

CIT rate: 25% or 15%

Without HNTE status

25%

Tax: RMB 2,500,000

With HNTE status

15%

Tax: RMB 1,500,000

Difference: RMB 1,000,000 per year (~\$140K)

Based on taxable profit of RMB 10 million (~\$1.4 million)

Article 28, PRC Enterprise Income Tax Law

R&D super deduction: two rates

200%

Standard rate

- All industries, no end date
- RMB 5M spent → RMB 10M deducted

220%

Enhanced rate

- Integrated circuits (集成电路, jíchéng diànlù)
- Industrial machine tools (工业母机, gōngyè mǔjī)
- 1 Jan 2023 – 31 Dec 2027

Capitalization

Costs capitalized as an intangible asset are amortized at 200% of their value (220% for the two industries above)

The super deduction reduces the tax base BEFORE the 15% rate applies — the benefits compound

Announcement No. 44 (2023) of the Ministry of Finance, State Taxation Administration, NDRC and MIIT

Six conditions for HNTE status

Fail one — you're rejected

- 1 IP rights** — exclusive rights held by the company in mainland China
- 2 Industry** — products listed in the state catalogue, 8 fields
- 3 Staff** — at least 10% of employees engaged in R&D
- 4 R&D spending** — at least 3% / 4% / 5% of revenue (scaled by revenue size)
- 5 High-tech revenue** — at least 60% of total revenue
- 6 Expert assessment** — at least 71 points out of 100

A weak indicator can't be offset by a strong one

The R&D spending threshold depends on revenue

Previous year's revenue	Minimum R&D spending ratio
Over RMB 200 million (~\$28 million)	at least 3%
RMB 50–200 million	at least 4%
Up to RMB 50 million	at least 5%

At least 60% of this spending must be incurred in China

The outdated 6/4/3% scale still appears in overview articles. The current scale is 5/4/3%

71 out of 100 — the minimum for recognition

71/100 — passing score



- Intellectual property — **30 points**
- Commercialization of scientific and technological results — **30 points**
- R&D management within the company — **20 points**
- Business growth — **20 points**

IP and commercialization account for 60% of the score. Patents gathering dust in a drawer earn no points

From self-assessment to the 15% rate

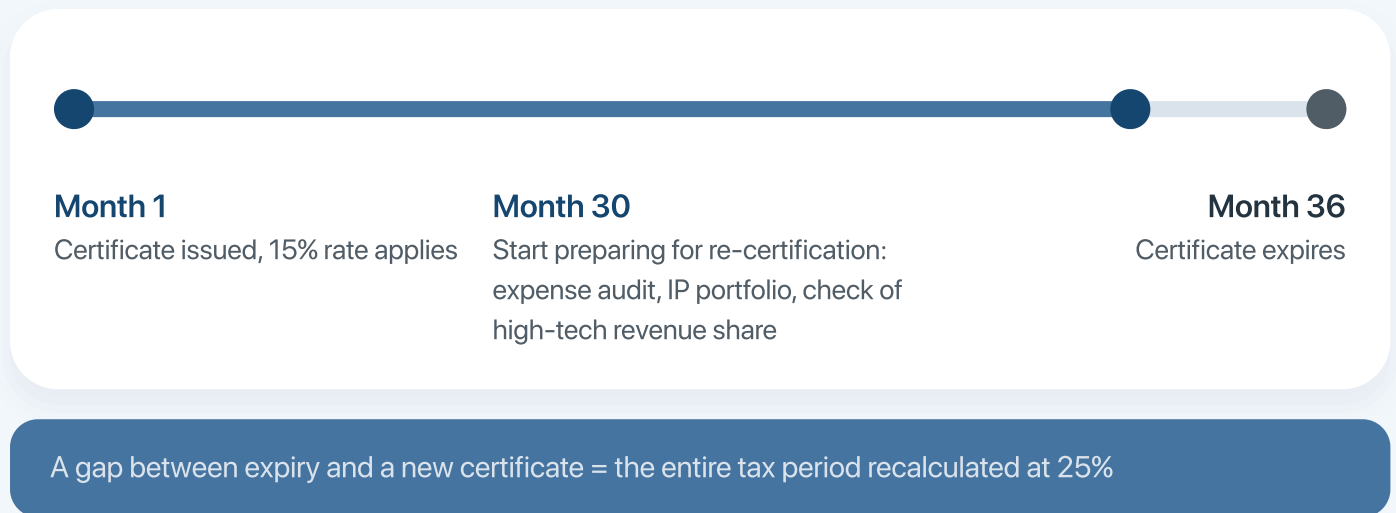
- 1 Self-assessment · 2–3 months before the window**
Check against the six thresholds, IP inventory
- 2 Registration · before the window opens**
National HNTE recognition platform
- 3 Application filing · provincial filing window**
Special audit of R&D spending, revenue audit, R&D report
- 4 Review · 3–6 months**
Assessment, public listing, certificate
- 5 Applying the rate**
Annual CIT return

The cost of a mistake

- ⚠ Expenses without a fapiao (发票) are not recognized at all
- ⚠ R&D carried out outside China doesn't count toward the 60% threshold
- ⚠ Penalty of 50–500% of the unpaid tax + late fee of 0.05% per day (over 18% per year)

Article 63, PRC Law on the Administration of Tax Collection

HNTE certificate: three years and a checkpoint



CONTACTS

VITA LIBERTA LIMITED

www.vitaliberta.hk

Office room 68, 7/F, Woon Lee Commercial Building, 7 Austin Ave, Tsim Sha Tsui, Kowloon, Hong Kong

+852 6841 6177



legal@vitaliberta.com



Hangzhou office (China):

Room 815, Building 3, Zhonghao Wangjiang International, No. 332 Wangjiang East Road, Shangcheng District, Hangzhou City

Direct line:

+86 130 7361 7169