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.

Adopted at the Third Session of the Fifth National People's Congress on September 10, 1980

Amended in accordance with the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the 11th Meeting of the Standing Committee of the Eighth National People's Congress on October 31, 1994; amended for the second time at the 12th Meeting of the Standing Committee of the Ninth National People's Congress on August 30, 1999; amended for the third time at the 18th Meeting of the Standing Committee of the 10th National People's Congress on October 27, 2005; amended for the fourth time at the 28th Meeting of the Standing Committee of the 10th National People's Congress on June 29, 2007; amended for the fifth time at the 31st Meeting of the Standing Committee of the 10th National People's Congress on December 29, 2007; amended for the sixth time at the 21st Meeting of the Standing Committee of the 11th National People's Congress on June 30, 2011; and amended for the seventh time in accordance with the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the Fifth Meeting of the Standing Committee of the 13th National People's Congress on August 31, 2018

Effective: January 1, 2019 (as amended)

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Article 1 — An individual who has a domicile within China, or who has no domicile but has resided in China for a total of 183 days or more in a tax year, shall be a resident individual. A resident individual shall pay individual income tax on income derived from within and outside China in accordance with the provisions of this Law. An individual who has no domicile and does not reside in China, or who has no domicile but has resided in China for less than 183 days in a tax year, shall be a non-resident individual. A non-resident individual shall pay individual income tax on income derived from within China in accordance with the provisions of this Law. A tax year shall begin 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 labor service remuneration; (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 under items (1) through (4) of the preceding paragraph (hereinafter referred to as "comprehensive income"), individual income tax shall be calculated on a consolidated basis by tax year. Where a non-resident individual derives income under items (1) through (4) of the preceding paragraph, individual income tax shall be calculated on a monthly or itemized basis. Taxpayers deriving income under items (5) through (9) of the preceding paragraph shall calculate individual income tax separately in accordance with the provisions of this Law.

Article 3 — The tax rates of individual income tax are as follows: (1) Comprehensive income shall be subject to the progressive tax rates ranging from 3 percent to 45 percent (see appended tax rate table). (2) Income from business operations shall be subject to the progressive tax rates ranging from 5 percent to 35 percent (see appended tax rate table). (3) Income from interest, dividends, and bonuses, income from the lease of

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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) prizes and awards for achievements in science, education, technology, culture, public health, sports, and environmental protection, and other such fields, granted by the people's governments at or above the provincial level, ministries and commissions under the State Council, units of the Chinese People's Liberation Army at or above the corps level, as well as foreign and international organizations; (2) interest on government 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, pensions for the disabled or the family of the deceased, and relief payments; (5) insurance indemnities; (6) demobilization and severance pay for military personnel; (7) settlement pay, severance pay, and retirement pay distributed to cadres and workers 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 provisions of relevant laws; (9) income that is exempt from tax under international conventions and agreements to which the Chinese government is a party; and (10) other tax-exempt income as prescribed by the State Council. The provisions of item (10) of the preceding paragraph on 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 in any of the following circumstances, and the specific extent and duration of such reduction shall be prescribed by the people's government of the relevant province, autonomous region, or municipality directly under the Central Government, and shall be submitted to the Standing Committee of the People's Congress at the corresponding level for filing: (1) income of disabled, elderly, and bereaved persons; and (2) income of persons suffering major natural disasters causing significant losses. The State Council may prescribe other circumstances for tax reduction and submit the same to the Standing Committee of the National People's Congress for filing.

Article 6 — The amount of taxable income shall be calculated as follows: (1) The taxable income of a resident individual's comprehensive income shall be the balance of the gross income in each tax year after deducting 60,000 yuan as the basic deduction, as well as special deductions, special additional deductions, and other deductions determined in accordance with the law. (2) The taxable income of wages and salaries of a non-resident individual shall be the balance of the monthly gross income after deducting 5,000 yuan as the basic deduction. The taxable income of labor service remuneration, author's remuneration, and royalties shall be the amount of each such item of income. (3) The taxable income of income from business operations shall be the balance of the gross income of each tax year after deducting costs, expenses, and losses. (4) The taxable income of income from the lease of property shall be the balance after deducting 800 yuan from each income that does not exceed 4,000 yuan, and after deducting 20 percent of each income that exceeds 4,000 yuan. (5) The taxable income of income from the transfer of property shall be the balance of the income from the transfer of property after deducting the original value of the property and reasonable expenses. (6) The taxable income of income from interest, dividends, and bonuses and contingent income shall be the amount of each such item of income. The taxable income of income from author's remuneration shall be the amount calculated at 70 percent of such income. The portion of an individual's donation of his or her income to public welfare, charitable, and other such undertakings shall be deducted from the taxable income to the extent of not more than 30 percent of the taxable income as declared by the taxpayer, unless otherwise provided for by the State Council. Special deductions shall include social insurance premiums such as basic old-age insurance, basic medical insurance, unemployment insurance, and housing provident fund paid by individual residents in accordance with the scope and standards prescribed by the State. Special additional deductions shall include expenditures on children's education, continuing education, medical treatment for major illnesses, housing loan interest or housing rent, and support for the elderly, and the specific scope, standards, and implementation steps shall be determined by the State Council and

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submitted to the Standing Committee of the National People's Congress for filing.

Article 7 — Where a resident individual derives income from sources outside China that is subject to individual income tax, the amount of individual income tax already paid abroad may be credited against the tax payable, provided that the creditable amount shall not exceed the amount of tax payable as computed under this Law on the income derived from outside China by the taxpayer.

Article 8 — Under any of the following circumstances, the tax authority shall have the right to make tax adjustments using reasonable methods: (1) a transaction between an individual and its related parties is not at arm's length and reduces the individual's or its related party's taxable income without justifiable reasons; (2) an enterprise incorporated in a country (region) where the actual tax burden is significantly lower than the tax burden under this Law and controlled by a resident individual, or by a resident individual and a resident enterprise jointly, does not distribute or distributes at a reduced rate profits attributable to the resident individual without reasonable commercial purposes; or (3) an individual enters into any other arrangement without reasonable commercial purposes and obtains improper tax benefits. Where the tax authority makes a tax adjustment in accordance with the provisions of the preceding paragraph and requires the taxpayer to pay additional tax, it shall impose additional tax and interest in accordance with the law on the additional tax.

Article 9 — The payer of individual income shall be the withholding agent for individual income tax and shall withhold the tax in accordance with the law. Taxpayers shall have a taxpayer identification number. Where a withholding agent withholds tax, the taxpayer shall provide the withholding agent with the taxpayer identification number.

Article 10 — A taxpayer shall file a tax return in accordance with the law in any of the following circumstances: (1) the taxpayer needs to complete settlement of comprehensive income and apply for a tax refund or pay tax due; (2) the taxpayer has derived taxable income but no withholding agent; (3) the taxpayer has derived taxable income and a withholding agent has not withheld the tax; (4) the taxpayer has derived income from outside China; (5) the taxpayer has de-registered his or her household registration in China due to emigration; or (6) the taxpayer has derived income from wages or salaries from two or more sources within China. Where a withholding agent fails to withhold tax in accordance with the provisions, the taxpayer shall file a tax return and pay the tax in accordance with the provisions of this Law.

Article 11 — A resident individual who derives comprehensive income shall have the tax withheld in advance on an annual basis by the withholding agent on a monthly or itemized basis; where the taxpayer needs to complete the final settlement, such settlement shall be completed between March 1 and June 30 of the year following the year in which the income is derived. The measures for advance withholding shall be formulated by the tax department under the State Council. Where a resident individual provides the withholding agent with information on special additional deductions, the withholding agent shall, when withholding tax in advance on a monthly or itemized basis, deduct such special additional deductions in accordance with the provisions. A non-resident individual who derives income from wages or salaries, labor service remuneration, author's remuneration, and royalties shall have the tax withheld in advance on a monthly or itemized basis by the withholding agent and shall not be required to complete final settlement.

Article 12 — Taxpayers deriving income from business operations shall calculate and pay individual income tax on an annual basis. Taxpayers shall, within 15 days of the end of a month or quarter, submit a tax return for business operations to the tax authority and pay tax in advance. Taxpayers shall complete the final settlement before March 31 of the year following the year in which the income is derived. Taxpayers deriving income from interest, dividends, and bonuses, income from the lease of property, income from the transfer of property, and contingent income shall calculate and pay individual income tax on a monthly or itemized basis; where tax is withheld by a withholding agent, the withholding agent shall, when withholding the tax, pay the tax to the State treasury and submit a withholding return for individual income tax to the tax authority. Interest on a taxpayer's income from the transfer of property shall be paid when the income is earned.

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Article 13 — Where a taxpayer derives taxable income but no withholding agent, he or she shall, within 15 days of the end of the month following the month in which the income is derived, submit a tax return to the tax authority and pay the tax. Where a taxpayer derives taxable income and a withholding agent has not withheld the tax, the taxpayer shall pay the tax in the year following the year in which the income is derived. Where the tax has been withheld in accordance with the provisions of this Law, the tax year for final settlement shall be from March 1 to June 30 of the following year. The settlement of tax refunds shall not be affected by the time for tax payment.

Article 14 — A withholding agent shall, within 15 days of the end of the month in which the tax is withheld, pay the tax withheld to the State treasury and submit a withholding return for individual income tax to the tax authority. Tax refunds for the final settlement of comprehensive income and the final settlement of tax on income from business operations shall be made in accordance with the provisions of this Law. Where taxpayers complete the settlement of comprehensive income and need to apply for a tax refund or where a withholding agent handles the withholding of comprehensive income for a taxpayer and applies for a refund of the tax withheld, the tax authority shall complete the review and refund in accordance with the provisions.

Article 15 — Public security, the People's Bank of China, financial supervision and administration, and other relevant departments shall assist the tax authority in confirming the identity and financial account information of taxpayers. The departments of education, public health, medical security, civil affairs, human resources and social security, housing and urban-rural development, public security, the People's Bank of China, financial supervision and administration, and other relevant departments shall provide the tax authority with information on special additional deductions such as taxpayers' children's education, continuing education, medical treatment for major illnesses, housing loan interest, housing rent, and support for the elderly. Where an individual transfers his or her equity, the registration authority for changes in market entities shall check the tax payment certificate for the transfer of equity from the individual income tax paid, and the relevant departments shall handle the registration formalities for changes. The relevant departments shall incorporate taxpayers' and withholding agents' compliance with this Law into the credit information system and shall implement joint incentives and punishments.

Article 16 — The calculation of various categories of income shall be made in Renminbi. Where income is derived in a currency other than Renminbi, the tax payable shall be calculated in Renminbi at the RMB central parity rate published by the People's Bank of China.

Article 17 — A service fee of two percent of the amount of tax withheld shall be paid to the withholding agent. The tax authority shall, in accordance with the State regulations on tax service fees, grant a service fee to the withholding agent for the withholding of tax.

Article 18 — The administration of the collection of individual income tax on interest on savings deposits shall be otherwise provided for by the State Council and submitted to the Standing Committee of the National People's Congress for filing.

Article 19 — Taxpayers, withholding agents, and the tax authority and its functionaries shall comply with the Law of the People's Republic of China on the Administration of Tax Collection and the relevant provisions of this Law and other laws and regulations in respect of the collection and administration of individual income tax.

Article 20 — The tax department under the State Council shall formulate regulations for the implementation of this Law and submit the same to the State Council for approval before implementation.

Article 21 — This Law shall be published in both Chinese and English. In case of any discrepancy between the two versions, the Chinese version shall prevail.

Article 22 — This Law shall come into force as of the date of promulgation.

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