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International Assignment Services

Taxation of International Assignees Country – People's Republic of China

Human Resources Services

International Assignment Taxation Folio

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Country: People's Republic of China

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Introduction: International assignees working in the People's Republic of China

This folio is an introduction to the principal provisions governing direct taxation of individuals working in the PRC and serves to inform both the foreign employees and their employers about the most common issues relating to the transfer of an employee into the PRC. It is part of a broader series published by our International Assignment Services ("IAS") group. This group offers advice and counsel to both employers and employees in regard to international transfers.

This folio is intended to provide only basic advice and is not intended to be comprehensive. It should not be used as the basis for specific action. Before any action is taken, please consult one of the individuals listed in Appendix F for more detailed and up-to-date advice.

Step 1:
Understanding basic principles

The scope of Chinese individual income tax (IIT)

1. The basic rules governing expatriate taxation in the People's Republic of China (PRC) are set out in the "Individual Income Tax Law of the PRC" and in the "Detailed Regulations for the Implementation of the Individual Income Tax Law of the PRC". These rules are supplemented by various administrative rulings of the Ministry of Finance and the State Administration of Taxation which, although not codified, do have the force of law.

2. International assignees coming to work in the PRC are generally liable to Chinese income tax on employment or self-employed income related to their work in the PRC. They are also liable to IIT on any interest and rental income earned in the PRC. Capital gains derived from the sale of property in the PRC are also liable to IIT. There is currently no inheritance or wealth tax.

The tax year

3. The Chinese tax year runs from January 1st to December 31st, but the tax filing is administered on a monthly basis.

Tax filing frequency

4. Monthly tax returns are normally due on the 15th of the following month and the tax is normally payable upon submission of the monthly tax returns. In practice, the tax filing due date varies from one location to another. Also, except for certain circumstances as stipulated by the law, the employing entity in the PRC is the statutory tax withholding agent for the employees/assignees.

   In addition, starting from the calendar year 2006, individuals whose annual income exceeding RMB120,000, or US$19,607 converted at the exchange rate of 6.12, (except for foreign individuals who are physically away from the PRC for more than 30 days in a single trip or for more than 90 days in total in the calendar year concerned) are required to file annual tax returns to declare their personal income from all sorts (e.g. income from employment, consultancy, interest and dividend, gain of disposal of property etc.). This annual tax return should be filed within 3 months after the end of the tax year.

Husband and wife

5. There is no joint tax return in the PRC. Husbands and wives are assessed and taxed separately and receive their own monthly standard deduction.

Step 2:

Understanding the Chinese tax system

Categorization of income

6. Personal income is categorized as follows:

   – Wages and salaries;

   – Income derived by individual industrialists and merchants from production and business;

   – Income from subcontracting or leasing operations;

   – Compensation for personal services;

   – Income from authorship;

   – Royalties;

   – Interest and dividends;

   – Income from the lease of property;

   – Income from the transfer of property;

   – Incidental income; and

   – Other kinds of income specified by the Ministry of Finance.

Taxation of employment income

7. Income taxable under this "wages and salaries" category includes basic wage/salaries, awards, bonuses, hardship, foreign service allowances, equity based compensation, etc. Taxable income can be in the form of cash, in-kind benefits, marketable securities and any other forms of economic benefits. Reimbursements of business-related expenses to employees and certain non-taxable fringe benefits provided to foreign individuals, if the amount is reasonable and supported by valid receipts, are not taxable.

8. The source of employment income is normally determined by the location where the service is provided.

Liability to tax – 90-day rule

9. In general, foreign individuals who derive income from work and services performed in the PRC are subject to PRC IIT unless they are present in the PRC for not more than 90 days in the calendar year concerned and their income is not paid or borne by any PRC enterprise or permanent establishment ("PE").

10. A foreign individual who stays in the PRC for 90 days or less during the tax year concerned will, however, be liable to PRC IIT on employment income derived from the PRC to the extent it is paid or borne by any PRC enterprise or PE.

11. If the foreign individual is a tax resident of a country/region which has entered into an income tax treaty/agreement with the PRC (see Appendix C), the said 90-day threshold may be extended to 183 days within the base period as specified in the income tax treaty/agreement. In other words, the individual will generally be exempted from PRC IIT if his/her cumulative stay in the PRC does not exceed 183 days in a calendar year concerned or in any 12-month period (this base period varies from one treaty to another) and his/her remuneration is not paid or borne by any PRC enterprise or PE. Individual treaties may differ and a review of the relevant treaty is therefore recommended. *[Note: For the purpose of*

counting the 90/183-day threshold, any part of a day in the PRC is counted as one day in the PRC.]

The 183 days treaty benefits are not automatically granted. Instead, foreign individual should go through specific record-filing procedures in order to claim IIT exemption based on treaty terms.

Since the existence of a PE in the PRC would affect the foreign individual's eligibility for exemption from PRC IIT, it is important for the employers to review if the deployment of foreign individual by overseas companies to work in the PRC as business travellers may create a PE in the PRC.

Domicile and residence in China

12. An individual who is domiciled in the PRC is subject to PRC IIT on his/her worldwide income. An individual who is not domiciled in the PRC ("non-PRC-domiciled individual") is also subject to PRC IIT on his/her worldwide income if he/she resides in the PRC for one "full year" after having established a residence period of five consecutive "full years". A "full year" of residence in the PRC means individuals having stayed in the PRC in a calendar year with temporary absences from the PRC for not more than 30 consecutive days or 90 days in total.

13. A non-PRC-domiciled individual who has resided in the PRC for one year or more but not more than five consecutive full years is subject to PRC IIT in respect of the income that is attributable to the services rendered in the PRC and any income that is paid/borne by any PRC entity/establishment (despite attributable to the services rendered outside of the PRC). A non-PRC-domiciled individual who has resided in the PRC for more than 90/183 days but less than one year is only subject to PRC IIT on his/her income attributable to the services rendered in the PRC.

14. The term "domiciled" normally refers to the place where the individual habitually resides by reason of household registration, family or economic benefits.

15. The term "residence" is generally interpreted as "physical stay" or "temporary stay".

16. For the purpose of determining whether an individual has resided in the PRC for a full year, an absence of not more than 30 days in a single trip or cumulative absences of not more than 90 days during the calendar year is ignored.

17. For example, an individual with one 35-day trip outside the PRC during the year will not be considered as having a full year of residence for that calendar year. Similarly, an individual with cumulative absences of 100 days during the year (even if any single trip is for less than 30 days) will also not be considered as having a full year of residence for that calendar year.

Stays for more than 5 consecutive full years

18. An individual who is resident in the PRC for five consecutive full years will be subject to PRC IIT on his/her worldwide income for every subsequent full year of residence in the PRC.

19. However, regardless of the length of the stay in the PRC and the location of the payment, the PRC sourced income (see examples below) is taxable according to the PRC IIT law and regulations:

    – Bank interest derived from deposit in a bank located in the PRC (effective from 15 September 2008 onwards, bank interest income is exempted from PRC IIT until further notice);

- Fees for the use of proprietary rights within the PRC;
- Rental income related to the lease of property within the PRC; and
- Interest paid by the Chinese government or enterprises in the PRC.

Chief or ordinary representatives of representative offices

20. Normally, an international assignee who is a chief representative or a general representative of a foreign representative office in the PRC is subject to PRC IIT regardless of whether or not his/her compensation is reflected in the representative office's books as his/her salary costs are deemed to be borne by the representative office. Hence, the 90 days tax exemption threshold (or 183 days for residents of a tax treaty/arrangement country/region) is not available to a registered chief or general representative.

21. However, if the Chinese tax authorities are satisfied that the registered representative has other work responsibilities outside the PRC and thus spends a significant amount of time outside the PRC (in practice, this is expected to be more than 90 days outside of the PRC in the calendar year concerned), he or she may be subject to PRC IIT on a time apportionment basis.

22. The above time apportionment method apportions the tax liability based on his/her presence spent inside and outside of the PRC for providing services (see section under "time apportionment" below).

Time apportionment

23. For the purpose of the apportionment method, for individuals holding a position inside the PRC, the PRC days should include PRC working days plus any public holidays, personal holidays and training days spent inside and outside of the PRC. Unlike the counting of the 90/183 days threshold as explained above, in counting the number of days in the PRC for the time apportionment purpose, the day of arrival, the day of departure, and same-day trip to the PRC are each counted as a half day in the PRC.

24. An individual who qualifies to use the time apportionment method may be required to provide the tax authorities with an employment contract or a certification to prove that the individual has other responsibilities outside of the PRC. In addition, the tax authorities may also request a copy of the passport to prove his/her days spent inside and outside of the PRC.

Foreign employees of foreign investment enterprises

25. Where the salary of an international assignee working for a foreign investment enterprise in the PRC is partially paid by the enterprise inside the PRC and partially by his foreign employer outside the PRC, the individual would be subject to tax on the total income received. However, the income related to services performed outside the PRC in respect of his/her overseas duties can be exempted from PRC IIT as long as the international assignee resides in the PRC for less than one full year. If the foreign individual spends a full year in the PRC, the income attributable to overseas duties (to the extent that it is paid/borne by the PRC entity/establishment) will also be subject to PRC IIT.

26. In addition, under the PRC IIT law, for certain international assignees who are regarded as a "senior management executive" in a foreign investment enterprise in the PRC and having stayed in the PRC for less than one full year, they may not be entitled to the time apportionment method in

respect of the income paid or borne by the PRC employer. For details, please consult your PwC representatives.

27. The term 'senior management executive' generally includes general managers, deputy general managers, department managers, department directors, chief engineers, chief economists, and controllers of a foreign investment enterprise.

Taxation of some common benefits

28. The tax treatment of some common benefits is set out in Appendix B.

Standard deduction

29. The current monthly standard deduction for foreign individuals is RMB4,800.

Double-taxation relief

30. A foreign individual who is subject to PRC IIT on his/her worldwide income may claim a foreign tax credit on non-PRC sourced income that is subject to tax in another tax jurisdiction. The amount of the credit is, however, limited to the amount of PRC IIT payable on the same income. Excess credits may be carried forward for not more than five years.

Tax rates and calculation of tax liability

31. The PRC IIT rates vary depending on the category of income. For wages and salaries (i.e. employment income), the applicable IIT rate is based on a progressive scale ranging from 3% to 45%. For more details, please refer to Appendix A.

Tax paid by employer

32. Where an employee's PRC IIT is borne by the employer, the net income should be grossed-up to include the tax borne by the employer as an additional income to the employee. The amount of grossed-up taxable income is calculated according to the following formula:

    Grossed-up taxable income = (net income - monthly deduction - quick deduction)/(1 - tax rate)

Gross-up tables

33. The tax rates and quick deductions are set out in Appendix A.

Other income

34. Income other than employment income is generally taxed differently depending on the income category. For details, please refer to Appendix E.

Social security

35. The New PRC Social Security Law took effect on 1 July 2011 and the Provisional Measures for Foreigners Working in the PRC regarding Participation in the Social Insurance Scheme ("The Provisional Measures") also became effective on 15 October 2011. Foreign individuals who work in the PRC and their employers in China are now required to make PRC social security contributions which include pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

    The PRC has entered into Totalization Agreement with South Korea, Germany, Denmark and Canada*. Foreign individuals from those countries shall go through certain application procedures in order to claim the relevant China social security exemption as such exemption is not automatically granted.

    *(*The PRC entered into Totalization Agreement with Canada on 2 April 2015. It has yet to be enforced until certain domestic approval procedures are completed)*

Step 3:

What to do before you arrive in the People's Republic of China

Importing personal possessions

36. Foreigners holding Work Permit and Foreigner Residence Permit in the PRC can apply for free custom duties for the initial import of their personal effects. However, certain items such as furniture, televisions, computers, refrigerators, washing machines, video cameras, fax machines, stereo equipment, copiers, etc. are subject to custom duties even for the initial import.

    Generally, the duty-free policy only applies to one item per category. In order to receive the duty-free treatment, all items to be imported must be declared in advance; items cannot be added after the declaration.

Visas

37. As an international assignee coming to the PRC to take up an employment, one is required to apply for a work visa; i.e., single entry 'Z' visa. Within 30 days after arrival, an international assignee is required to apply for a foreign resident permit (formerly known as “multi-entry ‘Z’ visa”) with the local Public Security Bureau. Chinese visas may be obtained from a Chinese embassy or consulate in any foreign country with which the PRC has diplomatic relations. 'Z' visa holders are allowed to take up employment in the PRC. An initial 'Z' visa cannot be issued within the PRC. International assignees that have entered into the PRC with visas other than 'Z' visas must leave the PRC to apply for 'Z' visas and then re-enter into the PRC again.

38. To obtain an initial 'Z' visa, one would normally be required to submit an "invitation letter" issued by a sponsoring entity in the PRC. Other required documents may vary depending upon the type of visa to apply.

Bank accounts

39. Foreign individuals working in the PRC may consider maintaining bank accounts in their home countries. Salary can be paid either in the home country or in the PRC. If the salary is paid offshore, it may be brought into the PRC for local living expenses. Please also refer to paragraph 59 on remitting foreign currency out of the PRC.

Employment contracts

40. Although it is not essential under the PRC tax laws for an international assignee to have an employment contract with his/her local employing/receiving entity, an employment contract or an assignment letter may be required when applying for a Work Permit.

Additional matters

41. The following non-tax matters should also be considered in conjunction with a move to the PRC:

    – Inform your personal physician of your move to ensure that you are given proper preventive care. A physical examination is generally required for international assignees working in the PRC. An examination can be done prior to entering in the PRC. You are advised to contact the Chinese embassy for the proper procedure; and

– Review all your home country insurance policies (home, auto, accident, life, disability, and others) to determine whether changes should be made.

Step 4:
What to do when you arrive in the People's Republic of China

Working Card

42. Registered representatives of a representative office need to apply for a Working Card with the local Administration for Industry and Commerce. Foreign employees who are not registered under a representative office are not required to apply for a Working Card, but instead they will need to apply for an employment permit with the local Labour Bureau (please refer to paragraph 44 below).

Employment License

43. An entity in the PRC which employs a foreign individual is required to obtain an Employment License from the local Labour Bureau.

Employment Permit (also known as Work Permit)

44. All international assignees are required to obtain an Employment Permit from the local Labour Bureau.

Registration with the Public Security Bureau/Foreigner Residence Permit

45. If you are an international assignee working in the PRC, you and each of your accompanying family members over 16 years' old must first obtain a health certificate from the local International Travel and Health Care Center. After the certificate has been obtained, you can register with the Public Security Bureau and apply for a Foreigner Residence Permit to be affixed on your passport. The following documents are normally needed when applying for a foreigner residence permit:

– 'Z' visa;

– Copy of business license or business registration certificate of your employer;

– Passport;

– Working Card/Employment License;

– Employment Permit;

– Photographs; and

– Physical examination report for anyone over 16 years old.

Registration with the Chinese tax authorities

46. Subject to the practice of the competent local tax bureaus, foreign individuals who are liable to PRC IIT may be required to register with the local tax authorities. Registration should be made with the local tax bureau in the location where the individual usually works.

47. Registration, if required, usually takes place upon arrival in the PRC for employees of foreign investment enterprises and for resident representatives of representative offices of foreign companies. Other individuals should register at such time as they become liable to tax (i.e. an employee of a foreign employer on work related assignments in the PRC for more than 90 days or 183 days for a tax resident of a treaty country in a year).

48. A fine of up to RMB2,000 may be imposed on an individual who fails to perform the tax registration. Further fines may be imposed if the taxpayer fails to remedy the situation within prescribed time limits.

Opening bank accounts

49. A foreign individual can open bank accounts in the PRC. Generally, banks would require proper identification such as your passport and/or foreigner residence permit.

Working spouse

50. If your spouse seeks an employment in the PRC, he/she may have to register with the local tax authorities (see paragraphs 46-47) and must file his/her own individual tax return (see paragraphs 51-54), as husband and wife are assessed separately.

Step 5:
What to do at the end of each month and tax year

Tax filing

51. If your tax has been remitted or withheld by your employer who files monthly withholding tax returns for you, you do not need to file monthly income tax returns again unless you have other categories of income earned during the month. Annual tax returns should also be filed by certain individuals. Please refer to paragraph 4 for more details.

52. The regular due date for filing a monthly individual income tax return in the PRC and payment of tax dues is the fifteenth day of the following month. The said due date may be different depending on the local practice. Annual tax returns, if required, should normally be filed within 3 months of the following year.

53. Your local tax authority will verify the correctness of your returns. Evidence of the salary and other remuneration details (e.g. confirmation letter issued by the employer) may be required. This document, sometimes referred to as an 'income certificate', is also required for tax registration and whenever there is a change in the remuneration details. In the case of tax audits, a copy of the employment contract or copies of tax returns filed in the home country may also be required.

54. A consolidated tax receipt will normally be issued by the tax authority to the withholding agent, i.e., the employer for total tax withheld and paid by all its employees after the monthly withholding tax return has been filed and verified. A tax payment certificate may be issued by the tax bureau to the individual taxpayer on an annual basis or upon request.

Currency conversion rate for tax calculation

55. If your income is received in a foreign currency, it should be converted into Renminbi at the official rate of exchange on the last day of the preceding month when attending to the monthly tax filing. The tax liability must be settled in Renminbi.

Extensions

56. Extensions for monthly tax filing and tax settlement may be granted only upon application and approval by your local tax authority. In practice, it would be very difficult to secure the approval from the tax authority for such extension

Penalties

57. Late payment interests computed at the rate of 0.05% per day will be imposed on the amount of tax in arrears. Penalty up to RMB2,000 may be imposed for failure to file a return and pay tax within the prescribed time limits. A further fine of RMB2,000 to RMB10,000 may be imposed if the taxpayer or withholding agent fails to remedy the situation. In addition, in the case of tax evasion, tax authorities can impose a penalty ranging from 0.5 to 5 times the amount of tax overdue on the taxpayer or the withholding agent.

Step 6:
What to do when you leave the People's Republic of China

Tax de-registration

58. When you leave the PRC, you may need to de-register with the local tax bureau for tax purposes.

Transferring funds abroad

59. Your after-tax income may be converted into a foreign currency and be remitted abroad if all the required documentation, including tax clearance certificates from the local tax authorities, is produced.

Withdrawing individual pension contribution

60. The cumulative balance of your individual pension account under the PRC social security could be withdrawn upon written application for termination with relevant authorities.

Step 7:

Other matters requiring consideration

General

61. Miscellaneous taxes, set out in paragraphs 62-69 below, may also be relevant to you.

Value added tax (VAT)

62. VAT is usually applicable to foreign and domestic enterprises in the PRC. However, there are some occasions whereby foreign individuals may also be subject to VAT. For example, if you import taxable items, the import VAT rate can be as high as 17%.

Customs duty

63. In addition to VAT, customs duty is imposed on most imported items. Rates vary depending on the type of goods.

Consumption tax (CT)

64. Consumption tax is imposed on fourteen categories of deemed luxury goods in the PRC. The goods liable to CT include cigarettes, alcoholic drinks, cosmetics, fireworks, jewelry, gasoline, golf clubs and accessories, luxury watches and automobiles. The rate varies from 1% to 45%. CT is a supplementary tax to VAT. It is possible that an item is subject to VAT, customs duty, and CT at the same time (e.g. imported automobile).

Land value added tax (LVAT)

65. Land value added tax is imposed on income derived from the transfer of use of state owned land rights, buildings and premises, and related facilities attached thereto. The tax rate is progressive from 30% to 60% based on the value added.

Stamp tax

66. All units and individuals who execute or receive certain documents, such as lease agreement for housing in the PRC, are subject to stamp tax. The tax rate varies from 0.05% to 0.1% depending on the nature and value of the contract.

Real property tax

67. Real property tax is generally imposed on the owners of houses and buildings on the basis of the cost or rental value. The rate is generally 1.2% of the value of the property or 12% of the rental value for leased property. However, local practices may deviate from the above general rule.

Estate, inheritance, and gift tax

68. At the present time, there is no estate, inheritance, and gift tax in the PRC.

Deed tax

69. Deed tax is imposed on the purchaser of real property. The tax rate varies from 3% to 5% of the purchase price of the real property.

Appendix A:
Rates of tax

Tax rates

Monthly income including tax over ((RMB)*	Not over (RMB)*	Tax rate (%)	Cumulative tax (RMB)
0	1,500	3%	45
1,500	4,500	10%	345
4,500	9,000	20%	1,245
9,000	35,000	25%	7,745
35,000	55,000	30%	13,745
55,000	80,000	35%	22,495
80,000	-	45%	

* Monthly taxable income after deducting the monthly standard deduction of RMB4,800.

Tax rates and quick deductions

Where IIT is borne by the employee		Where IIT is borne by the employer			
Monthly income including tax over (RMB)*	Not over (RMB)*	Monthly income net of gross-up (RMB)*	Not over (RMB)*	Tax rate (%)	Quick deduction (RMB)
0	1,500	0	1,455	3%	0
1,500	4,500	1,455	4,155	10%	105
4,500	9,000	4,155	7,755	20%	555
9,000	35,000	7,755	27,255	25%	1,005
35,000	55,000	27,255	41,255	30%	2,755
55,000	80,000	41,255	57,505	35%	5,505
80,000	-	57,505	-	45%	13,505

* Monthly taxable income after deducting the monthly standard deduction of RMB4,800.

Example

Assume an employee has a monthly salary of RMB30,000 before the monthly deduction. The PRC tax is paid by his employer. The monthly grossed-up income and tax payable are calculated as follows:

Grossed-up income

(RMB30,000 - 4,800 - 1,005)/(1 - 25%) = 32,260

Monthly tax payable

(RMB32,260 x 25%) - 1,005 = 7,060

Appendix B:
Tax treatment of some common benefits

Base salary	Taxable
Foreign service/hardship allowance/cost of living adjustments	Taxable
Bonuses	Taxable (preferential treatment can be applied for one-time annual bonus). Additional bonuses are taxed as part of regular monthly taxable employment income. Professional advice should be obtained in structuring bonus payments.
Automobile provided by employer for business use	Not taxable
Tax reimbursement	Taxable
PRC housing provided by employer	Not taxable for expatriates if the amount is reasonable and supported by valid rental invoices.
Home leave - employee	Not taxable for expatriates if the expenses are related to employee’s transportation costs (up to two home trips per year) and the amount is reasonable and supported by valid payment receipts.
Home leave – family members	Taxable
Relocation/moving expenses upon commencement and end of PRC assignment	Not taxable for expatriates if the amount is reasonable and supported by valid payment receipts.
Children's education incurred in the PRC	Not taxable for expatriates if the amount is reasonable and supported by valid payment invoices.
Overseas medical insurance – employee’s contributions	Not tax deductible
Overseas medical insurance – employer’s contributions	Taxable
Stock option/stock purchase discount	Taxable

Base salary	Taxable
Private pension – overseas – Employee's contributions	Not tax deductible
Overseas pension – Employer's contributions	Taxable
United States 401(k)	Employee's contributions: Not tax deductible Employer's contributions: Taxable
Hypothetical housing	Not tax deductible
Hypothetical tax	Tax deductible unless the amount is excessive (a comparison analysis is required).
Reimbursement for meals	Not taxable for expatriates if the amount is reasonable and supported by valid invoices.

Appendix C:

Tax treaty/arrangement

Countries/regions with which the PRC has entered into a tax treaty/agreement

Albania	Ethiopia	Macao SAR	Slovenia
Algeria	Finland	Malaysia	South Africa
Armenia	France	Malta	Spain
Australia	Georgia	Mauritius	Sri Lanka
Austria	Germany	Mexico	Sudan
Azerbaijan	Greece	Moldova	Sweden
Bahrain	HKSAR	Mongolia	Switzerland
Bangladesh	Hungary	Morocco	Syria
Barbados	Iceland	Nepal	Tajikistan
Belarus	India	Netherlands	Thailand
Belgium	Indonesia	New Zealand	Trinidad and Tobago
Brunei	Iran	Nigeria	Tunisia
Brazil	Ireland	Norway	Turkey
Botswana*	Israel	Oman	Turkmenistan
Bulgaria	Italy	Pakistan	Ukraine
Bosnia-Herzegovina	Jamaica	Papua New Guinea	Uganda *
Canada	Japan	Philippines	United Arab Emirates
Chile	Kazakhstan	Poland	United Kingdom
Croatia	Korea, Rep. of	Portugal	United States
Cuba	Kuwait	Qatar	Uzbekistan
Cyprus	Kyrgyzstan	Romania	Venezuela
Czech Republic	Laos	Russia	Vietnam
Denmark	Latvia	Saudi Arabia	Yugoslavia
Ecuador	Lithuania	Seychelles	Zambia
Egypt	Luxembourg	Singapore	
Estonia	Macedonia	Slovak Republic	

Appendix D:
Typical tax computation

Example tax computation

Alfred Jones, a US citizen, is assigned to Beijing as a general manager of a foreign investment enterprise. He arrived in Beijing with his family on January 1st, 2014, the same day his employment contract began. Alfred's Chinese tax liability is borne by his employer. Between February 1st and February 15th, Alfred was in the United States to attend management meetings and to give a presentation to several business groups about his Chinese company. The following is Alfred's monthly compensation and employment benefits:

Item	US$
Base salary	10,000
Overseas premium	2,000
Cost of living adjustment	800
Hardship allowance	1,200
Automobile provided by employer for business use	1,150
Housing provided by employer	5,000
Children's education in the PRC	1,000

Alfred's monthly individual income tax liability is computed as follows:

Tax computation	US$	RMB
Base salary	10,000	
Overseas premium	2,000	
Cost of living adjustment	800	
Hardship allowance	1,200	
Taxable income before gross-up	**14,000**	
Exchanged into RMB (assumed US$1 =RMB6.12) *		**85,680**
Grossed-up taxable income **		**122,500**
Monthly Chinese tax liability	***6,800***	***41,620***

* With effect from July 21, 2005, the exchange rate between USD and RMB is slightly floating every day, the prevailing rate is around US$1 = RMB6.12 at the time of this update

** (Monthly income RMB85,680 - Monthly deduction RMB4,800 – Quick deduction RMB 13,505)/
(1 - Tax rate 45%)

Appendix E:

Services and other passive income chargeable to individual income tax

Item	Tax rate	Deductions
Independent personal service income	Progressive rate from 20% to 40%	• Not more than RMB 4,000: RMB 800. • More than RMB 4,000: 20% of income • (Local practice on deduction may vary).
Authorship charges	Flat rate of 20%	• Not more than RMB 4,000: RMB 800. • More than RMB 4,000: 20% of income. • Plus further 30% deduction on tax.
Royalties	Flat rate of 20%	• Not more than RMB 4,000: RMB 800. • More than RMB 4,000: 20% of income.
Bank interest	Flat rate of 20%	• Bank interest from China is tax exempted from 15 September 2008.
Dividend from PRC investment	Flat rate of 20%	• Dividend income is generally taxed at 20% unless otherwise provided for in the applicable income tax treaty. • Effective January 2013, dividend income derived from shares traded on the Shanghai and Shenzhen Stock Exchanges is entitled to 50% or 75% tax reduction depending on the length of holding.
Property rental and leasing income	Flat rate of 20%	• Not more than RMB 4,000: RMB 800. • More than RMB 4,000: 20% of income. • Plus additional deductions including taxes repair and maintenance expenses limited to RMB 800 per month. Certain locations (such as Beijing, Shanghai) tax rental income at a composite tax rate (inclusive of IIT, business tax, real property tax etc.) received by individuals. The rate may vary from location to location.
Gains on transfer of movable or immovable properties	Flat rate of 20%	• Original value of properties and reasonable relevant costs. • Tax rate on real estate transactions may vary from city to city. •
Incidental gains	Flat rate of 20%	No

Appendix F:
People's Republic of China contacts and offices

Contacts

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