



Enterprise Income Tax

- ◆ **Circular Concerning Treatment of Relevant Issues after the Cancellation of Several Preferential Tax Treatments Previously Granted to Foreign Invested Enterprises and Foreign Enterprises (the “Circular”)**
国家税务总局关于外商投资企业和外国企业原有若干税收优惠政策取消后有关事项处理的通知。

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After the promulgation of the PRC Enterprise Income Tax Law (“EIT Law”) and its implementing rules, the State Administration of Tax (“SAT”) explains in this Circular matters such as the grandfathering issues from the previous Income Tax Law of the Foreign Invested Enterprises and Foreign Enterprises (“FEIT Law”) and treatment regarding several relevant enterprise income tax issues after the previous FEIT Law is replaced by the new EIT Law.

Company Income Tax Refund for Reinvestment

If the foreign investor uses the after-tax earnings distributed from the foreign invested enterprise (“FIE”) to directly invest into the same enterprise, increase the registered capital, or capitalize another foreign invested enterprise with the same fund,—on the condition that the reinvestment procedures are finalized before the end of the year 2007 and such reinvestment is registered with the Administration of Industry and Commerce (“AIC”) before 2007 for the relevant amendment or registration as required—the FIE which distributes the after-tax earnings for reinvestment is still subject to FEIT Law and able to enjoy the tax refund policy for reinvestment.

Treatment on Interest and Royalties

To the extent that the contract relating to the interest or royalties acquired by the reason of technology transfer or loans to Chinese entities is entered into no later than the end of the year 2007 and is compliant with the conditions listed by the FEIT Law, as long as the approval for tax exemption on the interest or royalty income has been required from the tax authority, such interest or royalty will still enjoy tax exemption until the termination date of the relevant contract, but any extension, supplementary agreement, or extension of the terms of such contract shall not affect the tax exemption.



Disqualified Foreign Invested Enterprises after 2008

If the foreign invested enterprises that have enjoyed the tax exemptions and deductions under the former FEIT Law have lost the required condition to continue enjoying favorable tax treatment according to the FEIT Law in 2008, the prerequisite conditions for tax incentives set forth by the FEIT Law will continue take effect. This means that the foreign invested enterprises which are no longer qualified should be subject to repayment of the tax exemption or deduction they have enjoyed under the former FEIT Law.

Company Law

◆ The Supreme People's Court's Stipulation II on Matters concerning the Application of the Company Law of the People's Republic of China

最高人民法院关于适用《中华人民共和国公司法》若干问题的规定（二）

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On May 12th, 2008, the Supreme People's Court has promulgated its stipulation on the application of the Company Law of the PRC ("the Stipulation") with respect to cases regarding company dismissal and liquidations. The Stipulation specifies the requirements for derivative actions such as the permissible defendant, company status, and conditions that must be satisfied by the plaintiff. Detailed procedures for liquidation under the supervision of the People's Courts are also specified in this Stipulation.

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