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PRESS RELEASE

Local & Foreign Taxpayers Subject To Same Building Tax & Education Surcharge Rules

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The State Council recently promulgated a circular to unify the urban maintenance and construction tax for domestic and foreign enterprises and individuals and the education surtax system: from 1st December 2010, the Provisional Regulations of the People's Republic of China on City Maintenance and Construction Tax released in 1985 by the State Council and Provisional Regulations of the People's Republic of China on Educational Surtax released in 1986 will become applicable to foreign investment enterprises, foreign enterprises and foreign individuals. Relevant law, regulations and policies made by the State Council and The Finance and Taxation Department of the State Council since 1985 and 1986 are also applicable to foreign investment enterprises, foreign enterprises and foreign individuals. Meanwhile all provisions contrary to this circular shall be abolished.

As a result, foreign investment enterprises, besides VAT, business tax and consumption tax, are also subjected to maintenance and construction tax and education surcharge. Generally speaking, it is 10% of the total of VAT, business tax and consumption tax.

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