered municipalities and municipalities with independent planning and the Administration of Local Taxation of Shenzhen Municipality

Notice is hereby given on tax matters relating to donations and gifts received by the organisations and offices established by foreign investment enterprises and foreign enterprises in China (hereinafter referred to as "Enterprises") as follows:

1. Donations and gifts in the form of non-monetary assets received by an Enterprise (including fixed assets, intangible assets and other goods) must be included in the relevant asset account at their reasonable valuation price and treated as Enterprise gains for the current year, and shall be subject to enterprise income tax upon accounting for losses incurred in previous year(s). Where the balance is relatively large after deduction of losses from previous year(s) and the Enterprise has difficulty in making a one-off tax payment, the amount may be spread equally into the amount of taxable income over a period of not more than five years, upon application by the Enterprise and approval by the local tax authorities in charge.
2. Monetary donations and gifts received by an Enterprise shall be included as gains of the Enterprise in the current year and be subject to enterprise income tax.
3. All account payables of an Enterprise which are overdue for more than two years but for which the creditors have not demanded payment shall be included as gains of the Enterprise for the current year and be subject to enterprise income tax.