Tax FAQs

China

Building a better working world

Contents

The content of this document is current as of 1 December 2024. The content is next expected to be updated by 1 February 2026.

General China tax queries

1. Do I need to file a tax return?

China tax residents are generally subject to China individual income tax (IIT) on their China-sourced and non-China-sourced income. Non-residents are subject to China IIT on their China-sourced income only.

Effective from 1 January 2019, China 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 (same as calendar year)

In counting the China days for residency determination purpose, a stay in China of 24 hours a day shall be counted as a China day while a stay in China of less than 24 hours a day shall not be counted as a China day.

Non-China-domiciled individuals who are China tax residents for no more than six consecutive years are subject to China IIT on China-sourced income and on income sourced from outside China but paid or borne by a Chinese entity or a Chinese individual.

China-domiciled individuals are subject to China IIT on their worldwide income. Non-China-domiciled individuals who have been a China resident 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 payment of the income.

2. What are the Chinese tax year dates and filing deadlines?

All taxpayers, including those earning China-source income but not covered by the withholding system, and individuals who are paid outside China but have China IIT liability must file monthly income tax returns and pay the relevant tax to the local tax bureau. The returns must be filed within 15 days after month-end.

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

China tax residents with China-sourced income only are required to file annual tax reconciliation returns (Form A) between 1 March to 30 June with a tax bureau in charge if any of the following circumstances apply:

- Receive 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.
- Receive labour services income, royalties or copy-right 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.
- Need to apply for a tax refund.

3. How is my taxable income determined?

The taxation of various types of income that are common to foreign expatriates is described below. For China tax residents, employment income, labour services income, income from author's remuneration and royalties should be aggregated in a tax year as consolidated income.

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.

Labor service income

Taxable income includes compensation for independent personal services performed in China, bonus payments and income specified as taxable by the Ministry of Finance.

Investment income

Interest, dividends and other investment income from China sources are subject to tax at a flat 20% rate.

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.

Dividends paid by foreign-investment enterprises to foreign nationals in China can be exempt from China IIT but is subject to the approval of the local tax authorities in charge.

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 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%.

Tax residency

4. How is my China IIT filing position determined being a non-domiciled individual in China?

Non-domiciled individuals for tax determination purposes are further classified into the following four different categories:

- Being non-tax residents of no more than 90 days;
- Being non-tax residents of more than 90 but less than 183 days;
- Being residents of no less than 183 days but no more than 6 consecutive years;
- Being residents of more than 6 consecutive years.

Non-tax residents of no more than 90 days

Non-domiciled individuals are exempt from China IIT if their cumulative stays in China do not exceed 90 days in a tax year and their compensation is not borne by a Chinese entity or a China permanent establishment ("PE") of a foreign entity.

A non-domiciled individual who resides in China for no more than 90 days within a tax year shall be taxed only on his China-sourced wages and salaries paid or borne by the domestic employer.

Non-tax residents of more than 90 days but less than 183 days

This category refers to non-domiciled individuals whose stays in China exceed 90 days but less than 183 days in a tax year. They are subject to China IIT charge in respect of their China sourced wages and salaries derived irrespective of the mode and place where the payment is made.

Employment income attributable to services performed outside China is considered as non-China source income, which is exempt from China IIT charge.

Residents of 183 days or more but no more than 6 years

Non-domiciled individuals who are China tax residents for no more than six consecutive years are subject to China IIT on all wages and salaries, except for non-China sourced portion paid by overseas employer.

Residents of more than 6 consecutive years

Non-domiciled individuals who are China tax residents for more than six consecutive years are subject to China IIT on their worldwide income if they are not absent from China for more than 30 consecutive days in any of the preceding six years.

The above applies to the situation where double tax treaty cannot be applied. The tax treatment may be different if the individual is a holding a senior management role or is a member of board of directors of the Chinese entity.

5. How double tax treaty will impact my China IIT filing obligation?

1) For individual who is a tax resident of a country which has entered into a DTA with China, they can enjoy specific treatment as following if they are applicable to the dependent service section of applicable DTA

Staying in China for no more than 183 days ("Treaty protection days") in a calendar year or any 12-month period according to specific treaty terms

The 90-day threshold as discussed above can be extended to 183 days ("Treaty protection days") in a calendar year or any 12-month period according to specific treaty terms.

In counting the Treaty protection days, both the arrival day and the departure day are counted as China days.

Based on the applicable DTA, a non-domiciled individual who is a tax resident of a foreign country or region could be exempt from China IIT if all the following conditions are satisfied:

- The individual is present in China for no more than 183 days ("Treaty protection days") in a calendar year or in any 12-month period
- The remuneration is not paid by, or on behalf of, an employer who is a resident of China
- The remuneration is not borne by a permanent establishment ("PE") or a fixed base that the foreign employer has in China

2) Staying in China for more than 183 days ("Treaty protection days") in a calendar year or any 12-month period according to specific treaty terms but not more than 6 consecutive years of residency.

If the individual stays in China for more than 183 days ("Treaty protection days") in a calendar year or any 12-month period according to specific treaty terms, the non-China source income can be exempt from China IIT charges.

Employment income and stock options

6. How is my taxable income determined and what is the tax rate?

Taxable income is recognized 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 grant price.

7. Is there any preferential tax treatment available for stock options?

For stock options provided by publicly listed companies,the taxable income can be reported in the month of exerciseas stand-alone employment-related income (taxed as "wages and salaries") provided the stock option planis a qualified one and tax registration has been performed withthe in-charge tax bureau.

Effective from 1 January 2019, for China tax residents, annual tax rates can be applied to the taxable stock option income. For non-residents, the taxable income can be divided into six equal installments and each installment is taxed using the monthly tax rates (this treatment is referred to below as the "favorable tax treatment"). In addition, all exercises of stock options in the same calendar year must be aggregated for the calculation of China IIT.

If certain equity incentives (that is, stock options, restricted stocks and stock rewards) granted to employees by unlisted domestic companies meet certain criteria, an employee of the domestic company can defer taxation until the equity is sold.

If the above types of preferential tax treatment do not apply, the taxable income derived from the stock option shall be aggregated with regular taxable monthly employment income in the month of exercise and subject to the marginal rate of the employee.

Rental income

8. How is my rental income taxed in Mainland China?

Rental or leasing income is subject to tax at a flat rate of 20%. In some cities, there can be a lower deemed tax rate apply on the rental income and the tax rate may vary from city to city.

9. What expenses can be claimed?

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

A taxpayer may claim a deduction for reasonable repair fees from rental income, limited to CNY800 per month, on the presentation of official invoices and the approval of the local tax authorities in charge.

Capital gains tax

10. How is a capital gain calculated and what are the rates of CGT?

Income from transfer of property is generally subject to tax at a flat rate of 20%.

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.

From 1 October 2022 to 31 December 2025, taxpayers whosell their own houses for buying a new one (located in thesame city in China) within one year can claim a refund of the IIT paid on the gain from the old houses.

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

11. How is a non-China resident taxed in relation to capital gains?

Income from transfer of property is generally subject to tax at a flat rate of 20%.

Foreign individuals are generally subject to a 20% tax on gains derived from the transfer of property (subject to tax treaty if applicable) in China.

Allowances, exemptions and deductible expenses

12. What basic allowances are available in Mainland China?

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.

Exempt income

The following types of income are exempt from tax:

- Monetary awards granted by provincial People's Governments, State Council ministries and commissions, units of the People's Liberation Army at army level or above, or by foreign or inter-national organizations for achievement in fields, such as science, education, technology, culture, public health, sport and environmental protection
- Interest on state treasury bonds and state-issued financial bonds and national debt obligations
- Subsidies and allowances paid in accordance with the centralized State Council
- Welfare benefits, disability pensions and relief payments
- Insurance indemnities
- Military severance pay and demobilization pay
- Resettlement allowances, severance pay, retirement pay, retirement pensions and cost-of-living subsidies of personnel who have left their jobs on a permanent basis to rest and recuperate, and subsidies distributed to cadres and workers, in accordance with centralized state regulations
- Income of diplomatic representatives, consulate officials and other personnel of foreign embassies and consulates in China who enjoy tax exemptions in accordance with the relevant Chinese laws
- Tax-exempt income stipulated in international conventions
- Tax-exempt income approved by the finance department of the State Council

Deductible expenses

A China 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, income from author's remuneration and royalties. A non-resident foreign employee can enjoy a deduction of CNY5,000 per month on his or her employment income. Individual contributions to statutory social security and housing fund can be deducted from taxable income for China tax residents.

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).

Individual contributions to qualified commercial pension plan or individual pension account in pilot areas can be deducted from taxable income when filing IIT returns. The deduction is capped at CNY1,000 per month/CNY12,000 per year.

Deferred taxation can be 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 at the time of contribution if certain conditions are met.

For foreign expatriates, overseas social security contributions made by individuals are not deductible.

Independent personal services income, income from author's remuneration and royalties can have a deduction of 20% of income. Income from author's remuneration can have a further 30% deduction of income.

Personal deductions and allowances

Effective from 1 January 2019, China tax residents are eligible for the following specific additional tax deductions, if applicable.

Specific additional tax deductions	CNY
Children's education	2,000 per month per qualified child
Continued education/Academic education	400 per month
Continued education for skilled professional or technical personnel	3,600 per year
Medical expenses for serious illness	Expense above 15,000, capped at 80,000 per year
Housing loan interest	1,000 per month
Housing rent	800/1,100/1,500 per month, depending on the category of the city
Caring for the elderly Single child/Non-single	3,000 per month/Not exceeding 1,500 per month
Caring for infants under the age of 3	2,000 per month per qualified child

The above specific additional tax deductions cannot be claimed in the same calendar year if non-taxable compensation is incurred for foreign employees.

Income tax rates

13. What are the income tax rates in Mainland China?

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

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

Annual tax rates			
Taxable income CNY	**Tax rate %**	**Tax due CNY**	**Cumulative tax due CNY**
First 36000	3	1,080	1,080
Next 108,000	10	10,800	11,880
Next 156,000	20	31,200	43,080
Next 120,000	25	30,000	73,080
Next 240,000	30	72,000	145,080
Next 300,000	35	105,000	250,080
Above 960,000	45	-	-

Income tax for non-resident individuals is computed on a monthly basis by applying the progressive monthly tax rates shown below for employment income, labour services income, royalties and income from author's remuneration.

For non-resident foreign nationals, labour services income, royalties and income from author's remuneration are subject to tax at the following progressive monthly tax rates to compute monthly tax liability.

Monthly tax rates			
Taxable income CNY	**Tax rate %**	**Tax due CNY**	**Cumulative tax due CNY**
First 3000	3	90	90
Next 9,000	10	900	990
Next 13,000	20	2,600	3,590
Next 10,000	25	2,500	6,090
Next 20,000	30	6,000	12,090
Next 25,000	35	8,750	20,840
Above 80,000	45	-	-

Rental or leasing income is subject to tax at a flat rate of 20%.

14. Is there any other tax levied?

No net worth tax is levied in China, and no estate and gift taxes are levied in China.

Social security

15. Do I need to be subject to the 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. Chinese employers are required to perform social security registration for foreign employees within 30 days after the employees obtain a work permit and withhold the required contributions on a monthly basis.

Hong Kong, Macau and Taiwan residents working in China are allowed to participate in the China housing provident fund, effective from 28 November 2017. They are required to participate in the China social security system, effective from 1 January 2020.

Special rules apply to foreigners from certain jurisdictions or territories which concluded totalization agreements with China. Under the totalization agreements, if a certificate of coverage can be issued by their home countries, they can be exempt from pension or unemployment or both in China provided that certain criteria are met with.

16. What are the social security tax rates?

Social security tax rates vary among cities. For instance, in Shanghai, employers and employees are subject to social security taxes at an average rate of 27% 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.

Greater Bay Area special tax arrangement

17. What are general concepts on taxation in nine mainland cities, Hong Kong SAR and Macao SAR?

- Resident taxpayers must pay income tax on all income sources, whether they were derived from inside or outside of Mainland China.
- Hong Kong adopts a territorial basis for taxing profits derived from a trade, profession, or business carried on in Hong Kong. Profits Tax is only charged on profits which arise in or are derived from Hong Kong. In other words, a person who carries on a business in Hong Kong but derives profits from another place is not required to pay tax in Hong Kong on those profits.
- The income derived from industry and commerce in Macao is subject to taxes in Macao.

18. What taxes do I need to subject in nine mainland cities?

Corporate income tax

- The statutory CIT rate is 25%.
- Items exempt from CIT are qualified dividends, bonuse and income from equity investment between resident enterprises, etc.
- For Qianhai in Shenzhen (Qianhai), Hengqin in Zhuhai (Hengqin) and Nansha in Guangzhou (Nansha), qualified enterprises are subject to a reduced rate of 15%.

Individual income tax

- Consolidated income specifically includes income from wages and salaries, remuneration for personal services, author's remuneration and royalties. Consolidated income is subject to the progressive tax rates ranging from 3% to 45%.
- Income from business operation is subject to the progressive tax rates ranging from 5%–35%.
- Interest income, dividends and bonuses, rental income, property conveyance and contingent income are subject to tax at a flat 20% rate.

In the nine mainland cities, for overseas high-end talent and critically lacking talent, any tax liability from individual taxable income above 15% will be covered by subsidy. The said subsidy is exempt from IIT.

In Hengqin in Zhuhai, for Macao residents, IIT burden in Hengqin exceeding their IIT burden that would have been arisen in Macao shall be exempted.

In Nansha in Guangzhou, for Hong Kong and Macao residents, IIT burden exceeding their IIT burden that would have been arisen in Hong Kong/Macao shall be exempted.

19. What taxes do I need to subject in Hong Kong SAR?

Profits tax

There are profits tax, property tax and salaries tax in Hong Kong. For profits tax, the normal rate under corporation is 16.5% and unincorporated business is 15%. Two-tier tax rates may also be applicable for the year of assessment 2018/2019 onwards.

Under the two-tiered regime, the rate of tax for the first HK$2,000,000 of profits will be reduced by half. The remainder of the profits will continue to be taxed at the normal profits tax rate. Each group of "connected entities" can only elect one entity in the group to benefit from the two-tiered regime for a given year of assessment.

There is no capital gains tax, nor any withholding tax on dividends and interest. There is no sales tax or VAT in Hong Kong.

Salaries tax

Personal income tax, or salary tax as it is known, starts at 2% and goes up to 17% for income above HKD 200,000.

A person shall be chargeable to Hong Kong Salaries Tax on the income arising in or derived from Hong Kong from any employment, office, and pension.

China's Golden Tax System

20. What is China's golden tax system?

Golden tax system is a digital tax administration system of Mainland China tax authority. The system has undertaken various upgrade since it first started in early 1990s and is now version 4 which is to be implemented soon. As compared to the previous versions, we understand the current version would continue to enhance the data transparency and will deploy big data analytic functions to help improve the effectiveness and efficiency of the tax administration processes. Taxpayers should have good visibility of their tax compliance status in preparation of the potentially more sophisticated tax administration environment.

21. How do I manage my tax compliance status upon the 'go-live' of the golden tax system?

Facing various challenges and choices, individuals with high net worth should pay attention to tax compliance status. It is recommended to review the tax compliance status in the following aspects:

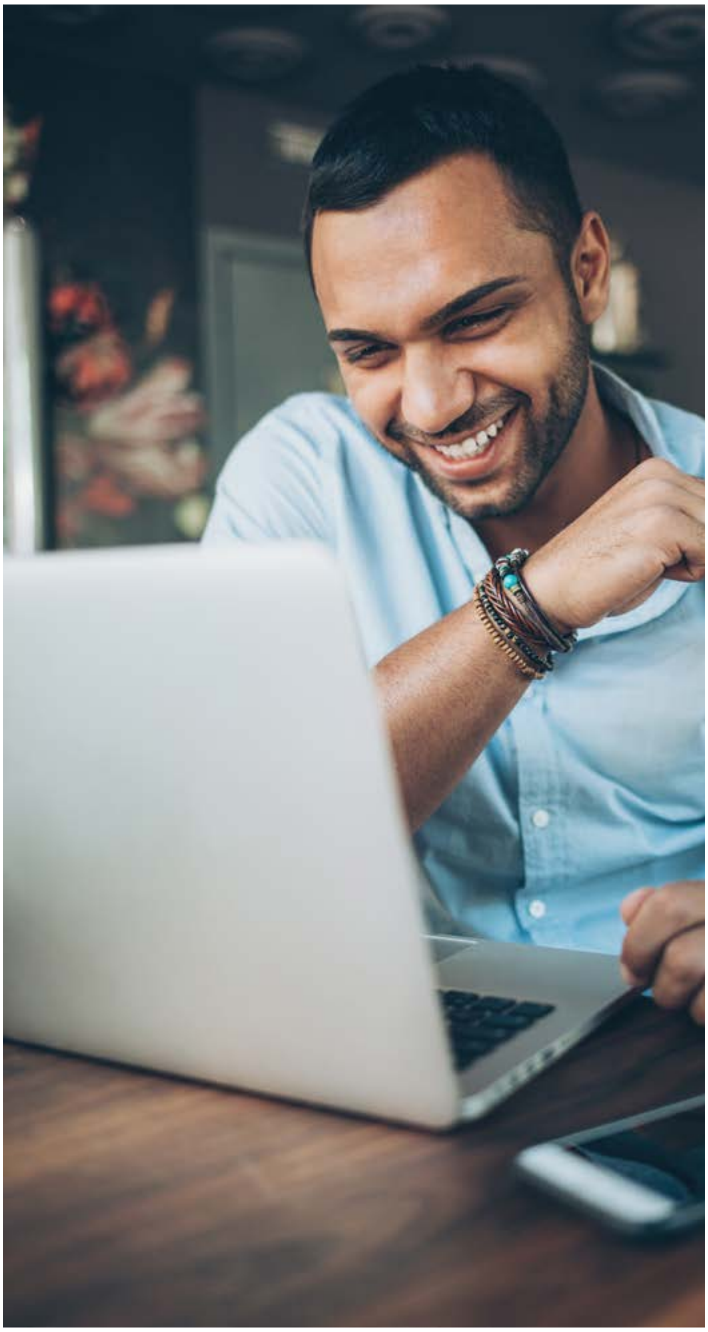
- Understand and clarify the tax resident status and tax obligations of individuals and family members
- Conduct tax health check on personal assets and associated family enterprises
- Rationalize the layout of assets
- Ensure effective risk isolation between family assets and company assets
- Gain a thorough knowledge of tax law and pay attention to the development of tax policy
- Consult tax professionals to resolve tax inspections or disputes

Taxpayers should have good visibility of their tax compliance status in preparation of the potentially more sophisticated tax administration environment.

Common Reporting Standard (CRS)

22. What is CRS?

CRS is an automatic information exchange mechanism frame-worked under OECD. CRS is a measure to enhance data transparency. It started in 2018, and as of 2022 December there are over 100 jurisdictions participated in CRS. In simplified terms, the information about financial assets maintained with foreign financial institutions would be exchanged with the tax authority of the account holders. Mainland China started to participate in CRS from 2018.



23. How do I manage my tax compliance status upon the 'go-live' of CRS?

For entrepreneur and family members, it is important to understand the impact of the promotion of information transparency in a timely manner. Therefore, the health check of CRS and tax compliance status is the first step to assess whether you are well prepared.

CRS classification and declaration

Understand the classification and reporting obligations of CRS clearly by reviewing the share investments and the functions.

Impact assessment

Identify potential impact of information disclosure and data exchange on individuals and family members.

Document filing and risk control management

Store effective documents to endorse disclosure information and structure classification, so as to be well prepared for potential tax-related inspection on individuals, and take corresponding risk control and management implementation.

Establish internal control process

Establish appropriate internal control processes to manage and track policy changes and corresponding impacts in a timely manner to ensure the CRS reporting and tax compliance status of share investments.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EYG No. XX0000
ED None

UKC-037835.indd (UK) 02/25.
Artwork by Creative UK.

ey.com