

LEHMAN, LEE & XU

雷曼律师事务所



## PRESS RELEASE

### Implementation Guideline On Foreign Tax Credit Of Enterprises

Beijing, China –Oct 29, 2010

Following the Circular on Issues Relevant to Tax Credit for the Income of Enterprises Derived Abroad (“Circular”) issued by the Ministry of Finance (“MOF”) and the State Administration of Taxation (“SAT”) on November 25, 2009, the SAT promulgated the Implementation Guideline on Foreign Tax Credit of Enterprise on July 26, 2010, which was effective retrospectively to January 1, 2010.

In this Operating Guide, the SAT provides detailed explanations and examples to illustrate the relevant provisions in the Circular and a series of issues regarding the operation of the tax credit for the income derived abroad, including the applicable scope, basic items for the calculation of the tax credit for the income derived abroad, the calculation of taxable income derived abroad, the confirmation of the allowable foreign income tax credit, the calculation of the income tax incurred indirectly to the income sourced from abroad, the calculation of the shareholding percentage in the foreign enterprises applicable for indirect credit, the calculation of the set-off limit, the calculation of the foreign income tax that will be actually set off, and the calculation of the amount of the payable income tax in the foreign income tax credit.

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.

To learn more about us, please visit our website at [www.lehmanlaw.com](http://www.lehmanlaw.com).