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## >>Investment Policies (Foreign Investments)

### · Corporate income tax

Foreign-funded enterprises: a reduced tax rate of 20% of corporate income shall be applicable for small-size and low-profit enterprises; a reduced tax rate of 15% of corporate income shall be applicable for hi-tech enterprises that demand key supports from the state.

### ·Two-year full exemption and three-year half exemption of taxes

For the hi-tech enterprises that are registered within any special economic zone on and after January 1, 2008 and demand key supports from the government (hereinafter referred to as newly-established hi-tech enterprises), the corporate income taxes shall be fully exempted for the revenues acquired from special economic zones and Shanghai Pudong New Area for the first two years starting from the year when the first operating income acquired is taxable. For the subsequent three years, the corporate income taxes payable on such revenues shall be half exempted based on the statutory rate of 25%.

### ·Three-year full exemption and three-year half exemption of taxes

Three-year full exemption and three-year half exemption of taxes

Investment and operating incomes of public infrastructure projects that receive key governmental supports: the corporate income taxes shall be fully exempted for the first three years starting from the year when the first operating income acquired is taxable. For the subsequent three years, the corporate income taxes payable on such revenues shall be half exempted.

Incomes of eligible environment protection, energy-saving and water-saving projects: the corporate income taxes shall be fully exempted for the first three years starting from the year when the first operating income acquired is taxable. For the subsequent three years, the corporate income taxes payable on such revenues shall be half exempted.

### ·Increased deductions

The expenses that a company spends on the R&D of new technologies, new products and new techniques and haven't been included into the current profits and losses as intangible assets shall be increased by 50% before they are deducted from the taxable incomes. Where such expenses have become intangible assets, the amortization shall be done at 150% of the costs of intangible assets.

### ·Investment credits

For any venture capital enterprise's investments in any industry in which investments are preferentially supported and encouraged by the statel, the taxable incomes shall be deducted in a certain proportion to such investments.

### ·Imported equipment

For any foreign investment projects that are encouraged in the Catalogue for the Guidance of Foreign Investment Industries, all the imported equipment required by the project and for the purpose of self use and the technologies and reasonable quantity of accessory and spare parts that are imported together with the equipment according to the project contract shall be exempted of customs duties except for the commodities as specified in the Catalogue of Non-Duty-Free Commodities to be Imported for Foreign-funded Projects.

## >>Investment Policies (Domestic Investments)

### ·Proposals of CPC Xiamen Municipal Committee and Xiamen Municipal People's Government on Aggressive Promotion of the Development of Private Economy (Excerpt)

Expand the scope of operation and treat foreign and domestic investments equally: private enterprises are allowed to invest in all industries unless it is expressly forbidden by state laws and regulations; all industries are equally open to foreign and domestic investments; private enterprises are encouraged to invest in and operate any infrastructure and urban construction projects; private enterprises are encouraged to gain the operating rights of municipal public utility projects through open bidding.

Requirements on industrial and commercial registration are loosened. No precondition shall be imposed on industrial and commercial registration except for industries and commodities that must acquire firstly the operating license, qualification review and special approval as regulated by the Central Government. In such cases, business licenses shall be issued prior to the issue of other necessary certificates. The requirements on registered capitals of companies are also loosened. Not all registered capitals need to be paid in full and installments payments are allowed within a certain period. Human resources, intellectual properties and other intangible assets are allowed to be converted into registered capitals and it is

subject to all shareholders to determine the proportion of them in the total registered capital. The highest limit of such proportion of other cities shall be referenced.

Scientific and technological developments and technical innovations are encouraged. The new product and technology development expenses of nongovernmental enterprises and their technical development expenses incurred in the process of introduction, conversion and application of relevant scientific and technological achievements shall be included in the current overheads on a lump-sum basis according to the actual expenses and no highest limit shall be imposed on the proportion of such expenses to the total overheads. Subsidies shall also be awarded to nongovernmental enterprises that develop and gain patents for innovative technologies or participate in the formulation of international, national and industrial standards capitalizing on their unique advantages and creativity.

**Regulations of Xiamen Special Economic Zone on Promoting Development of Nongovernmental Sci-tech Enterprises  
(Excerpt)**

According to certain regulations, relevant preferential policies shall be applicable for any returned overseas students who set up any nongovernmental sci-tech enterprise in the Returned Overseas Students Pioneer Park.

Scientific and technological personnel of scientific research institutes, universities and colleges may do part-time jobs in nongovernmental sci-tech enterprises provided that their full-time duties are accomplished and their full-time employer's rights and interests are not undermined.

Scientific and technological personnel may invest in any nongovernmental sci-tech enterprise with their proprietary patent or expertise which shall be converted into shares according to relevant national regulations. Where high technology achievements are invested and converted into shares, they may account for 35% of the target enterprise's registered capital at the maximum unless otherwise specified in the contract.

Nongovernmental sci-tech enterprises may reward scientific and technological personnel or management personnel with share options.

Nongovernmental sci-tech enterprises are encouraged to increase investments in technological improvements, researches and developments. Their technical improvement, research and development expenses for the year may enjoy relevant preferential tax policies upon approval from relevant authorities.

The technology rewards and personal dividends given to scientific and technological personnel in the restructuring of any nongovernmental sci-tech enterprise may be converted into shares or investment capitals according to law.

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