



BDO Seidman, LLP  
Accountants and Consultants

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## Subject:

### International R&D Credits and Incentives Update

# International Tax Alert

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For more information about this or other global R&D credit and incentive opportunities, please contact:

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### Opportunity:

China has unveiled a new R&D tax incentive program to encourage companies to conduct R&D in China.

### Details:

In February 2006, China announced a new tax incentive program for R&D activity at the State Council, and restated the program at the National People's Congress (NPC), which ended on March 13, 2006. The program is part of a plan to transform China from a low-wage, low-technology center into a leader in science and technology.

The program allows a 150 percent deduction from annual corporate taxes of a company's "scientific and technological" R&D operations. To qualify, a company must demonstrate a 10 percent increase in R&D investment in China-based R&D operations over the previous year.

In addition, according to Chinese media reports, the State Council is expected to announce additional tax incentives targeted to increasing high-technology exports from China. The incentives are likely aimed at encouraging R&D in Chinese firms, along with protection for domestic intellectual property rights. Finally, the NPC heard plans to increase government R&D spending to 2.5 percent of the China's GDP.

BDO Seidman's experienced R&D professionals are dedicated to helping companies optimize the credits and incentives to which they are entitled because of their worldwide R&D and manufacturing operations. This new Chinese incentive program can be a valuable resource for companies that have or are thinking about establishing an R&D presence in China.

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