Individual Income Tax Law of the PRC

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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 Session of the Standing Committee of the Eighth National People's Congress on October 31, 1993; the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the 12th Session of the Standing Committee of the Ninth National People's Congress on August 30, 1999; the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the 18th Session of the Standing Committee of the 10th National People's Congress on October 27, 2005; the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the 28th Session of the Standing Committee of the 10th National People's Congress on June 29, 2007; the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the 31st Session of the Standing Committee of the 10th National People's Congress on December 29, 2007; the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the 21st Session of the Standing Committee of the 11th National People's Congress on June 30, 2011; and the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the Fifth Session of the Standing Committee of the 13th National People's Congress on August 31, 2018.

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Article 1 — An individual who has a domicile within the territory of China, or who has no domicile but resides within the territory of China for a total of 183 days or more in a tax year, is a resident individual. A resident individual shall pay individual income tax on his or her income sourced 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 resides within the territory of China for less than 183 days in a tax year, is a non-resident individual. A non-resident individual shall pay individual income tax on his or her income sourced within the territory of China in accordance with the provisions of this Law. A tax year shall start on January 1 and end on December 31 of the Gregorian calendar year.

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 obtains the income listed in items (1) through (4) of the preceding paragraph (hereinafter referred to as "comprehensive income"), individual income tax shall be

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calculated on a consolidated basis for each tax year. Where a non-resident individual obtains the income listed in items (1) through (4) of the preceding paragraph, individual income tax shall be calculated on a monthly or item-by-item basis, depending on the case. Taxpayers obtaining the income listed in items (5) through (9) of the preceding paragraph shall pay individual income tax calculated separately in accordance with the provisions of this Law.

Article 3 — The rates of individual income tax are as follows: (1) For comprehensive income, the progressive tax rate ranging from 3% to 45% shall apply (the tax rate schedule is attached). (2) For income from business operations, the progressive tax rate ranging from 5% to 35% shall apply (the tax rate schedule is attached). (3) For income from interest, dividends and bonuses, income from the lease of property, income from the transfer of property, and contingent income, the proportional tax rate of 20% shall apply.

Article 4 — The following categories of individual income shall be exempt from individual income tax: (1) prizes and awards in science, education, technology, culture, public health, sports and environmental protection granted by the people's governments at or above the provincial level, ministries and commissions under the State Council, units of the People's Liberation Army at or above the corps level, and foreign organizations and international organizations; (2) interest on state bonds and financial bonds issued by the State; (3) subsidies and allowances given in accordance with the uniform regulations of the State; (4) welfare benefits, survivors' pensions and relief payments; (5) insurance indemnities; (6) military severance pay and demobilization pay for servicemen; (7) settlement pay, severance pay, retirement pay and retirement living allowances given to cadres and employees in accordance with the uniform regulations of the State; (8) income of diplomatic representatives, consular officers and other personnel of foreign embassies and consulates in China who are exempt from tax in accordance with the provisions of relevant laws; (9) income exempt from tax under international conventions to which the Chinese Government is a party or agreements to which the Chinese Government is a signatory; and (10) other tax-exempt income provided by the State Council. The State Council may provide for other tax exemption items as set forth in item (10) of the preceding paragraph and report the same 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 disabled persons, elderly persons, and family members of martyrs; (2) income of taxpayers who suffer heavy losses due to natural disasters. The specific amount and duration of the tax reduction shall be prescribed by the State Council and reported to the Standing Committee of the National People's Congress for filing.

Article 6 — The 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 minus RMB 60,000 of basic deduction and special deductions, 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 minus RMB 5,000. For income from remuneration for personal services, author's remuneration and royalties, the taxable income shall be the amount of each payment of income. (3) For income from business operations, the taxable income shall be the balance of the total income in each tax year minus costs, expenses and losses. (4) For income from the lease of property, the taxable income shall be the balance of the income from each payment minus RMB 800 if the income from each payment does not exceed RMB 4,000; or the balance of the income minus 20% of expenses if the income from each payment exceeds RMB 4,000. (5) For income from the transfer of property, the taxable income shall be the balance of the income from the transfer of property minus 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 payment of income. The portion of income from remuneration for personal services, author's remuneration and royalties shall be the balance of the income minus 20% of expenses. The amount of income from author's remuneration shall be calculated at 70% of the amount arrived at in accordance with the preceding paragraph. The amount of individual donations made by

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individuals through social organizations or state organs within the territory of China to education, poverty alleviation, relief of people in difficulty and other public welfare and charitable undertakings may be deducted from the taxable income to the extent of not more than 30% of the taxable income as declared by the taxpayer, unless otherwise provided by the State Council. Special deductions shall include basic old-age insurance, basic medical insurance, unemployment insurance and other social insurance premiums, and the housing provident fund paid by individual residents in accordance with the scope and criteria prescribed by the State. Special additional deductions shall include expenditures for 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, criteria 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 7 — Where a resident individual obtains income sourced outside the territory of China and pays individual income tax on such income outside the territory of China, the amount of tax paid may be credited against the individual income tax payable, provided that the amount of tax credited shall not exceed the amount of tax payable under the provisions of this Law on such income sourced outside the territory of China as calculated by the taxpayer.

Article 8 — Under any of the following circumstances, the tax authorities shall have the right to make tax adjustments using reasonable methods: (1) business transactions between an individual and his or her related party that do not comply with the arm's length principle, thereby reducing the tax payable by the individual or his or her related party without a justifiable reason; (2) an enterprise established in a country (region) with an actual tax burden significantly lower than the tax rate that is controlled by a resident individual, or by both a resident individual and a resident enterprise, and the profits are not distributed or distributed less than reasonably required due to business operation needs; (3) an individual carries out any other arrangement with no reasonable commercial purpose, thereby obtaining improper tax benefits. Where the tax authorities make tax adjustments under the preceding paragraph and require the additional payment of tax, the additional tax shall be paid with interest, and such interest shall be subject to the additional levy of individual income tax.

Article 9 — The payer of income shall be the withholding agent for individual income tax. The taxpayer holding a taxpayer identification number shall be the primary responsible person for tax payment and shall file tax returns in accordance with the law. Where a withholding agent makes a payment, it shall handle the full withholding declaration in accordance with the provisions of the State. The taxpayer shall not refuse the withholding by the withholding agent. Where the withholding agent withholds or collects tax in accordance with the law, the taxpayer shall not refuse. Where the taxpayer refuses, the withholding agent shall report to the tax authorities in a timely manner. The tax authorities shall pay a service fee to the withholding agent at 2% of the amount of tax withheld.

Article 10 — A taxpayer under any of the following circumstances shall file tax returns in accordance with the law: (1) the taxpayer obtains comprehensive income and needs to handle the final settlement of tax; (2) the taxpayer obtains taxable income for which no withholding agent exists; (3) the taxpayer obtains taxable income but the withholding agent fails to withhold the tax; (4) the taxpayer obtains income sourced outside the territory of China; (5) the taxpayer cancels household registration in China due to emigration; or (6) the taxpayer obtains income from wages and salaries from two or more sources within the territory of China. The withholding agent shall, in accordance with the provisions of the State, handle the full withholding declaration for all employees, and provide each taxpayer with information on the individual's income and the amount of tax withheld.

Article 11 — A resident individual who obtains comprehensive income shall handle the final settlement of tax for a tax year. Where a withholding agent withholds tax on a monthly or itemized basis, the taxpayer or the withholding agent shall submit the withholding declaration within fifteen days after the end of each month or after the occurrence of each transaction. Where the taxpayer needs to handle the final settlement for

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comprehensive income, the final settlement shall be handled between March 1 and June 30 of the year following the year in which the income is obtained. Where a non-resident individual obtains income from wages and salaries, remuneration for personal services, author's remuneration and royalties, the withholding declaration shall be handled within the time limit provided in the preceding paragraph. Where a taxpayer obtains income from business operations, the tax return shall be filed on a monthly or quarterly prepayment basis within fifteen days after the end of each month or quarter, and the final settlement of tax for a tax year shall be handled before March 31 of the following year. Where a taxpayer obtains other categories of taxable income, the tax return or withholding declaration shall be filed within fifteen days after the end of each month or after the occurrence of each transaction, depending on the case.

Article 12 — Where a resident individual obtains income sourced outside the territory of China, he or she shall file the tax return between March 1 and June 30 of the year following the year in which the income is obtained. Where a taxpayer cancels household registration in China for emigration, he or she shall handle the final settlement of tax before the cancellation of household registration.

Article 13 — Where a taxpayer obtains taxable income for which no withholding agent exists, he or she shall file the tax return with the tax authorities within fifteen days after the end of the month following the month in which the income is obtained, and turn over the tax. Where a taxpayer obtains taxable income but the withholding agent fails to withhold the tax, the taxpayer shall pay the tax before June 30 of the year following the year in which the income is obtained. Where the tax authorities notify the taxpayer of the time limit for payment, the taxpayer shall pay the tax within the time limit. Where a resident individual obtains comprehensive income from sources outside the territory of China and handles the final settlement, he or she shall file the tax return at the place where the local competent tax authority is located. Where a taxpayer handles the final settlement of tax in accordance with the provisions of the law, he or she shall be prepared to provide the relevant materials for examination and verification when the tax authorities request the same.

Article 14 — A withholding agent shall, within fifteen days after the end of each month or after the occurrence of each transaction, turn over the tax withheld to the State Treasury, and submit to the tax authorities the individual income tax withholding declaration and relevant materials. The tax authorities shall provide the taxpayer with the taxpayer identification number. A withholding agent shall, when withholding tax, provide the taxpayer with the information on the individual's income and the amount of tax withheld in accordance with the provisions of the State. The tax authorities shall, in accordance with the provisions, provide services for the handling of final settlement of tax by taxpayers.

Article 15 — The departments of public security, people's banks, financial supervision and administration, education, public health, civil affairs, human resources and social security, housing and urban-rural development, natural resources, medical security, and civil affairs, as well as other departments, shall provide the tax authorities with the information on the taxpayer's identity, the special additional deductions and other information. Where an individual transfers immovable property, the tax authorities shall verify the individual income tax payable based on such relevant information as the immovable property registration. The registration authority shall examine the tax payment certificate for individual income tax related to the transfer of immovable property before processing the transfer registration. Where an individual transfers equity interests and goes through the change registration, the registration authority for market entities shall examine the tax payment certificate for individual income tax related to the equity transaction before processing the change registration. The relevant departments shall include compliance with this Law and the tax payment credit status of taxpayers and withholding agents in the credit information system and implement joint incentives and sanctions in accordance with the law.

Article 16 — The calculation, withholding, submission and final settlement of individual income tax shall be denominated in RMB. Where income is obtained in a currency other than RMB, the income shall be converted into RMB at the RMB central parity rate on the last day of the month preceding the month in which the tax is filed or withheld, or on the last day of the month preceding the month in which the final settlement is

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handled. Where the final settlement is handled for comprehensive income of a resident individual, the income obtained in a currency other than RMB for which tax has been prepaid on a monthly, quarterly or itemized basis shall not be recalculated; only the income obtained in a currency other than RMB in the tax year for which tax has not been prepaid shall be converted into RMB at the RMB central parity rate on the last day of the tax year.

Article 17 — The tax authorities shall issue tax payment receipts to withholding agents when they turn over the tax withheld to the State Treasury. For the total amount of tax withheld, the tax authorities shall, at the request of the withholding agent, issue the tax withholding certificate listing the total amount of tax; at the request of the taxpayer, the withholding agent shall issue a tax withholding certificate to the taxpayer.

Article 18 — The tax authorities shall strengthen the administration of individual income tax collection and establish a sound information management system for individual income tax. The tax authorities shall protect taxpayer information in accordance with the law and shall not divulge or illegally provide the same to others. The tax authorities shall investigate and deal with violations of tax laws and regulations in accordance with the law.

Article 19 — Where a taxpayer, a withholding agent or the tax authorities and their staff violate the provisions of this Law, legal liability shall be pursued in accordance with the Law of the People's Republic of China on the Administration of Tax Collection and the provisions of relevant laws and regulations.

Article 20 — The administration of the collection of individual income tax shall be governed by the provisions of this Law and the Law of the People's Republic of China on the Administration of Tax Collection.

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

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

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