Worldwide personal tax guide 2022-2023

Going to/leaving China

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Local information	
Tax Authority	State Administration of Taxation (SAT)
Website	www.chinatax.gov.cn
Tax Year	1 January to 31 December
Tax Return due date	Monthly tax returns due 15 days after month end, annual tax returns between 1 March and 30 June of the following year, depending on circumstances
Is joint filing possible	No
Are tax return extensions possible	No

Annual taxable income band CNY	National income tax rates
1-36,000	3%
36,001-144,000	10%
144,001-300,000	20%
300,001-420,000	25%
420,001-660,000	30%
660,001-960,000	35%
960,001 +	45%

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 Chinese tax residents. Effective from 1 January 2019, employment income is accumulated for purposes of calculating monthly tax liabilities for Chinese tax residents. Income tax for resident individuals is computed on a monthly basis by applying the above progressive annual tax rates to employment income under a cumulative pre-withholding method.

Rental or leasing income can have a deduction of CNY800 or 20% of income, whichever is higher.

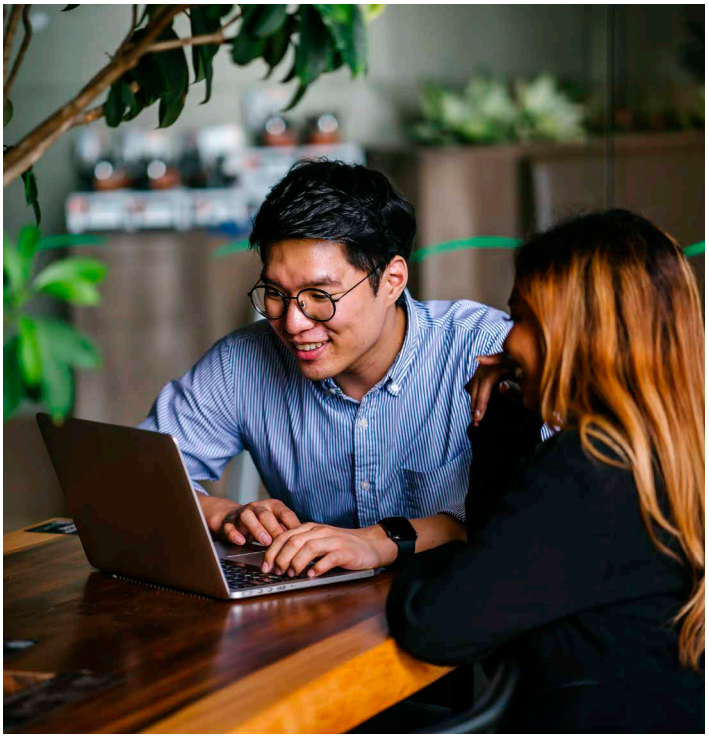
For Chinese tax residents, labour services income, author's remuneration and royalties can have a deduction of 20% of income, and author's remuneration can have a further 30% deduction of income.

Employment income, labour services income, author's remuneration and royalties must be aggregated as consolidated income and the above progressive annual tax rates are applied to compute the annual tax liability.

A Chinese tax resident can enjoy a CNY60,000 deduction each year in computing his or her net taxable consolidated income, which is an aggregate of employment income, labour services income, author's remuneration and royal-ties. A non-resident foreign employee can enjoy a deduction of CNY5,000 per month on their employment income. Qualified charitable donations are also deductible.

Employees, self-employed individuals and individual partners of partnerships can claim a deduction for their contributions to qualified commercial health insurance schemes from taxable income. The deduction is capped at CNY2,400 per year (that is, CNY200 per month).

Income tax for non-resident individuals is computed on a monthly basis by applying progressive monthly tax rates for employment income, labour services income, royalties and copyright income.



The content of this document was updated in April 2023. The content is next expected to be updated in April 2024.

Who is liable?

Chinese tax residents are generally subject to tax on their China-source and non-China-source income. Non-residents are subject to tax on their China-source income only.

Residence status for tax purposes

Effective from 1 January 2019, Chinese tax residents include the following persons:

- Individuals who have their domicile in China
- Individuals who do not have their domicile in China but reside in China for 183 days or more in a tax year.

China-domiciled individuals are subject to China individual income tax (IIT) on their worldwide income. Non-China-domiciled individuals who have resided in China for more than six consecutive years and who had no absence from China for more than 30 consecutive days in any of the six consecutive years are subject to China IIT on their worldwide income, regardless of the mode of payment and place of the income.

Income subject to tax

Employment income — The types of taxable compensation under the China IIT law include, but are not limited to, wages and salaries, foreign service or hardship allowances, cost of living and automobile allowances, tax reimbursements, bonuses and equity compensation. The form of the individual income may be cash, physical objects, securities and economic interests in any other form.

For employment income, non-China-domiciled individuals who are China tax residents for no more than six consecutive years are subject to China individual income tax (IIT) on income earned for services rendered in China and on income earned from services rendered outside China but paid or borne by the individual's China employer.

Non-domiciled individuals who reside in China continuously or intermittently for not more than 90 days during a calendar year are treated in the following manner:

- The expatriate is exempt from IIT if the salary is paid and borne by an overseas employer.
- Employment income paid or borne by the employer's establishment in China is subject to IIT to the extent that the income is attributable to services actually performed in China. For these purposes, an establishment includes a representative office and a permanent establishment that a foreign entity has or constitutes in China.
- Normally, employment income paid or borne by the employer's establishment in China is apportioned to China and non-China services in accordance with the actual number of days the expatriate resides in China.

Non-domiciled individuals who reside in China for more than 90 days but less than 183 days, are treated in the following manner:

- The expatriate is subject to IIT on employment income derived from services actually performed in China.
- Employment income attributable to services performed outside China is exempt from IIT. Normally the employment income is apportioned to China and non-China services in accordance with the actual number of days the expatriate resides in China.

Notwithstanding the above, special treatment may be available for a foreign individual who serves in the senior management of a Chinese entity or for an individual who is a resident of a jurisdiction that has signed a tax treaty with China. Income paid and borne by an employer outside China with respect to these individuals is taxed in one of the following ways:

- The income is exempt from individual income tax if the individual resides in China for not more than 90 days during a calendar year (or for tax treaty expatriates, not more than 183 days during a calendar year or any 12-month period, depending on the relevant tax treaty terms).
- The income is subject to individual income tax if the period of residency in China extends more than 90 days during a calendar year (or for tax treaty expatriates, more than 183 days during a calendar year or any 12-month period, depending on the terms of the relevant tax treaty), to the extent that the income is attributable to services performed in China.

Self-employment income

Taxable income includes:

- Income derived from production and business operation by an individually-owned business, as well as income from production and business operation of a sole-proprietorship enterprise or a partnership registered in China derived by an investor of the sole-proprietorship enterprise or a partner individual of the partnership enterprise.
- Income derived by an individual from engaging in school, medical, consulting and other paid services pursuant to the law.
- Income derived by an individual from business operation and contracted operation of enterprises or institutions as well as from sub-contracting and sublet operation.
- Income derived by an individual from other production and business operation.

Except for individual proprietorship enterprises and individual equity partnership enterprises, no measures exist for the carryover of losses.

Investment income – Interest, dividends and other investment income from China sources are subject to tax at a flat 20% rate, with no deductions allowed.

Dividends, interest, royalties and rental income received by non-resident foreign nationals from China sources are normally subject to a 10% withholding tax under most double tax treaties entered into by China on the approval of the local tax authorities in charge.

The dividend and bonus incomes received by individual aliens from the foreign-invested enterprises are exempt from China IIT. Such tax exemption treatment may vary on different local practice and interpretation. Foreign individuals are recommended to resort to competent tax authority on the specific tax treatment.

Directors' fees – Directors' fees are considered income from independent personal services and are taxed as income derived from labour services. However, directors' fees paid to a company director are taxed as "wages and salaries" if he or she is an employee of that company or a related company. If the director is not also an employee of the company, his or her directors' fees may be taxed under the "labour service" category.

If directors' fees are taxed under the "labour service" category, the tax liability is computed by applying the rules outlined for income from independent personal services. If directors' fees are taxed as "wages and salaries," they must be included in the salary for the month of receipt of the fees and are subject to the progressive tax rates ranging from 3% to 45%.

Enterprise Annuities – Under a tax circular that took effect on 1 January 2014, deferred taxation is provided to qualified annuity plans that are set up by enterprises in accordance with Chinese annuity regulations. Both employer and employee contributions are not subject to IIT if certain conditions are met.

Tax Deferral – Effective from 1 May 2018, the Chinese government launched IIT deferral on commercial pensions in pilot areas including Fujian Province, Shanghai, and the Suzhou Industrial Park Zone. Under the trial program, individual contributions (capped at the lower of 6% of monthly salary or CNY1,000 a month) to qualified commercial pension plans can be deducted from taxable income when filing IIT returns.

Temporary relief – Under a temporary measure, for dividends and profit sharing derived by individuals from domestic listed companies, only 50% of the income is chargeable to IIT if the stock-holding period is longer than one month but no more than one year, and 100% of the income is exempt from IIT if the stock-holding period exceeds one year. Also, interest income derived by individuals from domestic banking institutions on deposits is temporarily exempt from IIT.

Taxation of employer-provided stock options – Taxable income is recognised on the date an employee exercises an employer-provided stock option. For foreign nationals, stock option income attributable to China employment is considered China-source income.

If the stock option is taxable, the amount of taxable income is the difference between the fair market value of the stock on the exercise date and the exercise price.

For stock options of publicly listed companies, the taxable income may be reported in the month of exercise as stand-alone employment-related income, which is subject to IIT at progressive rates ranging from 3% to 45%.

Capital gains

After deducting costs and related expenses, income derived from the sale or transfer of movable or immovable property in China is taxed at a flat 20% rate.

Capital gains derived from transfers of shares listed on China stock exchanges in the secondary market are temporarily exempt from China IIT.

Foreign individuals are subject to a 20% tax on gains derived from the sale of equity in a foreign-investment enterprise in China (for example, an equity joint venture).

The applicable tax rate may be reduced for individuals who are residents of treaty jurisdictions.

Social security

Chinese nationals employed by China entities are subject to the social security (that is, must participate in the social security system) in China. Under the new China Social Security Law, which took effect on 1 July 2011, foreign nationals working in China must also participate in the China social security system. The Ministry of Human Resources and Social Security in China released interim measures for the participation of foreign nationals employed in China in China social insurances on 6 September 2011. These interim measures took effect on 15 October 2011.

Under the interim measures, foreigners who have obtained a China Permanent Residence Certificate, Work Permit, Foreign Expert Certificate or Certificate of Permanent Foreign Correspondent are required to contribute to Chinese social security schemes. They must participate in basic pension schemes, basic medical insurance, work-related injury insurance, maternity insurance and unemployment insurance.

Social security tax rates vary among cities. Employers and employees are subject to social security taxes at an average rate of 25% and 11% of gross income, respectively. For this purpose, the amount of gross income is capped at three times the average salary in the city for the preceding year as published by the local government.

Tax filing and payment procedures

Foreigners must register with the local tax bureau or, if individuals are engaged in offshore oil and gas exploration activities, with the local offshore oil tax bureau.

Foreigners subject to China IIT may need to complete a tax registration form and provide an employer's certification stating the amount of their compensation, along with copies of relevant passport pages to verify their date of arrival.

Although the recipient of income is responsible for payment of income tax, it is generally collected through a withholding system under which the payer is the withholding agent.

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.

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.

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.

Chinese residents with foreign-source income must file annual reconciliation tax returns and pay tax due between 1 March and 30 June of the following year. Foreign taxes paid on this income are allowed as a tax credit, up to the amount of China IIT levied on the same income.

Individuals who are taxpayers are required to register and file annual reconciliation tax returns between 1 March to 30 June with a tax bureau in charge if any of the following circumstances apply:

- An individual receives consolidated income in two or more locations and the balance of annual consolidated income less specific tax deductions (that is, statutory social security and housing fund contributions by the individual) exceeds CNY60,000.
- An Individual receives labour services income, royalties or copyright income and the balance of the annual consolidated income less specific tax deductions exceeds CNY60,000.
- The prepaid tax amount is less than the actual tax liability in a tax year.
- The individual needs to apply for a tax refund.

Late payment of tax is subject to a daily interest charge of 0.05%. A penalty of up to five times the amount of unpaid tax may be levied for tax evasion or refusal to pay tax.

Double tax relief and tax treaties

An individual subject to China IIT on worldwide income may claim a foreign tax credit if they have paid tax in a foreign jurisdiction or region. The credit is limited to the China tax payable computed on the same income based on China tax law.

China has entered into double tax treaties with 114 countries. Please note, this number includes seven double tax treaties which have not yet entered into force at the time of writing.

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