

**Circular on Taxation Policy
concerning Software
Development and Production
Enterprises in Zhongguancun
Science Park**



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Beijing Municipal Bureau of State Taxation and Beijing Municipal Bureau of Local Taxation: In accordance with the guideline of the 《Written Reply of the State Council to the Questions Regarding the Zhongguancun Science Park》 (State Council Document No. 45 issued in 1999), the questions pertaining to software development and production enterprises in the Zhongguancun Science Park are hereby notified as follows:

One. As regards the enterprises developing and producing software products, their **value-added tax** may be computed and paid according to the collection rate of six percent in terms of the turnover of their software products and in reference to a simple method.

Two. While wages paid by software development and production enterprises are used to calculate the taxable amount of the **income tax** of such enterprises, the amount may be permitted to be deducted from the actual amount arising.

Three. The policy provisions of this circular related to the value-added tax shall come into force as of July 1, 1999. The policy provisions of this circular in connection with the enterprise income tax shall take effect on January 1, 1999.

Four. The specific procedures for the implementation of this circular shall be formulated by the State Administration of Taxation separately.

Five. With respect to the enterprises resorting to fraud to obtain approval certificates, as well as to those found in re-verification to fail to meet approval conditions for software development and production enterprises, the taxation department shall, according to the provisions of the taxation laws and regulations, adjust their taxable amount of the wages that in the previous year had been deducted from the actual pre-tax amount arising, and collect the enterprise income tax.

Six. The procedures on collecting or exempting from the business tax arising from the business of invisible asset transfers in the form of software sales shall be defined by the municipal bureaus of taxation in the form of a separate document.

Seven. This circular shall take effect on July 1, 1999.