Detailed Rules for the Implementation of the Individual Income Tax Law of the PRC

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

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Chapter I — General Provisions

Article 1 — These Detailed Rules are formulated in accordance with the Individual Income Tax Law of the People's Republic of China (hereinafter referred to as the "Tax Law").

Article 2 — For the purposes of the Tax Law and these Detailed Rules, an individual who has a domicile in China means an individual who habitually resides in China by reason of household registration, family, or economic interests. Where an individual who has no domicile in China has resided in China for an aggregate

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of 183 days in a tax year, the individual shall be deemed a resident individual. The "tax year" means the Gregorian calendar year, running from January 1 through December 31.

Article 3 — Except as otherwise provided by the State Council, where a resident individual who has no domicile in China has resided in China for an aggregate of not more than 90 days in a tax year, the portion of the individual's income derived from sources outside China that is paid by an employer outside China and not borne by the individual's employer's establishments or places in China shall be exempt from individual income tax.

Article 4 — Incomes derived from sources within China and incomes derived from sources outside China shall be determined respectively in accordance with the following provisions: (1) income from wages and salaries derived from services provided within China shall be income derived from sources within China; (2) income from remuneration for personal services derived from labor services provided within China shall be income derived from sources within China; (3) income from author's remuneration derived from the publication of a work within China shall be income derived from sources within China; (4) income from royalties derived from the licensing of a franchise right for use within China shall be income derived from sources within China; (5) income from business operations derived from production or business operations conducted within China shall be income derived from sources within China; (6) income from interest, dividends, and bonuses derived from enterprises, institutions, or other organizations within China shall be income derived from sources within China; (7) income from the lease of property to a lessee for use within China shall be income derived from sources within China; and (8) income from the transfer of property such as immovable property within China, or the transfer within China of movable property, or the transfer of any other property within China shall be income derived from sources within China.

Chapter II — Scope of Comprehensive Income

Article 5 — Income from wages and salaries means wages, salaries, bonuses, year-end salary increases, profit sharing, subsidies, allowances, and other income derived by an individual from his or her employment or appointment.

Article 6 — Income from remuneration for personal services means income derived by an individual from the provision of labor services such as design, decoration, installation, drafting, laboratory testing, testing, medical treatment, legal services, accounting, consulting, lecturing, translation, review, painting and calligraphy, sculpture, film and television, audio and video recording, performances, advertising, exhibitions, technical services, introduction services, brokerage services, agency services, and other labor services.

Article 7 — Income from author's remuneration means income derived by an individual from the publication of his or her works in the form of books, newspapers, or periodicals.

Article 8 — Income from royalties means income derived by an individual from the provision of the right to use patent rights, trademark rights, copyrights, non-patented technologies, and other franchise rights. Income from the provision of the right to use a copyright shall not include income from author's remuneration.

Chapter III — Scope of Other Categories of Income

Article 9 — Income from business operations means: (1) income derived by an individual industrial and commercial household from its production and business operations; (2) income derived by an investor of a sole proprietorship enterprise or a partner of a partnership enterprise from the operations of the sole proprietorship enterprise or partnership enterprise within China; (3) income derived by an individual from the provision of services in the areas of running a school, medical treatment, consulting, and other paid services; (4) income derived by an individual from contracting, leasing, subcontracting, or subleasing operations of enterprises or public institutions; and (5) income derived by an individual from other production or business operations.

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Article 10 — Income from interest, dividends, and bonuses means income from interest, dividends, and bonuses derived by an individual who holds claims or equity interests. Income from interest, dividends, and bonuses on savings deposits derived by an individual from banks and other financial institutions within China is exempt from individual income tax.

Article 11 — Income from the lease of property means income derived by an individual from the lease of immovable property, movable property such as machinery, equipment, vehicles, vessels, and other property.

Article 12 — Income from the transfer of property means income derived by an individual from the transfer of securities, equity interests, shares in a partnership enterprise, immovable property, machinery, equipment, vehicles, vessels, and other property.

Article 13 — Contingent income means income derived by an individual from winning a prize, winning in a lottery, winning in a gambling game, and other contingent income. Where an individual receives an award in science, technology, culture, or any other field from a provincial people's government, a ministry or commission of the State Council, a unit at or above the army level of the People's Liberation Army, or a foreign organization or international organization, such award shall be exempt from individual income tax.

Chapter IV — Deductions

Article 14 — The basic deduction for comprehensive income shall be RMB 60,000 per year.

Article 15 — Special deductions include basic old-age insurance, basic medical insurance, unemployment insurance, and other social insurance premiums, as well as housing provident fund contributions, that individual residents pay in accordance with the scope and standards prescribed by the State.

Article 16 — Special additional deductions include expenditures for children's education, continuing education, medical treatment for serious illnesses, housing loan interest or housing rent, and support for the elderly. The specific scope, standards, and implementation steps shall be determined by the State Council and reported to the Standing Committee of the National People's Congress for filing.

Article 17 — Other deductions prescribed by the State Council include, in accordance with the provisions, enterprise annuity and occupational annuity paid by individuals, commercial health insurance purchased by individuals, tax-deferred commercial old-age insurance, and other items as prescribed by the State Council. The amount of special deductions, special additional deductions, and other deductions in accordance with the law shall be limited to the taxable income of a resident individual for one tax year. If the deductions exceed the taxable income, the excess shall not be carried forward to subsequent tax years.

Article 18 — For income from business operations, the taxable income shall be the balance of the total income in each tax year, after deducting costs, expenses, taxes, and losses. Costs and expenses mean all direct expenditures and indirect expenses incurred by an individual industrial and commercial household in the course of its production and business operations, as well as selling expenses, administrative expenses, and financial expenses. Losses mean various non-operating expenses incurred by an individual industrial and commercial household in the course of its production and business operations.

Article 19 — For income from the lease of property, the deductible expenses shall be, where the income from a single lease does not exceed RMB 4,000 yuan, a flat deduction of RMB 800 yuan; where the income exceeds RMB 4,000 yuan, a deduction of 20% of the income. For income from the transfer of property, the deductible expenses shall be the original value of the property and reasonable expenses.

Article 20 — Where an individual makes a donation of his or her income to educational, poverty relief, or other public welfare and charitable undertakings, the portion of the donation not exceeding 30% of the taxable income reported by the taxpayer may be deducted from the taxable income. Where the State Council provides that full deductions may be made from taxable income for donations to public welfare and charitable undertakings, such provisions shall prevail.

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Chapter V — Tax Rates

Article 21 — Comprehensive income shall be subject to progressive tax rates on an annual basis, as set out in the schedule to the Tax Law. The tax rates are as follows: (1) for the portion of taxable income not exceeding RMB 36,000, the tax rate shall be 3%; (2) for the portion exceeding RMB 36,000 but not exceeding RMB 144,000, the tax rate shall be 10%; (3) for the portion exceeding RMB 144,000 but not exceeding RMB 300,000, the tax rate shall be 20%; (4) for the portion exceeding RMB 300,000 but not exceeding RMB 420,000, the tax rate shall be 25%; (5) for the portion exceeding RMB 420,000 but not exceeding RMB 660,000, the tax rate shall be 30%; (6) for the portion exceeding RMB 660,000 but not exceeding RMB 960,000, the tax rate shall be 35%; and (7) for the portion exceeding RMB 960,000, the tax rate shall be 45%.

Article 22 — Income from business operations shall be subject to progressive tax rates, as set out in the schedule to the Tax Law. The tax rates are as follows: (1) for the portion of taxable income not exceeding RMB 30,000, the tax rate shall be 5%; (2) for the portion exceeding RMB 30,000 but not exceeding RMB 90,000, the tax rate shall be 10%; (3) for the portion exceeding RMB 90,000 but not exceeding RMB 300,000, the tax rate shall be 20%; (4) for the portion exceeding RMB 300,000 but not exceeding RMB 500,000, the tax rate shall be 30%; and (5) for the portion exceeding RMB 500,000, the tax rate shall be 35%.

Article 23 — Income from interest, dividends, and bonuses, income from the lease of property, income from the transfer of property, and contingent income shall be subject to a proportional tax rate of 20%.

Chapter VI — Computation of Tax Payable

Article 24 — The tax payable on comprehensive income of a resident individual shall be computed as follows: tax payable = (annual comprehensive income - RMB 60,000 - special deductions - special additional deductions - other deductions in accordance with the law) multiplied by the applicable tax rate, minus the quick deduction.

Article 25 — The tax payable on comprehensive income of a non-resident individual shall be computed as follows: for wages and salaries, tax payable = (monthly income - RMB 5,000) multiplied by the applicable tax rate, minus the quick deduction. For remuneration for personal services, author's remuneration, and royalties, tax payable = the amount of each income payment multiplied by the applicable tax rate.

Article 26 — The tax payable on income from business operations shall be computed as follows: tax payable = (total annual income - costs, expenses, taxes, and losses) multiplied by the applicable tax rate, minus the quick deduction.

Article 27 — The tax payable on income from the lease of property shall be computed on a per-transaction basis: where the income from a single lease does not exceed RMB 4,000 yuan, tax payable = (income per transaction - RMB 800) multiplied by 20%; where the income from a single lease exceeds RMB 4,000 yuan, tax payable = income per transaction multiplied by (1 - 20%), multiplied by 20%.

Article 28 — The tax payable on income from the transfer of property shall be computed as follows: tax payable = (income from the transfer of property - the original value of the property - reasonable expenses) multiplied by 20%.

Article 29 — The tax payable on income from interest, dividends, and bonuses, and contingent income shall be computed as follows: tax payable = the amount of each income payment multiplied by 20%.

Chapter VII — Tax Collection

Article 30 — Individual income tax shall be collected on the basis of the withholding at source and self-declaration methods. The income payer shall be the withholding agent. The withholding agent shall, in

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accordance with the provisions of the tax law, handle full withholding declaration for all employees.

Article 31 — The withholding agent shall, when paying taxable amounts to an individual, withhold the tax in accordance with the provisions of the Tax Law, pay the tax to the treasury on time, and maintain special records for future reference.

Article 32 — The tax payable by a resident individual on comprehensive income shall be computed on an annual basis. The withholding agent shall withhold and prepay on a monthly or per-transaction basis. Where a resident individual needs to settle the final tax payment, the settlement shall be made between March 1 and June 30 of the following year after the acquisition of the income. When the withholding agent withholds and prepays the tax, the taxpayer shall provide the special additional deductions to the withholding agent, and the withholding agent shall deduct such amounts in accordance with the provisions when withholding and prepaying the tax on a monthly basis.

Article 33 — The tax payable by a taxpayer on income from business operations shall be computed on an annual basis and prepaid on a monthly or quarterly basis. Taxpayers shall file tax returns and prepay the tax within 15 days after the end of each month or quarter. Final settlement shall be made before March 31 of the following year after the acquisition of the income, and any overpaid tax shall be refunded and any underpaid tax shall be made up.

Article 34 — A resident individual who derives comprehensive income from two or more sources and whose comprehensive income after deducting special deductions exceeds the prescribed amount shall, in accordance with the provisions, file a tax return and settle the final tax payment. A resident individual who derives income from outside China shall file a tax return and settle the final tax payment in accordance with the provisions.

Article 35 — Where an individual transfers immovable property, the tax authorities shall verify the tax payable on the basis of the relevant information on the immovable property registration, and may require the taxpayer to provide the original value of the property and relevant expenses.

Article 36 — The tax authorities shall strengthen the administration of individual income tax collection, establish and improve the relevant information systems, and enhance tax services.

Chapter VIII — Supplementary Provisions

Article 37 — These Detailed Rules shall enter into force on January 1, 2019. The Detailed Rules for the Implementation of the Individual Income Tax Law of the People's Republic of China (promulgated by Order No. 600 of the State Council on July 19, 2011) shall be repealed simultaneously.

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