

TAX RATES AND ALLOWANCES

The following tax rates and allowances are to be used in answering the questions.

Enterprise income tax

Income tax for domestic and foreign enterprises	Rate 25%
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Entrepreneurs who receive production or operation income derived from private industrial or commercial enterprises

Level	Annual taxable income (RMB)	Rate	Quick deduction factor (RMB)
1	5,000 or below	5%	0
2	5,001 – 10,000	10%	250
3	10,001 – 30,000	20%	1,250
4	30,001 – 50,000	30%	4,250
5	Over 50,000	35%	6,750

Individual income tax

Employment income

Grade	Taxable income on which employee bears the tax / employer bears the tax (RMB)	Rate %	Quick deduction factor (RMB)
1	500/475 or below	5	0
2	501 – 2,000 / 476 – 1,825	10	25
3	2,001 – 5,000 / 1,826 – 4,375	15	125
4	5,001 – 20,000 / 4,376 – 16,375	20	375
5	20,001 – 40,000 / 16,376 – 31,375	25	1,375
6	40,001 – 60,000 / 31,376 – 45,375	30	3,375
7	60,001 – 80,000 / 45,376 – 58,375	35	6,375
8	80,001 – 100,000 / 58,376 – 70,375	40	10,375
9	Over 100,000 / 70,376	45	15,375

Individual service income

Net of tax income (RMB)	Before tax income (RMB)	Rate %	Quick deduction factor (RMB)
1 – 16,000	1 – 20,000	20	0
16,001 – 37,000	20,001 – 50,000	30	2,000
37,001 and above	50,001 or above	40	7,000

Business tax

		Rate
Group A	Transportation, construction, communication, culture and sports	3%
Group B	Hotels, restaurants, tourism, warehousing, advertising, transfer of intangible property, sale of real estate	5%
Group C	Finance and insurance	5%
Group D	Recreation	5 – 20%

Land appreciation tax

The ratio of increased value against the value of deductible items	Rate
For the part 50% or below	30%
For the part Above 50% to 100%	40%
For the part Above 100% to 200%	50%
For the part Above 200%	60%

Value added tax

For small size taxpayers	6% (4% for commercial enterprises)
For ordinary taxpayers	17% for the sale or import of itemised goods, processing and repairing
	13% for the sale or import of itemised goods

Deductible entertainment expenses

For domestic and foreign enterprises	60% of the amount subject to a maximum of 0.5% of the sales/business income of the year
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