



## Comments on IIT Amendment

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## ***Subject: Individual Income Tax Reform in the PRC***

On August 31, 2018, the IIT law amendment was finally passed by the national people's congress of the PRC, and it will enter into force as of January 1, 2019.

The new IIT amendment introduced a basket of new changes that affect each level of the IIT system at its calculation, application, and enforcement stages. The key amendments include:

1. Introducing the concept of resident and non-resident;
2. Re-classifying the income categories and adjust Tax Brackets;
3. Improving the deduction standard, expand the scope of the deduction;
4. The new tax filing requirements;
5. Introducing an anti-tax avoidance rule;

The proposed changes, will signify an overhaul of the IIT system. We set out the detailed analysis as follows:

### **1. Introduce the concept of resident and non-resident**

According to the old IIT laws, the PRC IIT is levied on the worldwide income of individuals who have been domiciled in China or who have been resident in China for at least one year.

As a concession, an individual who was not China-domiciled and had lived in China for one full year, but not more than five years, was taxed only on the portion of his or her income derived from services rendered in China pursuant to the holding of an office, employment, or the performance of a contract in China.

A non-domiciled individual who had lived in China for one full year but not more than five years was subject to tax on employment income derived during his or her working period within China from a Chinese enterprise or employer or from an overseas enterprise or employer. If employment income was derived from a period of work during a "temporary absence" from China, individual income tax is payable only on the portion of the income which is paid by Chinese enterprises or Chinese individual employers.

Once a non-domiciled individual has lived in China continuously for more than five years he or she would then pay individual income tax on his or her worldwide income, i.e. all income derived from within and from outside China, for every full year spent in China, beginning in the sixth year. (Reference: Guoshuifa 1994 No.148, Guoshuifa 2004 No. 97, Guoshuifa 1996 No. 199, Guoshuifa 1995 No.125).

According to Guoshuifa 1995 No. 125, "The IIT of an individual who concurrently holds separate positions in enterprises or institutions within and outside the territory of China will be determined on the basis of the total amount of income derived by the taxpayer from wages and salaries, in accordance with the relevant provisions of the Individual Income Tax Law of the People's Republic of China (referred to in this Notice as the Tax law) and the Notice, and the actual working period within the territory of China, regardless of whether his or her wages and salaries are determined separately according to each post held." Under this regulation, where the Individual had not breached the five year rule, then they could claim exemption from tax for days out of country according to a pro-rata formula.

In the new IIT amendment, it has clearly defined the concept of Resident and Non-resident, and lowers the threshold for tax residency from one year to 183 days, in line with other major tax jurisdictions and double tax treaties that China has in place. In other words, an individual would be deemed a resident for individual income tax (IIT) purposes if he or she resides in mainland China for 183 days or more within one tax year. Therefore, the PRC tax authority has the tax jurisdiction for foreigners who are not domicile in China and but stay in China for more than 183 days.

### Our Comments

What is not clear though is whether or not the five rule regulation is continued. The new regulation replaces the old IIT regulation, however the five year rule is a separate regulation covering foreigners working in China.

It is uncertain whether the reform does not therefore touch the five year rule regulation, or whether the Government's interpretation is that it is deemed as canceled. Clarification is therefore needed to confirm that the regulation remains in place, as the new law does not cite that this rule is canceled, or that it is indeed canceled.

### 2.Re-classify the income categories and adjust Tax Brackets

The old IIT Law provides for different tax rates on eleven categories of income, including income from salaries and wages, labor service payment, author's remuneration, and royalties. Among these four categories, salaries and wages are subject to seven-bracket progressive rates (from 3% to 45%; see chart below) while the other three are subject to a proportional rate of 20% (plus a few category-specific rules).

The income calculation method and applicable tax rate of the dividend, interest, property transfer, etc., maintain the previous regulation, the tax rate is still 20%.

The new IIT amendment aggregates taxes on different sources of labor income into a single income tax, which we called the comprehensive income scope. Wages, compensation for labor, authors' remuneration, royalties are included in the comprehensive income scope. They apply the seven-bracket progressive tax rate, still from 3% to 45%, but with the income ranges in several brackets adjusted. The old and new tax brackets are as follows:

	Tax rate	Brackets in the IIT amendment (range of monthly taxable income, RMB)	The old Brackets (range of monthly taxable income, RMB)
1	3%	<3000	<1500
2	10%	3000-12000	1500-4500
3	20%	12000-25000	4500-9000
4	25%	25000-35000	9000-35000
5	30%	35000-55000	35000-55000
6	35%	55000-80000	55000-80000
7	45%	>80000	>80000

Table 1 for IIT Rates

The new IIT amendment has reclassified “Income from production and business operations of individual industrial and commercial households” and “Income from contracted and leasing operations of enterprises and institutions” as “income from business operations”. The taxable income of operating income shall be the balance after deduction of the costs, expenses and losses from the total income amount in each tax year. The old and new tax brackets are as follows:

	Tax rate	Brackets in the IIT amendment (range of annual taxable income, RMB)	The old Brackets (range of annual taxable income, RMB)
1	5%	<30,000	<15,000
2	10%	30,000-90,000	15,000-30,000
3	20%	90,000-300,000	30,000-60,000
4	30%	300,000-500,000	60,000-100,000
5	35%	>500,000	>100,000

Table 2 for IIT Rates

Based on the above analysis, the Draft Amendment includes a consolidation of certain taxable income categories, and changes to tax rates and the corresponding taxable income brackets, we summarized the changes as set out in the table below:



The old IIT law		The new IIT amendment	
Categories	Tax rates	Categories	
Income from wages and salaries	3%-45% 7 brackets of progressive tax rates	Comprehensive income	3%-45%, 7 brackets of progressive tax rates Adjusting the taxable income brackets of lower tax rates (i.e., 3%, 10%, 20% and 25%) Taxable income brackets of higher tax rates unchanged (i.e., 30%, 35% and 45%)
Income derived from remuneration for personal services	20%- 40% 3 brackets of progressive tax rates		
Income derived from remuneration for manuscripts	20%		
Income derived from royalties	20%		
Income derived from production and business operations by individual industrial and commercial households	5%-35% 5 brackets of progressive tax rates	Business operation income	5%-35% 5 brackets of progressive tax rates  The minimum threshold applicable to 35% tax rate is increased to RMB 500,000
Income derived from contractual or leasing operations of enterprises or institutions	5%-35% 5 brackets of progressive tax rates	Category removed with relevant income incorporated into comprehensive income or business operation income respectively	
Income from interest, dividends and bonuses	20%		
Income from lease of property	20%	Unchanged	
Income from transfer of property	20%		
Contingent income	20%		
Other income	20%		

**Our comments:**

Under the new IIT amendments, income deriving from provision of independent personal service, author's remuneration, and royalties will now also be subject to 3-45 percent progressive tax.

In effect, this is likely to increase the tax levied on income belonging to this income category, as the progressive rates will now be applied to the aggregate of the four types of Comprehensive Income, rather than just 'wages and salaries.' and three income types that were traditionally taxed at a flat rate of 20 percent are now taxed at progressive rates according to the tax brackets. Therefore, if the aggregate income of the 'Comprehensive Income' exceeds RMB 25,000 per month, the tax rate will be greater than the 20 percent flat rate previously applied.

Also, the preferential tax treatment for bonuses was regulated in the SAT department rules, i.e. Guoshuifa2005 No.9, in the new IIT law, IIT for comprehensive income is assessed on annual basis, it is normally interpreted that the annual tax assessment will remove the IIT impact due to the monthly disproportionate income, the preferential tax treatment on bonuses used to be the effort to relieve the IIT paid on a suddenly increased income, when the new IIT law implemented, the preferential tax treatment on bonuses maybe canceled. However, until a detailed implementation rules is published, we can still use the preferential tax treatment for bonus.

### 3. Improve the deduction standard, expand the scope of the deduction

Additional special deductions was introduced in the new IIT amendment, in summary, when calculating comprehensive income, deductions can be divided into four categories: basic expenses, special deductions, additional special deductions and other deductions.

The basic expenses was increase to 60,000 per year.

Special deductions include: basic endowment insurance, basic medical insurance, unemployment insurance and other social insurance premiums and housing provident funds paid according to the scope and standard set by the state.

Additional special deductions include: child education, continued education, serious illness medical treatment, housing loan interest and housing rent and supporting expenditure for dependent aged. In addition, 20% of expenses is allowed to be deducted before calculating IIT for labor services, royalties and authors' remuneration. 30% deduction of income is applicable for authors' remuneration. Major deductions that may be available for resident under the new IIT regime are summarized in the table below:

Deductible items	Deductible amount/limit (RMB)	The existing/new deductions
Standard basic deduction	5,000/month (60,000/year)	Existing deductions
Statutory social security and housing fund contributions	Subject to local standards	
Commercial health insurance eligible for IIT incentive	200/month (2,400/year)	
Commercial endowment insurance eligible for IIT deferral treatment (pilot program)	1,000/month (12,000/year)	
Dependent education	To be released	New deductions
Major illness medical expenses		
Continued education		
Mortgage interest/rental expense		
expenditure for dependent aged		

For non-resident, the taxable income shall be the monthly income minus a standard deduction of RMB 5000, the addition standard deduction of 1300 per month for foreigners is canceled.

According to the old IIT law," Additional deduction for expenses may be determined for taxpayers who do not have a domicile in China but receive income from wages and salaries in China or taxpayers who have a domicile in China but receive income from wages and salaries outside China based on their average income level, living standards and fluctuations in exchange rates. The scope of application and standard for additional deduction for expenses shall be stipulated by the State Council." and this clause has been deleted in the new IIT law.

Further, Guoshuifa 1994 No. 20 has specified the additional deductions for expatriates, it regulates that certain fringe benefits provided to expatriate working in China which are of a reasonable amount and on the reimbursement basis are not taxable. The above mentioned fringe benefits include:

- Housing reimbursement;
- Meal and laundry expenses;
- Home trip;
- Language courses and education expenses in the PRC;
- Relocation allowance.

**Our comments:**

Based on the above regulation, we understand that the additional deduction for taxpayers who do not have a domicile in China but receive income from wages and salaries in China is canceled in the new IIT law, if a taxpayer who do not have a domicile in China but receive income from wages and salaries in China stays in China for 183 days or more, he/she is a resident in China and is entitled to the additional special deduction as regulated in the new IIT law (such as the child education, continued education, serious illness medical treatment, housing loan interest and housing rent and supporting expenditure for dependent aged), if he/she is not a resident in China, the taxable income should be calculated by deducting 5000 per month from the monthly salary. However, this is an analysis based on the available new IIT law, the old regulation regarding fringe benefits for expatriates is still effective right now until there are further implementation rules that cancel and change this.

**4. Tax filing requirements**

**• Monthly prepaid, annual IIT filing**

The IIT for comprehensive income is calculated on annual basis, the withholding agent shall withhold the tax on a monthly basis, and the taxpayer shall, after the end of each year, make up for the underpaid tax or get a refund for the overpaid tax. By the end of the year, annual reconciliation can be performed if there is additional tax due or any overpayment. In the event of a tax resident providing information of specific additional tax deductions, the withholding agent shall not refuse to deduct the relevant amount while prepaying the monthly IIT.

For non-residents deriving consolidated income and in the case which there is a withholding agent, the tax payable shall be prepaid by the withholding agent on a monthly basis or based on the occurrence of the income, and no annual reconciliation is required. If there is no withholding agent, self-declaration is to be performed within 15 days in the following month upon receiving the income.

**Revise of certain tax filing deadlines**

1) A taxpayer who derives consolidated income is required to perform annual reconciliation, should submit the annual IIT reconciliation return between 1 March to 30 June of the following year after receiving the income.

2) Any taxpayer, who receives taxable income but in the case which the withholding agent fails to withhold the tax payment, shall pay IIT before 30 June of the following year. In the event that tax authorities request to settle the tax payment within a given timeline, IIT shall be paid accordingly.

3) A taxpayer who derives income overseas should file tax return and settle the tax payment between 1 March to 30 June of the following year after the occurrence of the income. Deadline has been as extended as compared with the prevailing filing due date as of 31 January of the following year.

4) Any taxpayer who cancels his household registration in China due to migration abroad shall complete tax clearance before the cancellation of the household

## **5. Increase anti-tax provisions**

According to the new IIT amendment, tax authorities is entitled to make tax adjustments for the following arrangement:

- The arrangement between individuals and its related parties that are not in accordance with the arm's length principle, and will reduce the tax burden of the individual or its related parties;
- A company controlled by a PRC individual resident or joint controlled by a PRC individual resident and PRC resident is in tax jurisdictions with an obviously low effective tax rate; and distributing no or minimal profit without reasonable business needs;
- Other improper tax benefits acquired by an individual by implementing unreasonable commercial arrangements.

## **Our comments:**

Reviewing what is arms length or not, what is a controlled company or not, and cross border international income and business is extremely complex and can be open to interpretation. Our concern is that the regulation provides only a general outline which without further details could be interpreted in different ways by different tax officials.

## **6. The effective date of the new IIT law**

According to the new IIT Amendment, the proposed effective date is 1 January 2019. Before that, it is proposed that the monthly standard deduction of RMB5,000 on salaries and wages can be deducted to calculate the taxable income and relevant parties can use the "Table 1 for IIT Rates" discussed above to calculate their monthly IIT during the period from 1 October 2018 to 31 December 2018. In the meantime, the "Table 2 for IIT Rates" would be applied to calculate relevant IIT - "income derived from individual industrial, commercial production and operating activities" - during this period.

## **Conclusion**

It is positive that China has taken a significant step to update its IIT regulations and to seek to provide benefits to those that who have the costs of additional children or caring for dependents, and that the likes of insurances can be non-taxable up to limits. However, there are a lot of gaps in the regulation that need to be filled in, and uncertainties surrounding expatriates and their tax position in China, and it is hoped that these are clarified as soon as possible, and in particular that the Chinese Government maintains the existing side regulations covering expatriates. It is common in many countries for there to be laws covering everyone resident in that country and then there to be laws that provide concessions for non-domiciles in order to encourage them to invest into the country. It remains to be seen whether China seeks to encourage foreign talent to come to China, along with skills, investment and the job creation that comes with it.



**Appendix: Individual Income Tax Law of the People's Republic of China**

Promulgation Authorities: Standing Committee of the National People's Congress

Promulgation Date: 2018.08.31

Effective Date: 2019.01.01

Validity Status: forthcoming

Passed by the Third Session of the Fifth National People's Congress on 10 September 1980

First revision pursuant to the Decision on Revision of the "Individual Income Tax Law of the People's Republic of China" on 31 October 1993 by the Fourth Session of the Standing Committee of the Eighth National People's Congress

Second revision pursuant to the Decision on Revision of the "Individual Income Tax Law of the People's Republic of China" on 30 August 1999 by the 11th Session of the Standing Committee of the Ninth National People's Congress

Third revision pursuant to the Decision on Revision of the "Individual Income Tax Law of the People's Republic of China" on 27 October 2005 by the 18th Session of the Standing Committee of the Tenth National People's Congress

Fourth revision pursuant to the Decision on Revision of the "Individual Income Tax Law of the People's Republic of China" on 29 June 2007 by the 28th Session of the Standing Committee of the Tenth National People's Congress

Fifth revision pursuant to the Decision on Revision of the "Individual Income Tax Law of the People's Republic of China" on 29 December 2007 by the 31st Session of the Standing Committee of the 10th National People's Congress

Sixth revision pursuant to the Decision on Revision of the "Individual Income Tax Law of the People's Republic of China" on 30 June 2011 by the 21st Session of the Standing Committee of the 11th National People's Congress

Seventh revision pursuant to the Decision on Revision of the "Individual Income Tax Law of the People's Republic of China" on 31 August 2018 by the Fifth Session of the Standing Committee of the 13th National People's Congress

**Article 1** Individuals who have a domicile in China, or individuals who do not have a domicile in China but have resided in China for 183 days or more cumulatively within a tax year, shall be deemed as resident individuals. Income derived by resident individuals from China and overseas shall be subject to individual income tax pursuant to the provisions of this Law.

Individuals who do not have a domicile in China and have not resided in China, or individuals who do not have a domicile in China but have resided in China for less than 183 days cumulatively within a tax year, shall be deemed as non-resident individuals. Income derived by non-resident individuals from China shall be subject to individual income tax pursuant to the provisions of this Law.

Tax year shall start from 1 January and end on 31 December of a calendar year.

**Article 2** The following income of an individual shall be subject to individual income tax:

- (1) Income from wages and salaries;
- (2) Income from remuneration for personal services;
- (3) Income from author's remuneration;
- (4) Income from royalties;
- (5) Income from business operation;
- (6) Income from interest, dividends and bonuses;
- (7) Income from lease of property;
- (8) Income from transfer of property;
- (9) Contingent income.

Resident individuals deriving income mentioned in item (1) to item (4) of the preceding paragraph (hereinafter referred to as the "consolidated income") shall consolidate and compute individual income tax based on the tax year; non-resident individuals deriving income mentioned in item (1) to item (4) of the preceding paragraph shall compute individual income tax on a monthly basis or based on each income item under each category. Taxpayers deriving income mentioned in item (5) to item (9) of the preceding paragraph shall compute individual income tax separately pursuant to the provisions of this Law.

**Article 3** Individual income tax rates:

- (1) Consolidated income shall be taxed at progressive rates ranging from 3% to 45% (see tax rate schedule attached);
- (2) Income from business operation shall be taxed at progressive rates ranging from 5% to 35% (see tax rate schedule attached);
- (3) Income from royalties, income from interest, dividends and bonuses, income from lease of property, income from transfer of property and contingent income shall be subject to proportional tax rate, the tax rate shall be 20%.

**Article 4** The following categories of individual income shall be exempted from individual income tax:

- (1) Awards for achievements in science, education, technology, culture, public health, sports, environmental protection, etc granted by the provincial People's Governments, Ministries and Commissions under the State Council, units of the Chinese People's Liberation Army at or above the level of corps, as well as foreign organisations and international organisations;
- (2) Interest income on treasury bonds and other financial debentures issued by the State;
- (3) Subsidies and allowances issued on a unified basis in accordance with the provisions of the State;
- (4) Welfare benefits, compensation and relief funds;
- (5) Insurance claims;
- (6) Military severance pay, demobilisation pay and decommissioning pay received by members of the armed forces;
- (7) Settling-in allowance, severance pay, basic pension or retirement pay, retirement allowances and subsidies given to public servants and workers on a unified basis in accordance with the provisions of the State;

- (8) Income derived by diplomatic representatives, consular officers and other personnel of embassies and consulates in China, which are exempted from tax in accordance with the provisions of the relevant laws of China;
- (9) Tax-exempt income stipulated in international conventions and executed agreements to which the Chinese Government is a party; and
- (10) Other tax-exempt income stipulated by the State Council.

The tax-exemption provisions in Item (10) of the preceding paragraph shall be filed by the State Council with the Standing Committee of National People's Congress for record.

**Article 5** Individual income tax may be reduced in any of the following circumstances; the specific range and duration shall be stipulated by the People's Government of the province, autonomous region and centrally-administered municipality, and filed with the Standing Committee of People's Congress at counterpart level:

- (1) Income derived by disabled persons, unsupported aged persons or dependents of a martyr;  
or
- (2) Suffering heavy losses due to a severe natural disaster.

The State Council may stipulate other circumstances for tax reduction, and file record with the Standing Committee of National People's Congress.

**Article 6** Computation of taxable income amount:

- (1) The taxable income amount of consolidated income of a resident individual shall be the balance after deduction of RMB60,000, as well as special deductions, special additional deductions and other deductions determined pursuant to the law, from the income amount of each tax year.
- (2) The taxable income amount for income from wages and salaries of a non-resident individual shall be the balance after deduction of RMB5,000 from the monthly income; the taxable income amount for income from remuneration for personal services, income from author's remuneration, income from royalties and income from lease of property shall be the amount of each income item.
- (3) The taxable income amount for income from business operation shall be the balance after deduction of the costs, expenses and losses from the total income amount in each tax year.
- (4) The taxable income amount for income from lease of property shall be the balance after deduction of RM800 from each income item which is not more than RMB4,000, or the balance after deduction of 20% of expenses from each income item which is more than RMB4,000.
- (5) The taxable income amount for income from transfer of property shall be the balance after deduction of the original value of the property and reasonable expenses, from the income amount for transfer of property.
- (6) The taxable income amount for income from interest, dividends, bonuses, and contingent income shall be the amount of each income item.

The income amount of remuneration for personal services, author's remuneration and royalties shall be the balance after deduction of 20% of expenses from the income. The income amount of author's remuneration shall be reduced and computed at 70%.

Where an individual donates his/her income to education, poverty alleviation and other public welfare and charitable undertakings, the portion of donation which does not exceed 30% of his/her declared taxable income amount may be deducted from his/her taxable income amount; where the State Council stipulates that the full amount of donation to public welfare and charitable undertakings are tax deductible, such provisions shall prevail.

Special deductions stipulated in item (1) of the first paragraph of this Article shall include basic pension insurance, basic medical insurance, unemployment insurance and other social security premiums, as well as housing provident fund etc, contributed by resident individuals in accordance with the scope and standards stipulated by the State; special additional deductions shall include expenses towards children education, continuing education, major illness medical treatment, housing loan interest or housing rent, support for elderly etc, the detailed scope, standards and implementation steps of which shall be determined by the State Council, and filed with the Standing Committee of National People's Congress for record.

**Article 7** For income of a resident individual derived from outside China, the individual income tax paid overseas may be deducted from his/her taxable amount; however, the deductible amount shall not exceed the tax payable amount computed pursuant to the provisions of this Law for the said taxpayer's overseas income.

**Article 8** Under any of the following circumstances, the tax authorities shall have the right to make tax adjustment based on a reasonable method:

- (1) The business dealings between an individual and his/her related parties do not comply with the arm's length principle, and the tax payable amount of the individual or his/her related parties is thereby reduced, when there is no proper reason;
- (2) An enterprise controlled by a resident individual, or an enterprise established in a country (region) with significantly lower tax burden and jointly controlled by a resident individual and a resident enterprise, does not distribute or reduces distribution of profits which is attributable to the resident individual, when there are no reasonable business needs; or
- (3) An individual carries out other arrangements without reasonable business purpose and obtains improper tax gains.

Where there is a need to levy additional tax after making tax adjustments pursuant to the provisions of the preceding paragraph, the tax authorities shall levy additional tax and collect interest thereon pursuant to the law.

**Article 9** Taxpayers for individual income tax shall be the income earners, and withholding agents shall be the organisations or individuals which pay income.

Where a taxpayer has a Chinese citizen identity number, the Chinese citizen identity number shall be his/her taxpayer identity number; where a taxpayer does not have a Chinese citizen identity number, the tax authorities shall issue a taxpayer identity number. When a withholding agent withholds tax, the taxpayer shall provide his/her taxpayer identity number to the withholding agent.

Article 10 Under any of the following circumstances, the taxpayer shall make tax declaration pursuant to the law:

- (1) the taxpayer obtains consolidated income and needs to process final settlement and payment;
- (2) the taxpayer obtains taxable income but there is no withholding agent;
- (3) the taxpayer obtains taxable income but the withholding agent does not withhold tax;
- (4) the taxpayer obtains overseas income;
- (5) the taxpayer has migrated overseas and cancelled his/her household registration in China;
- (6) a non-resident individual derives income from wages and salaries from two or more sources in China; or
- (7) any other circumstances stipulated by the State Council.

Withholding agents shall declare and withhold full amount for all staff in accordance with the provisions of the State, and provide taxpayers with their individual income and tax withheld information.

**Article 11** Resident individuals deriving consolidated income shall compute individual income tax on a yearly basis; where there is a withholding agent, the withholding agent shall withhold and prepay tax on a monthly basis or based on each income item; where there is a need for final settlement and payment, the taxpayer shall do so during the period from 1 March to 30 June of the following year after obtaining the income. The withholding and prepayment method shall be formulated by the tax department of the State Council.

Where a resident individual has provided information on special additional deduction to the withholding agent, the withholding agent shall make deduction pursuant to the provisions when withholding and prepaying tax on a monthly basis, and shall not refuse.

Tax payable on income from wages and salaries, income from remuneration for personal services, income from author's remuneration, and income from royalties, which are derived by a non-resident individual, shall be withheld and prepaid by the withholding agent, if any, on a monthly basis or based on each income item, and is not subject to final settlement and payment.

**Article 12** Taxpayers deriving income from business operation shall compute individual income tax on a yearly basis, file tax returns with the tax authorities within 15 days from end of the month or quarter, and pay tax in advance; and process final settlement and payment before 31 March of the following year after obtaining the income.

Taxpayers deriving income from interest, dividends and bonuses, income from lease of property, income from transfer of property and contingent income shall compute individual income tax on a monthly basis or for each income item; where there is a withholding agent, the withholding agent shall withhold tax on a monthly basis or based on each income item.

**Article 13** Where a taxpayer obtains taxable income but there is no withholding agent, he/she shall file tax returns with the tax authorities within the first 15 days of the following month after obtaining the income, and pay tax.

Where a taxpayer obtains taxable income but the withholding agent does not withhold tax, the taxpayer shall pay tax before 30 June of the following year after obtaining the income; where the taxpayer is notified by the tax authorities to pay tax by a certain deadline, the taxpayer shall pay tax within the stipulated period.

A resident individual who derives overseas income shall declare and pay tax during the period from 1 March to 30 June of the following year after obtaining the income.

A non-resident individual who derives income from wages and salaries from two or more sources in China shall declare and pay tax within the first 15 days of the following month after obtaining the income.

Where a taxpayer has migrated overseas and cancelled his/her household registration in China, he/she shall settle tax payment before cancellation of his/her household registration in China.

**Article 14** Tax withheld by a withholding agent on a monthly basis or based on each income item shall be turned over to the Treasury within the first 15 days of the following month, and the declaration form for withholding of individual income tax shall be submitted to the tax authorities.

Where a taxpayer processes final settlement and payment, or a withholding agent processes final settlement and payment and refund for a taxpayer, the tax authorities shall, upon examination and approval of the application, process tax refund pursuant to the relevant provisions on Treasury administration.

**Article 15** The public security authorities, the People's Bank of China, financial supervision and administration authorities etc shall assist the tax authorities in confirming taxpayer's identity and financial account information. The education authorities, health authorities, medical insurance agencies, civil affairs authorities, human resources and social security authorities, housing and urban-rural development authorities, public securities authorities, the People's Bank of China, financial supervision and administration authorities etc shall provide the tax authorities with the information on special additional deductions for taxpayers, such as children education, continuing education, major illness medical treatment, housing loan interest or housing rent, support for elderly etc.

For transfer of real estate by individuals, the tax authorities shall verify the payable individual income tax based on the relevant information such as real estate registration; when the registration authorities process transfer registration, it shall inspect the tax payment certificate for individual income tax relating to transfer of the said real estate. When an individual completes change registration for transfer of equities, the market entity registration authorities shall inspect the tax payment certificate for individual income tax relating to transfer of the said equities.

The relevant authorities shall include information on compliance of this Law by taxpayers and withholding agents in the creditworthiness information system, and implement incentivisation or punishment jointly.

**Article 16** All categories of income shall be computed in Renminbi. Income in a foreign currency shall be converted to Renminbi based on Renminbi central parity against the foreign currency, and be subject to tax payment.

**Article 17** A handling fee of 2% of the amount of tax withheld shall be paid to withholding agents.

**Article 18** The levying, reduction and cessation of levying of individual income tax on income from interest of savings deposit and the detailed measures thereof shall be stipulated by the State Council, and filed with the Standing Committee of National People's Congress for record.

**Article 19** The legal liability of taxpayers, withholding agents, tax authorities and their officers that violate the provisions of this Law shall be pursued in accordance with the Administrative Law of the People's Republic of China on the Levying and Collection of Taxes and the relevant laws and regulations.

**Article 20** Administration of levying and collection of individual income tax shall be implemented in accordance with the provisions of this Law and the Administrative Law of the People's Republic of China on the Levying and Collection of Taxes.

**Article 21** The State Council shall formulate the implementation regulations pursuant to this Law.

**Article 22** This Law shall be implemented with effect from the date of promulgation.

Schedule 1 — Individual income tax rates (applicable for consolidated income)

Grade	Annual taxable income amount	Tax rate (%)
1	RMB36,000 or less	3
2	The part exceeding RMB36,000 and up to RMB144,000	10
3	The part exceeding RMB144,000 and up to RMB300,000	20
4	The part exceeding RMB300,000 and up to RMB420,000	25
5	The part exceeding RMB420,000 and up to RMB660,000	30
6	The part exceeding RMB660,000 and up to RMB960,000	35
7	The part exceeding RMB960,000	45

Schedule 2 — Individual income tax rates (applicable for income from business operation)

Grade	Annual taxable income amount	Tax rate (%)
1	RMB30,000 or less	5
2	The part exceeding RMB30,000 and up to RMB90,000	10
3	The part exceeding RMB90,000 and up to RMB300,000	20
4	The part exceeding RMB300,000 and up to RMB500,000	30
5	The part exceeding RMB500,000	35

Any enquiries, please contact LehmanBrown by [enquiries@lehmanbrown.com](mailto:enquiries@lehmanbrown.com)

*LehmanBrown International Accountants is a licensed China-focused accounting, taxation and business advisory firm, operating dedicated offices in Beijing, Tianjin, Shanghai, Shenzhen, Guangzhou, Hong Kong and Macau, and with an extensive affiliate network throughout China and in over 100 countries worldwide.*





## About Us

Founded in 2001, LehmanBrown is a China-focused accounting, taxation and business advisory firm, operating in Beijing, Shanghai, Hong Kong, Macau, Shenzhen, Guangzhou and Tianjin. Our firm also manages an extensive affiliate network, providing service throughout China and reach across the globe.

Combining years of international expertise with practical Chinese experience and knowledge, LehmanBrown offers expert advice and support to both local and international clients. Within the mid - tier, we are regarded as a market leader and our clients enjoy access to a combination of senior and experienced counsellors from both China and abroad.

At LehmanBrown we recognise that you are unique, that you have unique requirements and we are committed to providing individually tailored financial solutions. LehmanBrown is dedicated to providing personalised service by working closely with our clients to understand your individual business needs. This enables us to offer the most up-to-date and expert advice.

## 关于我们

雷博国际会计成立于 2001 年, 是一家获得许可, 主要从事有关中国范围内会计、税务和财务咨询服务的公司, 在北京、上海、香港、澳门、深圳、广州和天津设有专门办事机构, 正积极在全国范围内建立广泛的联合专业服务网络。

综合多年的国际经验和对中国市场的深刻理解和实践体验, 我们向广大国内外的客户提供高质量的专业服务和意见帮助。在雷博国际会计的服务过程中, 我们作为市场中的佼佼者, 您将得到来自中国本土以及其它国家的高级资深专家热忱的咨询帮助。

我们深刻认识到每一位客户都是独一无二的, 并都有其独特的业务需求。雷博国际会计承诺将根据客户的不同业务需求, 为客户提供个性化的财务解决方案。我们的专业人员将密切与您合作, 以充分了解您独特的业务需求, 从而提供满足您所需要的高时效、高质量的专业服务。

## Professional Services

### Audit & Assurance External Audit

[China Statutory Audit](#)

US GAAP Audit

IFRS Audit

Hong Kong Statutory Audit

### [Internal Audit](#)

Fraud Investigation

Forensic Accounting

### [Special Purpose Audit](#)

Foreign Currency Audit

Royalty Audit

Capital Verification Audit

### Valuation Services

#### [Corporate Valuation](#)

Damage Assessment Valuation Intellectual

Property Valuation Asset Valuation

Special Purposes Valuation

### Corporate Finance

Debt Restructuring

Acquisition, Disposal & Financing

### [Mergers & Acquisitions](#)

Transaction Advisory

M&A Divesture

M&A Integration

Financial Due Diligence

## Business Services

### Company Registration & Maintenance

Cash Flow Management

Chop Custodian Services

Market Entry Advisory

Updating Company Certificates

Annual Inspection & Reporting

Company Secretarial Services

Company Ownership Transferring/Corporate

Restructuring Background/Credit Checking

Company Deregistration & Bankruptcy

### [HR Support Services](#)

China Visa Services for Expatriates

Social Welfare Structures

## Outsourcing Services

### Accounting & Bookkeeping

Budgeting & Forecasting Financial Statement

Preparation Head Office Reporting

### Financial Management

Interim Financial Management Finance

Manager Function

CFO Function

### Treasury Management

Set-up of Bank Account

### Payroll Services

Payroll Processing Setup

Expatriate Employees

Local Employees

Secondment & Temping Service

## Taxation Services

### Individual Tax Planning (IIT)

Tax Immigration & Investment Review

US & Overseas Personal Income Tax Planning

& Filing IIT Tax Payment Facilitation

Application for Individual Income Tax Refund

Expatriate Staff Individual Income Tax Staff

Filing Local Staff Individual Income Tax

### Company Taxation (CIT)

#### [Tax Consulting](#)

Corporate Tax Planning

Business Restructuring

Value Chain Review

Onshore / Offshore Investment

Transfer Pricing

#### [Tax Compliance](#)

Tax Due Diligence

Tax Deregistration

Negotiation of Tax Penalties

Tax Refund Application

Tax Representatives for Tax Audit

VAT & Customs Duty Clearance

PRC Tax Receipt Verification

VAT Application

VAT & Sales Tax Filing

Corporate Income Tax Reporting

## Specialist Accounting & Risk Management

### Internal Controls

Systems

Risk Management

Sarbanes - Oxley (SOX 404)

### GAAP, SEC & IFRS Compliance

#### [US GAAP](#)

US GAAP Financial Statement Preparation

US GAAP Conversion

#### [Other GAAP](#)

GAAP Conversion

Public Company Compliance

Financial Statement Preparation

#### [IFRS](#)

IFRS Accounting Repackaging

IFRS Financial Statement Preparation

IFRS Public Company Compliance

#### [SEC](#)

SEC Public Company Compliance

## Legal Services

### [Legal Advisory](#)

#### [Labour Legal Advisory](#)

Workforce Downsizing Advisory

Labour Tribunal Assistance & Advisory

Labour Law Review & Audits

Review & Preparation of Employment Contracts

#### [Corporate Legal Advisory](#)

Legal Due Diligence

Corporate Restructuring Advisory

Review & Preparation of Articles of Association (AoA)

Review & Preparation of JV Contracts

Review & Preparation of Repatriation Agreements

#### [Other Legal Services](#)

Dispute Mediation & Advisory

Trademark & Intellectual Property Advisory

Debt Collection Assistance

Litigation Support

# LEHMANBROWN

雷博國際會計

International Accountants



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For further information about how we can add value and support your individual or business needs, please contact us.  
如需为个人或企业获取更多的增值服务及业务协助信息, 请与我们联系。

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