



## The Shanghai Municipal Government decides to levy Local Education Fee from January 1, 2011

Following the regulation issued by the State Administration of Taxation and the Ministry of Finance in November 2010 to levy Unbar Maintenance Construction Tax ("UMCT") and Education Fee ("EF") on foreign invested enterprises effective December 1, 2010, the Shanghai Municipal Government released the Circular of Shanghai Municipal People's Government on the Collection of Local Educational Surcharge in Shanghai (Hufufa [2011] No. 2) on January 21, 2011, starting to levy Local Education Fee from January 1, 2011.

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According to the regulation, all units and individuals (including foreign-invested enterprises, foreign enterprises and foreign individuals) that are subject to payment of value-added tax, consumption tax and business tax within administrative division of Shanghai shall pay local educational surcharge in accordance with provisions of the Circular in addition to paying educational surcharge in accordance with the regulations of the State.

Upon effective of this regulation, the aggregate turnover tax surcharge burden of Shanghai taxpayers increases to 13% if registered in urban area, compared to 1% before December 2010.

The increase in tax burden shall be considered by all enterprises during daily operations. On the other hand, these Circulars implying that the government is now trying to gradually cancel distinctive preferential financial policies provided to foreign invested enterprises.

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