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Global Mobility Services

Taxation of International Assignees –People's Republic of China

People and Organisation

Global Mobility Country Guide

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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 People’s Republic of China (the PRC /China) and serves to inform both the foreign employees and their employers about the most common issues relating to the transfer of an employee to China. It is part of a broader series published by our Global

Mobility Services 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 PRC individual income tax (IIT)

1. The basic rules 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 and notices of the Ministry of Finance (MOF) and the State Taxation Administration (STA) which, although not codified, do have the force of law.

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

The tax year

3. The China tax year runs from January 1st to December 31st. China tax filings are administered on monthly and annual basis.

Tax filing frequency

4. Monthly tax returns and monthly settlement of tax payable are normally due on the 15th of the following month. Except for certain circumstances as stipulated by the law, the employing entity in China is the statutory tax withholding agent for the employees/assignees.

   In addition, starting from the tax year 2019, individuals are required to file an annual reconciliation tax return between March 1 and June 30 of the following year if they have IIT underpayment or overpayment for the tax year concerned.

Married Couple

5. There is no joint tax return in China. Spouses are assessed and taxed separately with their own deductions claim.

Step 2

Understanding the China tax system

Categorization of income

6. Personal income is categorized as follows:

   a. Comprehensive income

      - Wages and salaries
      - Remuneration for personal services
      - Revenue for manuscripts
      - Royalties

   b. Business operation income

   c. Interest, dividends and bonuses

   d. Income from lease of property

   e. Income from transfer of property

   f. Contingent income

Taxation of employment income

7. "Wages and salaries" category includes basic wage/salaries, awards, bonuses, 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 and tax treaty

9. In general, non-China domiciled individuals who derive income from work and services performed in China are subject to IIT unless they are present in China for not more than 90 days in the tax year concerned plus their income are not paid or borne by any enterprise or permanent establishment (PE) in China.

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

11. If the non-China domiciled individual is a tax resident of a country/region which has concluded income tax treaty/agreement with China (see Appendix C), the 90-day threshold may be extended to 183 days within the base period as specified in the relevant income tax treaty/agreement. In other words, such individual may be exempted from IIT if his/her cumulative stay in China does not exceed 183 days during the relevant calendar year or 12-month period (this base period depends on the applicable tax treaty) and his/her remuneration is not paid or borne by any enterprise or PE in China. Individual treaties may differ and a review of the relevant treaty is thus recommended.

    The 183-day treaty benefit is not automatically granted.

    Instead, foreign individual should submit the requisite documents (e.g. tax resident certificate of the relevant treaty country) in order to claim IIT exemption based on treaty terms.

    For the 183-day threshold purpose under tax treaty, China arrival and departure dates are both counted as days in China.

    Since the existence of a PE in the China would affect a non-China domiciled individual's eligibility for exemption from IIT, it is important for the foreign companies to review whether deployment of their employees to work in China may create a PE in China.

Domicile and residence in China

12. An individual who is domiciled in China is subject to IIT on his/her worldwide income. A non-China domiciled individual is considered a China tax resident for the tax year during which he/she has resided 183 days in China. A non-China domiciled individual is subject to IIT on his/her worldwide income starting from the seventh consecutive year of having resided 183 days in China annually if there is no single absence of more than 30 consecutive days during a tax year within the six previous years (6-year rule).

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

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

15. For the purpose of determining a non-China domiciled individual's China tax residency under the domestic law, a day in which he/she is in China for less than 24 hours is not counted as a day in China. However, for purposes of sourcing the income and calculating the IIT payable, physical presence of less than 24 hours in China is counted as a ½ work day in China.

16. A China work day should include actual work days in China plus other days spent inside and outside China that are connected to a non-China domiciled individual's China employment. This includes, for example, public holidays, annual leave and training.

6-Year Rule

17. A non-China domiciled individual who is a China tax resident for six consecutive years will be subject to IIT on his/her worldwide income for every subsequent year of being a China tax resident.

18. The count of six years can be reset by spending more than 30 consecutive days outside of China during a tax year.

19. A non-China domiciled individual's physical presence in China before 2019 can be excluded for the 6-year rule purposes.

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

– Bank interest derived from deposit in a bank located in China (effective from 15

– September 2008 onwards, bank interest income is exempted from IIT until further notice);

– Fees for the use of proprietary rights within China;

– Rental income related to the lease of property within China; and

– Interest paid by the Chinese government or enterprises in China.

Chief or ordinary representatives of representative offices

21. Normally, a foreign assignee who is a chief representative or a general representative of a foreign representative office in China is subject to IIT regardless of whether or not his/her remuneration is reflected in the representative office's books as the costs are deemed to be borne by the representative office except for foreign representative offices which adopt actual profit method for PRC corporate tax purposes. Hence, the 90 days tax exemption threshold (or 183 days for residents of a tax treaty/agreement country/region) is generally not available to a registered chief or general representative.

Time apportionment

22. Non-China domiciled individuals

A non-China domicile individual who continues to hold a position with an entity outside China during his/her China assignment which requires him/her to perform the non-China related responsibilities outside China may apply time apportionment calculation method for calculating his/her monthly IIT payable. There are three different time apportionment calculation methods, consultation of which is the applicable one is recommended.

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

24. An individual who qualifies to use the time apportionment method may be required to provide the tax authorities their employment contracts or a certification to prove that he/she has non-China related responsibilities connected with his/her position with an entity outside China in addition to his/her position with an entity in China.

Moreover, tax authorities may request a copy of the passport page(s) with the China arrival and departure stamps to prove his/her days spent inside and outside China.

Foreign employees of foreign investment enterprises

25. Where the salary of a foreign assignee working for a foreign investment enterprise in China is partially paid by the enterprise in China and partially by his/her foreign employer outside China, his/her total employment income is subject to IIT. However, the income related to services performed outside China in respect of his/her overseas employment can be exempted from IIT as long as the international assignee resides in China for less than 183 days during the year concerned. If a foreign assignee spends 183 days in China during the year concerned, income attributable to overseas employment (to the extent that it is paid/borne by an entity/establishment in China) will also be subject to IIT.

26. In addition, under the PRC IIT law, for certain foreign assignees who are regarded as "senior management executive" in a foreign investment enterprise in China and having resided in China for less than 183 days, they may not be entitled to the time apportionment method in respect of the income paid or borne by employer in China. 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 treatments of some common benefits are set out in Appendix B.

Standard deduction

29. The current monthly standard deduction for non-China domiciled individuals is RMB5,000. For China domiciled individuals, the annual standard deduction is RMB60,000.

Double-taxation relief

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

Tax rates and calculation of tax liability

31. IIT rates vary depending on the income category. 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 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.

Other income

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

Social security

34. Pursuant to the PRC Social Security Law and the Provisional Measures for Foreigners Working in the PRC Regarding Participation in the Social Insurance Scheme ("The Provisional Measures"), foreign individuals who work in China and their employers in China are required to make monthly social security contributions, including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

China has concluded totalization agreement with South Korea, Germany, Denmark, Finland, Canada, Switzerland, Netherlands, Spain, Luxemburg, France*, Japan*, and Serbia* (*effective date is not confirmed yet).

Foreign individuals from these countries may apply for contribution exemption of the type(s) of social insurance covered by the applicable totalization agreement with the in-charge authority (such exemption is not automatically granted).

Step 3

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

Importing personal possessions

35. Foreigners holding Work Permit and Foreigner Residence Permit 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 and items cannot be added after the declaration.

Visas

36. As a foreign individual directly employed by or assigned to work for an entity in China, one is required to apply for the single entry 'Z' visa from a Chinese embassy or consulate in any foreign country with which China has diplomatic relations. Within 30 days after arriving in China, application for converting the single 'Z' visa to foreigner residence permit should be submitted to the local Public Security Bureau.

37. Foreign individuals who have entered China with visas other than the 'Z' visa must leave China to apply for one from the Chinese embassy or consulate unless exempted by the Chinese authorities.

38. Before applying for an initial 'Z' visa, one would normally need to ask a sponsoring entity in China to obtain Work Permit Notification from the local branch of the State Administration of Foreign Experts Affairs (the SAFEA). Other required documents may vary depending upon the type of visa to apply, e.g. a Confirmation Letter from the local branch of SAFEA would be needed instead for certain high level talents.

Bank accounts

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

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 China:

- Inform your personal physician of your move to ensure that you are given proper preventive care. A physical examination is generally required for the 'Z' single visa application. It is advisable to contact the Chinese embassy or consulate for the proper procedures one needs to follow.
- 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 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 before applying for the Work Permit. Foreign employees not assigned to a representative office are not required to apply for a Working Card, but instead they will need to apply for a Work Permit Notification with the local branch of the SAFEA (please refer to paragraph 44 below).

New work permit scheme

43. Effective 1 April 2017, foreign individuals applying to work in China are divided into three categories:

    – A high level talents

    – B professional talents

    – C other workers

    There are 12 streams of eligibility criteria for A and B. Depending on local practice, generally category A applicants may be entitled to green channel and subject to lesser documentation requirements.

    For these eligibility streams, there is a point-based system which takes into consideration of factors such as the applicant's annual salary, qualification, relevant work experience, age, and language skills etc.

Work Permit Notification

44. An entity in China which employs a foreign individual is required to obtain a Work Permit Notification for the foreign individual from the local branch of the SAFEA.

Work Permit (also known as Employment Permit)

45. All foreign individuals employed by or assigned to an entity in China are required to obtain Work Permit from the local branch of the SAFEA.

Health Certificate

46. Each foreign applicant and each of the accompanying family members over 16 years old must first obtain a health certificate from the local International Travel and Health Care Center. The certificate is required for the Work Permit and Residence Permit applications.

Registration with the Public Security Bureau/Foreigner Residence Permit

47. A foreign individual is required to register his/her residence with the local police station within 24 hours upon entering into China. If staying at a hotel, generally this registration is completed as part of the check-in process.

48. A foreigner is required to apply for Residence Permit which is to be affixed on his/her 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/Work Permit;

    – Photographs;

    – Accommodation registration form;

    – Relationship documents for accompanying family members; and

    – Health certificate issued by the local International Travel and Health Care Center for anyone over 16 years old.

Registration with the Chinese tax authorities

49. Subject to the practice of the in-charge tax bureau, foreign individuals who are liable to IIT may be required to register with the in-charge tax bureau of their work location.

50. Registration, if required, usually takes place upon arrival in China for employees of foreign investment enterprises and for resident representatives of foreign representative offices. Other individuals need to register at such time as they become liable to IIT (e.g. an employee of a foreign employer on work related assignments in China for more than 90 days or 183 days for a tax resident of a treaty country during the relevant period).

51. A fine of up to RMB2,000 may be imposed on a foreign 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

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

Working spouse

53. If your spouse seeks an employment in China, he/she is required to obtain work permit and work-type residence permit. He/she may also have to register with the local tax authority (see paragraphs 46-47) and must file his/her own individual tax return (see paragraphs 51-54), as spouses are assessed separately.

Step 5

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

Tax filing

54. 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 reconciliation tax returns may also be filed by certain individuals. Please refer to paragraph 4 for more details.

55. The regular due date for filing a monthly individual income tax return in China and payment of tax dues is generally the 15th of the following month with no extension available. Annual reconciliation tax returns, if required, should be filed between March 1 and June 30 of the following year. For taxpayers claiming foreign tax credit, annual reconciliation tax returns may be filed within 30 days of the final settlement of the relevant foreign tax payment.

56. 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.

57. 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

58. If your income is received in a foreign currency, it should be converted into the local currency Renminbi ('RMB') at the official month end exchange rate released by the People's Bank of China. The tax liability must be settled in RMB.

Extensions

59. There is no extension for monthly tax filing. Extension of tax settlement may be granted only upon application and approval by your local tax authority. In practice, it is very difficult to secure the approval from the tax authority for such extension.

Penalties

60. Late payment interest 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 late filing of tax return. 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, tax authorities can impose a penalty ranging from 0.5 to 5 times the amount of tax overdue on the taxpayer or from 0.5 to 3 times the amount of tax overdue on the withholding agent.

Step 6

What to do when you leave China

Tax de-registration

61. When you leave China, you may need to file an annual reconciliation return and complete tax deregistration with the in-charge tax bureau.

Transferring funds abroad

62. Your after-tax income may be converted into a foreign currency and be remitted abroad if all the required documentation, including tax payment certificates, are available.

Withdrawing individual pension contribution

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

De-registration of work and residence permits

64. When you leave China, you are required to de-register your work and residence permits with the in-charge authorities.

Step 7

Other matters requiring consideration

General

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

Value added tax (VAT)

66. VAT is usually applicable to foreign and domestic enterprises in China. 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

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

Consumption tax (CT)

68. Consumption tax is imposed on fifteen categories of deemed luxury and environmental unfriendly goods. The goods liable to CT include cigarettes, alcoholic drinks, high-end cosmetics, fireworks, jewelry, gasoline, golf clubs and accessories, luxury watches and automobiles, etc. The tax liability is computed based on the sales amount and/or the sales volume, depending on the goods concerned. 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)

69. 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

70. All units and individuals who execute or receive certain documents, such as lease agreement for housing in China, are subject to stamp tax. The tax rate varies from 0.005% to 0.1% depending on the nature and value of the contract. A flat amount of CNY 5 applies to certification evidencing business licences and patents, trademarks, or similar rights.

Real property tax

71. 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 rules may vary.

Estate, inheritance, and gift tax

72. There is currently no estate, inheritance, and gift tax in China.

Deed tax

73. 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

Monthly 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	3,000	0	2,910	3%	0
3,000	12,000	2,910	11,010	10%	210
12,000	25,000	11,010	21,410	20%	1,410
25,000	35,000	21,410	28,910	25%	2,660
35,000	55,000	28,910	42,910	30%	4,410
55,000	80,000	42,910	59,160	35%	7,160
80,000	-	59,160	-	45%	15,160

* Monthly taxable income after deducting the monthly standard deduction of RMB5,000.

Annualized tax rates and quick deductions

Where IIT is borne by the employee		**Where IIT is borne by the employer**			
*Annual income including tax over (RMB)**	*Not over (RMB)**	*Annual income net of gross-up (RMB)**	*Not over (RMB)**	*Tax rate (%)*	*Quick deduction (RMB)*
0	36,000	0	34,920	3%	0
36,000	144,000	34,920	132,120	10%	2,520
144,000	300,000	132,120	256,920	20%	16,920
300,000	420,000	256,920	346,920	25%	31,920
420,000	660,000	346,920	514,920	30%	52,920
660,000	960,000	514,920	709,920	35%	85,920
960,000	-	709,920	-	45%	181,920

* Annual taxable income after deducting the annual standard deduction of RMB60,000.

Example

Assume an employee who is a non-resident and 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 - 5,000 – 2,660)/(1 - 25%) = 29,787

Monthly tax payable

(RMB29,787 x 25%) – 2,660 = 4,787

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
Local housing in China provided by employer	Not taxable for foreign individuals during the 3-year transition period (i.e. from 2019.01 to 2021.12) if the amount is reasonable and supported by valid tax receipts
Home leave - employee	Not taxable for foreign individuals during the 3-year transition period (i.e. from 2019.01 to 2021.12) if the expenses are related to employees 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 China assignment	Not taxable for foreign individuals during the 3-year transition period (i.e. from 2019.01 to 2021.12) if the amount is reasonable and supported by valid payment
Children's education incurred in China	Not taxable for foreign individuals during the 3-year transition period (i.e. from 2019.01 to 2021.12) if the amount is reasonable and supported by valid tax receipts.
Overseas medical insurance – employee's contributions	Not tax deductible
Overseas medical insurance – employer's contributions	Taxable
Stock option/stock purchase discount	Taxable
Private pension – overseas – Employee's contributions	Not tax deductible
Overseas pension – Employer's	Taxable
United States 401(k)	Employee's contributions: Not tax deductible Employer's contributions:
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 foreign individuals during the 3-year transition period (i.e. from 2019.01 to 2021.12) if the amount is reasonable and supported by valid tax receipts.

Appendix C

Tax treaty/arrangement

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

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

*These tax treaties/agreements have not yet entered into force as of 31 May 2019.

Appendix D

Typical tax computation

Example tax computation

Alfred Jones, a US citizen, is assigned to Beijing for 6 months (for less than 183 days and is considered non-resident) as a general manager of a foreign investment enterprise. He arrived in Beijing with his family on January 1st, 2019, 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 =RMB6.66)		**93,240**
Grossed-up taxable income *		**132,873**
Monthly Chinese tax liability	***6,702***	***44,633***

* (Monthly income RMB93,240 - Monthly deduction RMB5,000 – Quick deduction RMB 15,160)/ (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 3% to 45%	• Non-resident: 20% of income. • Resident: RMB60,000/year applied to all categories of comprehensive income
Manuscripts income	Progressive rate from 3% to 45%	• Non-resident: 20% of income plus further 30% deduction on tax. • Resident: RMB60,000/year applied to all categories of comprehensive income
Royalties	Progressive rate from 3% to 45%	• Non-resident: 20% of income. • Resident: RMB60,000/year applied to all categories of comprehensive 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 September 2015, dividend income derived from shares traded on the Shanghai and Shenzhen Stock Exchanges is entitled to 50% or 100% 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 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

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