

# Individual Income Tax Law of the People's Republic of China

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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 — An individual who has a domicile within the territory of China, or who has no domicile but has resided within the territory of China for an aggregate of 183 days or more in a tax year, shall be a resident individual. Resident individuals shall pay individual income tax on income derived from both within and outside the territory of China in accordance with the provisions of this Law.

An individual who has no domicile and does not reside within the territory of China, or who has no domicile but has resided within the territory of China for an aggregate of less than 183 days in a tax year, shall be a

non-resident individual. Non-resident individuals shall pay individual income tax on income derived from within the territory of China in accordance with the provisions of this Law.

The tax year shall commence on January 1 and end on December 31 of the Gregorian calendar.

Article 2 — Individual income tax shall be paid on the following categories of individual income:

(1) income from wages and salaries; (2) income from remuneration for personal services; (3) income from author's remuneration; (4) income from royalties; (5) income from business operations; (6) income from interest, dividends and bonuses; (7) income from the lease of property; (8) income from the transfer of property; and (9) contingent income.

Where a resident individual derives income specified in items (1) through (4) of the preceding paragraph (hereinafter referred to as "comprehensive income"), individual income tax shall be calculated on a consolidated basis for each tax year. Where a non-resident individual derives income specified in items (1) through (4) of the preceding paragraph, individual income tax shall be calculated on a monthly basis or on a per-transaction basis. Taxpayers deriving income specified in items (5) through (9) of the preceding paragraph shall calculate individual income tax separately in accordance with the provisions of this Law.

Article 3 — Individual income tax rates:

(1) Comprehensive income shall be subject to the progressive tax rates ranging from 3 percent to 45 percent as set out in the attached Table 1. (2) Income from business operations shall be subject to the progressive tax rates ranging from 5 percent to 35 percent as set out in the attached Table 2. (3) 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 the proportional tax rate of 20 percent.

Article 4 — The following categories of individual income shall be exempt from individual income tax:

(1) awards for achievements in science, education, technology, culture, public health, sports, environmental protection and other fields granted by provincial people's governments, ministries and commissions of the State Council, units of the People's Liberation Army at or above the army corps level, and foreign organizations and international organizations; (2) interest on treasury bonds and financial bonds issued by the state; (3) subsidies and allowances distributed in accordance with the uniform provisions of the state; (4) welfare benefits, survivor's pensions and relief payments; (5) insurance indemnities; (6) demobilization and severance pay for military personnel; (7) settlement pay, severance pay, retirement pay, and retirement living allowances distributed to cadres and employees in accordance with the uniform provisions of the state; (8) income of diplomatic representatives, consular officers and other personnel of foreign embassies and consulates in China that is exempt from tax in accordance with the relevant laws; (9) income that is exempt from tax under international conventions and agreements to which the Chinese government is a party; (10) other tax-exempt income prescribed by the State Council.

The provisions of item (10) of the preceding paragraph concerning tax-exempt income shall be submitted by the State Council to the Standing Committee of the National People's Congress for filing.

Article 5 — Individual income tax may be reduced under any of the following circumstances:

(1) income of the disabled, the elderly without family support, or family members of martyrs; (2) income of taxpayers who have suffered significant losses due to natural disasters or other force majeure events.

The State Council may prescribe other circumstances for tax reduction and submit them to the Standing Committee of the National People's Congress for filing.

## Chapter II — Comprehensive Income

Article 6 — The amount of taxable income shall be calculated as follows:

(1) For comprehensive income of a resident individual, the taxable income shall be the balance of the income in each tax year after deducting 60,000 RMB of basic expenses, special additional deductions, and other deductions determined in accordance with the law. (2) For income from wages and salaries of a non-resident individual, the taxable income shall be the balance of the monthly income after deducting 5,000 RMB of expenses. For income from remuneration for personal services, author's remuneration, and royalties, the taxable income shall be the amount of each receipt of income. (3) For income from business operations, the taxable income shall be the balance of the total income in each tax year after deducting costs, expenses and losses. (4) For income from the lease of property, the taxable income shall be the balance after deducting 800 RMB of expenses where each receipt of income does not exceed 4,000 RMB, or after deducting 20 percent of expenses where each receipt of income exceeds 4,000 RMB. (5) For income from the transfer of property, the taxable income shall be the balance of the income from the transfer of property less the original value of the property and reasonable expenses. (6) For income from interest, dividends and bonuses, and contingent income, the taxable income shall be the amount of each receipt of income.

The portion of income from remuneration for personal services, author's remuneration, and royalties shall be calculated at 80 percent of the amount of income after deducting expenses.

Author's remuneration shall be calculated at 70 percent of the amount specified in the preceding paragraph.

Where an individual donates his or her income to charitable causes such as education, poverty alleviation and relief, the portion of the donation that does not exceed 30 percent of the taxable income declared by the taxpayer may be deducted from the taxable income. Where the State Council provides that full deduction of donations to charitable causes shall be allowed in calculating taxable income, such provisions shall prevail.

The specific scope and standards for the special additional deductions specified in item (1) of the first paragraph of this Article, including children's education, continuing education, medical treatment for serious illness, housing loan interest or housing rent, and support for the elderly, shall be determined by the State Council and submitted to the Standing Committee of the National People's Congress for filing.

Article 7 — Where a resident individual derives income from outside the territory of China, the amount of individual income tax already paid overseas may be credited against the tax payable. However, the amount of credit shall not exceed the amount of tax payable on the overseas income calculated in accordance with the provisions of this Law.

Article 8 — Under any of the following circumstances, the tax authority shall have the right to make adjustments to the tax payable using reasonable methods:

(1) where an individual and a related party conduct business transactions that do not conform to the arm's length principle, and the taxable income of the individual or the related party is thereby reduced without justifiable reasons; (2) where an enterprise controlled by a resident individual, or an enterprise jointly controlled by a resident individual and a resident enterprise, is established in a country or region where the actual tax burden is significantly lower than the tax rate specified in this Law, and the enterprise does not distribute profits or reduces the distribution of profits without reasonable business needs; (3) where an individual carries out other arrangements without reasonable commercial purposes and obtains improper tax benefits.

Where the tax authority makes a tax adjustment in accordance with the preceding paragraph and requires the payment of back taxes, additional tax shall be imposed on the back taxes in accordance with the law, and interest shall be added.

## Chapter III — Business Income

Article 9 — Individual income tax on comprehensive income shall be withheld and paid by the withholding agent on a monthly or per-transaction basis. Taxpayers who need to handle final settlement and payment shall do so between March 1 and June 30 of the following year. The measures for withholding and prepayment shall be formulated by the tax authorities of the State Council.

Where a resident individual provides the withholding agent with information on special additional deductions, the withholding agent shall deduct such special additional deductions when withholding and prepaying tax on a monthly or per-transaction basis, and shall not refuse to do so.

Article 10 — Where a taxpayer derives income from business operations, individual income tax shall be calculated on an annual basis. The taxpayer shall submit the tax return to the tax authority within 15 days after the end of each month or quarter and prepay the tax. Final settlement and payment shall be completed before March 31 of the following year.

Article 11 — Where a taxpayer derives income from interest, dividends and bonuses, income from the lease of property, income from the transfer of property, or contingent income, individual income tax shall be calculated on a monthly or per-transaction basis. Where there is a withholding agent, the withholding agent shall withhold and pay the tax on a monthly or per-transaction basis.

## **Chapter IV — Other Categories of Income**

Article 12 — Where a taxpayer derives income from business operations, individual income tax shall be calculated on an annual basis. The taxpayer shall submit a tax return to the tax authority within 15 days after the end of each month or quarter and prepay the tax. Final settlement and payment shall be completed before March 31 of the following year.

Where a taxpayer derives income from the lease of property, individual income tax shall be calculated on a per-transaction basis. Where there is a withholding agent, the withholding agent shall withhold and pay the tax on a monthly or per-transaction basis.

Article 13 — Taxpayers who have obtained taxable income but do not have a withholding agent shall submit a tax return to the tax authority and pay the tax within 15 days after the end of the month following the month in which the income was derived.

## **Chapter V — Deductions and Preferential Policies**

Article 14 — The special additional deductions for resident individuals include:

(1) children's education expenses; (2) continuing education expenses; (3) medical treatment expenses for serious illness; (4) housing loan interest; (5) housing rent; and (6) expenses for supporting the elderly.

The specific scope, standards and implementation procedures for special additional deductions shall be determined by the State Council and submitted to the Standing Committee of the National People's Congress for filing.

Article 15 — The tax authority shall establish a tax-related information management system for individual income tax. Relevant departments shall provide the tax authority with the following information about taxpayers in accordance with the law:

(1) identity information, domicile information, and entry and exit records; (2) income from wages and salaries, and social insurance premiums and housing provident fund contributions; (3) children's education, continuing education, medical treatment for serious illness, and housing situations; (4) information on taxpayers' support for the elderly; (5) other tax-related information.

## **Chapter VI — Tax Calculation and Payment**

Article 16 — All categories of income shall be calculated in Renminbi. Where income is derived in a currency other than Renminbi, it shall be converted into Renminbi for tax calculation purposes in accordance with the central parity rate of the Renminbi exchange rate published by the People's Bank of China.

Article 17 — Withholding agents who withhold and pay tax in accordance with the provisions shall receive a handling fee of 2 percent of the amount of tax withheld and paid.

Article 18 — Where a taxpayer has no domicile within the territory of China, the tax authority may require the taxpayer to provide a guarantee before leaving the country where the taxpayer has tax payable but has not paid it.

Article 19 — The tax authority shall have the right to conduct tax inspections in accordance with the law. Where relevant entities and individuals refuse to submit tax-related information to the tax authority, or provide false or incomplete information, the tax authority shall order rectification and may impose fines. The tax authority may also conduct inspections on withholding agents.

Article 20 — Where a taxpayer, a withholding agent, or a tax authority violates the provisions of this Law, the matter shall be dealt with in accordance with the Law of the People's Republic of China on the Administration of Tax Collection and relevant laws and regulations.

## Chapter VII — Supplementary Provisions

Article 21 — The State Council shall formulate implementation regulations in accordance with this Law.

Article 22 — This Law shall take effect as of January 1, 2019. The Individual Income Tax Law of the People's Republic of China previously in effect shall be repealed simultaneously.

### Table 1: Individual Income Tax Rates (Comprehensive Income)

| Bracket | Annual Taxable Income (RMB) | Tax Rate | Quick Deduction (RMB) |
|---------|-----------------------------|----------|-----------------------|
| 1       | Not exceeding 36,000        | 3%       | 0                     |
| 2       | 36,001 to 144,000           | 10%      | 2,520                 |
| 3       | 144,001 to 300,000          | 20%      | 16,920                |
| 4       | 300,001 to 420,000          | 25%      | 31,920                |
| 5       | 420,001 to 660,000          | 30%      | 52,920                |
| 6       | 660,001 to 960,000          | 35%      | 85,920                |
| 7       | Exceeding 960,000           | 45%      | 181,920               |

Note: The annual taxable income in this table means the balance of comprehensive income in each tax year after deducting 60,000 RMB of basic expenses, special deductions, special additional deductions, and other deductions determined in accordance with the law.

### Table 2: Individual Income Tax Rates (Business Income)

| Bracket | Annual Taxable Income (RMB) | Tax Rate | Quick Deduction (RMB) |
|---------|-----------------------------|----------|-----------------------|
| 1       | Not exceeding 30,000        | 5%       | 0                     |
| 2       | 30,001 to 90,000            | 10%      | 1,500                 |
| 3       | 90,001 to 300,000           | 20%      | 10,500                |
| 4       | 300,001 to 500,000          | 30%      | 40,500                |
| 5       | Exceeding 500,000           | 35%      | 65,500                |

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