

China Law Update

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Extended Tax Benefits for Cultural and Media Enterprises

On March, 27, 2009, China's Ministry of Finance ("MOF"), State Administration of Taxation ("SAT") and General Administration of Customs jointly issued Notice of Some Issues related to Taxation Policies on Supporting the Development of Cultural Enterprises (the "Notice"). The Notice extends a series of tax benefits for cultural and media enterprises through December 31, 2013.

Revenue from sales of film copies, transfers of movie copyrights, movie distribution and box-office receipts will be exempt from the value-added tax (VAT) and business tax (BT). Fees collected by companies in the radio and TV broadcasting industry for digital or cable services may be exempt from the BT for up to 3 years, once approved by the provincial government, MOF and SAT.

Additionally, companies that export books, newspapers, periodicals, audiovisual products, electronic publications and completed movies and television films will be entitled to export VAT rebates under the relevant regulations. The importation of equipment, parts and accessories not domestically available for the manufacturing of eligible cultural products will be exempt from import tariffs. And cultural enterprises will not be required to pay BT on any revenues earned abroad for cultural performances in foreign countries.

"Cultural supporting enterprises" that develop technology relating to cultural enterprises will be eligible for a reduced 15% enterprise income tax rate if they are recognized as new and high-technology companies in accordance with the regulations of Guo Ke Fa Huo [2008] No. 172 and Guo Ke Fa Huo [2008] No. 362. Additionally, R&D expenditures associated with the development of new technology, new products and new workmanship can be deducted. However, the scope of the term "cultural supporting enterprises" needs to be further defined by MOF, SAT and the Ministry of Science and Technology.

The Notice generally applies to all "cultural enterprises," defined to include companies operating in media publication, radio and TV broadcasting, as well as culture and art. The special tax benefits will be available from January 1, 2009 to December 31, 2013. However, the tax benefits for cultural enterprises established before December 31, 2008 is subject to *Cai Shui [2005] No. 2*.

Authored By:

[Raymond Tan](#)

86.21.2321.6053

rtan@sheppardmullin.com