PRESS RELEASE

Circular on the adjustment of favorable policies for deed tax and individual income tax in real estate transactions

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The Ministry of Finance, the State Administration of Taxation and the Ministry of Housing and Urban-Rural Development recently promulgated a Circular to adjust favorable policies for deed tax and individual income tax in real estate transactions. The key changes are:

(1) Policies on deed tax:
where an individual purchases ordinary housing which is the only housing for his/her family (including the purchaser and his/her spouse and minor children), the deed tax is reduced by half; if an individual purchases ordinary housing the floor plan of which is under 90 square meters and which is the only housing for his/her family, the deed tax rate is reduced to 1%; and
an individual who purchases ordinary housing outside the aforesaid conditions may not enjoy such favorable policies.

(2) Policies on individual income tax:
The taxpayer who purchases housing within one year after selling his/her own housing may not enjoy any reduction and exemption of individual income tax.

“The Circular which came into force on 1 October of 2010 further strengthens the current control on the real estate industry and will affect potential buyers’ decision on purchasing houses on a certain degree, especially those investors”, commented Edward E. Lehman, Managing Director of Lehman, Lee & Xu.

Lehman, Lee & Xu is a prominent Chinese corporate law firm and trademark and patent agency with offices in Beijing, Shanghai, Shenzhen, Hong Kong, Macau, and Mongolia. The firm has been recognized as one of the top trademark firms in China by several intellectual property magazines and is managed by Mr. Edward Lehman, a leading expert on corporate law with 20 years of practice experience in Mainland China.

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