

# Institutionalizing the tax exemption on Social Enterprise : Toward a cross-national comparison between China and Korea

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## Problem

- What national particularities differentiate tax exempt to finance social enterprise by country?

Concept

# **Tax exemption**

Topic

Tax exempt on donated  
income to nonprofit-typed  
social enterprise financing.

## Problem in case

What makes tax exempt distinguished between Korea and China in **state-led** social enterprise financing?

## Background

The more tax deduction on charitable donation, the more donated income for social enterprise revenue

## Purpose

- Exploring the concept of income tax exempt regulation as a cross-national comparative equivalence

## Significance

### **Tax exemption**

: why important in social enterprise financing?

- Government's expenditure for nonprofits
- Minimizing government's intervention
- Maximizing SE discretionary powers
- Litmus paper on government policy change on private financing, e.g., CSR.



## Table of Discussions

1. Tax exemption in 3 contexts
2. Tax exemption in legal tradition
3. Income tax exemption & tax deductible donation
4. Tax exemption as a cross-national comparative criterion
5. East Asian state-led social enterprise's revenue in comparison

## 1. Tax exemption in 3 context

- 1) **Legal context:**  
Reducing or removing the tax of not-for-profit organization
- 2) **Public financial context**  
: expenditure, concession, preference (cut or removal)
- 3) **Economic anthropological context:**  
: gift exchange between state and nonprofits

## 2. Tax exemption in legal tradition

- **Civil law tradition** – restriction on exempt status
- **Common law tradition** – less restriction on exempt status

## 3. Income tax exemption & tax deductible donation

- **Tax deductible donation**  
: rule on the benefits that donor receives when making donation
- **Income tax exemption**  
: rule on the benefits that a qualified donee

#### Typology: Tax exemption and Tax Deductible Donation by country

		Donor Side	
		Tax deduction granted	Tax deduction granted
Donee Side	<b>Tax exemption broadly defined</b>	Czech, Germany, Hungary, Italy, Poland, the UK, Japan, the US. Finland (corporation) Ireland (corporation)	Finland (individuals) Ireland (individuals) Sweden
	<b>Tax exemption specifically registered</b>	Belgium, Denmark, Estonia, France, Latvia, the Netherlands, Portugal, and Spain	

#### 4. Tax exemption as a cross-national comparative criterion

- Exemption from taxation as universal standard in the international comparison of nonprofits



## 5. East Asian state-led social enterprise's revenue in comparison

- Typical perception: homogeneous nature of stat-driven development of NPOs
- Various national legal system, and various tax-exemption law
- National tax regulation on donated income as useful indicator to show differing degrees of government involvement

## Conclusion

- Utilizing the legal status of social enterprise as a cross-national equivalence with identical function between countries





- The End

Thank you