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## China ends tax breaks on tobacco advertising

BEIJING, Aug. 11 (Xinhua) -- Chinese tobacco companies have been banned from claiming tax breaks on advertising, promotional and sponsorship spending.

In a joint circular issued Monday, but backdated to Jan. 1 last year, the Ministry of Finance (MOF) and the State Administration of Taxation (SAT) declared an end to tax breaks on promotional spending for tobacco firms.

The circular is effective until Dec. 31, 2010, after which all forms of tobacco promotion will be banned in China.

The circular said cosmetic, medical and beverage companies (excluding alcohol producers) can deduct advertising expenses to a maximum of 30 percent of their total sales income.

Before the law on enterprise income tax went into effect in January 2008, Chinese firms could claim back 2 to 8 percent their taxable income. Under the new law, the rate was standardized at 15 percent for all industries, except the tobacco industry.

The new provision meant tobacco companies would have to pay more tax and their after-tax profits would drop, indicating the government was taking a tougher stance to curb smoking, said Zhang Bin, an expert on price and tax studies with the Chinese Academy of Social Sciences.

The policy already applied to alcohol advertising, said Zhang Xuedan, an MOF official and tax expert.

Xu Guihua, vice president and secretary general of the Association on Tobacco Control, said a comprehensive ban on tobacco advertising, promotion and sponsorship would be enforced from 2011.