

Regulations 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 Regulations are formulated in accordance with the Individual Income Tax Law of the People's Republic of China (hereinafter referred to as the "Individual Income Tax Law").

Article 2 — For the purposes of the Individual Income Tax Law and these Regulations, "individual who has a domicile within the territory of China" refers to an individual who habitually resides within the territory of

China by reason of household registration, family ties, or economic interests. For the purposes of the Individual Income Tax Law and these Regulations, "resided within the territory of China for an aggregate of 183 days" refers to residing within the territory of China for an aggregate of 183 days in a tax year. The number of days of residence within the territory of China shall be calculated based on the actual number of days of residence within the territory of China. Days of entry into and exit from the territory of China shall be counted as half a day.

Article 3 — Income derived from sources within the territory of China and income derived from sources outside the territory of China shall be determined in accordance with the following principles: (1) income from the provision of services within the territory of China, income from the transfer of real property located within the territory of China, and income from the lease of property to a lessee for use within the territory of China shall be income derived from sources within the territory of China; (2) income from the provision of services outside the territory of China, income from the transfer of real property located outside the territory of China, and income from the rental of property located outside the territory of China shall be income derived from sources outside the territory of China; (3) income from the transfer of equity interests, equity rights, and other equity interests of enterprises and other organizations within the territory of China shall be income derived from sources within the territory of China; (4) income from the licensing of various types of franchise rights for use within the territory of China shall be income derived from sources within the territory of China.

Chapter II — Scope of Individual Income Tax

Article 4 — For the purposes of Article 2 of the Individual Income Tax Law, "income from wages and salaries" refers to wages, salaries, bonuses, year-end salary increases, labor dividends, allowances, subsidies, and other income derived by an individual by virtue of his office or employment. "Income from remuneration for personal services" refers to income derived by an individual from the provision of services such as design, decoration, installation, drafting and surveying, laboratory testing, medical treatment, legal services, accounting, consulting, lecturing, translating, reviewing, painting and calligraphy, sculpture, film and television, sound recording, video recording, performances, advertising, exhibitions, technical services, introduction services, brokerage services, agency services, and other services.

Article 5 — "Income from author's remuneration" refers to income derived by an individual from the publication or publication in other forms of his works in the form of books, newspapers, periodicals, and other forms. "Income from royalties" refers to 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 derived from the provision of the right to use copyrights shall exclude income from author's remuneration.

Article 6 — "Income from business operations" refers to: (1) income derived by individual industrial and commercial households from engaging in production and business operations, and income derived by individual investors of sole proprietorship enterprises and individual partners of partnership enterprises from the operation of sole proprietorship enterprises and partnership enterprises registered within the territory of China; (2) income derived by individuals from engaging in school operations, medical treatment, consulting, and other paid service activities in accordance with the law; (3) income derived by individuals from contracting, leasing, subcontracting, or subleasing enterprises or public institutions; (4) income derived by individuals from engaging in other production and business activities.

Article 7 — "Income from interest, dividends, and bonuses" refers to interest, dividends, and bonuses derived by an individual from owning creditors' rights, equity interests, and other rights.

Article 8 — "Income from the lease of property" refers to income derived by an individual from the lease of real property, machinery and equipment, vehicles and vessels, and other property.

Article 9 — "Income from the transfer of property" refers to income derived by an individual from the transfer of negotiable instruments, shares, equity interests, partnership enterprise property shares, bonds, real

property, machinery and equipment, vehicles and vessels, and other property.

Article 10 — "Incidental income" refers to income derived by an individual from winning awards, winning lotteries, winning prizes, and other income of a contingent nature.

Chapter III — Tax Rates

Article 11 — The comprehensive income of resident individuals shall be subject to the excess progressive tax rates specified in the appended Table 1 of the Individual Income Tax Law. The business income shall be subject to the excess progressive tax rates specified in the appended Table 2 of the Individual Income Tax Law. Income from interest, dividends, and bonuses, income from the lease of property, income from the transfer of property, and incidental income shall be subject to the proportional tax rate of 20%.

Chapter IV — Calculation of Taxable Income

Article 12 — For comprehensive income of resident individuals, the taxable income shall be the balance of the income of each tax year minus the basic deduction of RMB 60,000, special deductions, special additional deductions, and other deductions determined in accordance with the law. Special deductions include basic old-age insurance, basic medical insurance, unemployment insurance, and other social insurance premiums, and housing provident funds paid by individual residents in accordance with the scope and standards prescribed by the State. Special additional deductions include expenses for children's education, continuing education, medical treatment for serious illnesses, housing loan interest or housing rent, and support for the elderly, etc.

Article 13 — The specific scope, standards, and implementation steps of special additional deductions shall be determined by the State Council and submitted to the Standing Committee of the National People's Congress for filing. The specific items and standards of other deductions determined in accordance with the law shall be prescribed by the State Council.

Article 14 — For comprehensive income, income from remuneration for personal services, author's remuneration, and royalties shall be calculated on the basis of the balance after deducting 20% of the amount. The amount of income from author's remuneration shall be calculated at 70% of the amount.

Article 15 — For business income, the taxable income shall be the balance of the total income of each tax year minus costs, expenses, and losses. Costs and expenses refer to direct expenses and indirect expenses incurred by individual industrial and commercial households in production and business operations, as well as sales expenses, administrative expenses, and financial expenses. Losses refer to losses incurred by individual industrial and commercial households in production and business operations, such as inventory losses, damage and scrapping losses, and transfer losses.

Article 16 — Where the costs, expenses, and losses of individual industrial and commercial households incurred in production and business operations cannot be accurately calculated, the taxation authority may determine the taxable income.

Article 17 — For income from the lease of property, where the amount of each receipt of income does not exceed RMB 4,000, an amount of RMB 800 shall be deducted. Where the amount exceeds RMB 4,000, 20% of the amount shall be deducted, and the balance shall be the taxable income. Taxes and fees paid on the leased property, repair expenses for the leased property, and other expenses may be deducted when calculating the taxable income.

Article 18 — 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. Reasonable expenses refer to relevant taxes and fees paid in accordance with the law when selling the property.

Article 19 — An individual who donates his income to public welfare and charitable undertakings such as education, poverty alleviation, and relief may deduct the amount of the donation from his taxable income to the extent of 30% of the taxpayer's declared taxable income, unless otherwise provided by the State Council.

Chapter V — Tax Incentives

Article 20 — The prizes and awards specified in item (1) of Article 4 of the Individual Income Tax Law that are exempted from individual income tax refer to prizes and awards in science, education, technology, culture, public health, sports, environmental protection, and other fields granted by people's governments at or above the provincial level, foreign organizations, and international organizations.

Article 21 — The interest on State financial bonds and interest on financial bonds issued by local governments with the approval of the State Council that are exempted from individual income tax refer to interest derived by individuals from holding bonds issued by the Ministry of Finance of the People's Republic of China and interest derived by individuals from holding bonds issued by local governments with the approval of the State Council.

Article 22 — The subsidies and allowances specified in item (3) of Article 4 of the Individual Income Tax Law that are exempted from individual income tax refer to subsidies and allowances distributed in accordance with the uniform provisions of the State, specifically including: (1) allowances for foreign service personnel; (2) allowances for difficult and remote areas; (3) subsidies for prices of non-staple foods; and (4) other subsidies and allowances prescribed by the State Council as exempt from tax.

Article 23 — The welfare benefits specified in item (4) of Article 4 of the Individual Income Tax Law that are exempted from individual income tax refer to living allowance payments made to individuals from welfare funds or trade union funds retained by enterprises, public institutions, State organs, and social organizations in accordance with relevant State regulations. Relief payments refer to subsidies provided by civil affairs departments to individuals for living difficulties.

Chapter VI — Withholding and Payment of Tax

Article 24 — A withholding agent, when paying taxable amounts to an individual, shall withhold or collect tax in accordance with the provisions of the Individual Income Tax Law, pay the tax to the State treasury on time, and keep special records for future reference. The term "payment" as used in the preceding paragraph includes cash payment, remittance payment, account transfer payment, and payment in marketable securities, in kind, and in other forms.

Article 25 — Where a withholding agent withholds tax, it shall provide the taxpayer with the individual income tax withholding information. Where a taxpayer needs to use such information, the withholding agent shall issue a tax withholding certificate.

Article 26 — Where a withholding agent withholds tax on a monthly or itemized basis and pays it to the State treasury, it shall submit the withholding declaration form for individual income tax to the taxation authority within the time limit specified in the Individual Income Tax Law.

Chapter VII — Tax Declaration and Payment

Article 27 — Taxpayers who need to handle tax declaration under the Individual Income Tax Law shall declare and pay tax at the competent taxation authority at the place where they obtained their income. Where a taxpayer obtains income from two or more places, the taxpayer may choose to declare and pay tax at the competent taxation authority at one of the places where the income was obtained. Where a taxpayer obtains income from sources outside the territory of China, the taxpayer shall declare and pay tax at the competent taxation authority at the place of household registration or the place of habitual residence within the territory of China.

Article 28 — Where a resident individual obtains comprehensive income and needs to handle final settlement, the final settlement shall be handled between March 1 and June 30 of the following year. Where the withholding agent has withheld tax on a monthly or itemized basis, the final settlement shall be handled between March 1 and June 30 of the following year.

Article 29 — Where a taxpayer obtains business income, annual calculation and prepayment on a monthly or quarterly basis shall apply. The taxpayer shall submit a tax return to the taxation authority within 15 days after the end of each month or quarter and prepay tax. The final settlement shall be handled before March 31 of the following year.

Article 30 — Where a taxpayer obtains income from sources outside the territory of China, the taxpayer shall declare and pay the tax payable between March 1 and June 30 of the following year.

Chapter VIII — Supplementary Provisions

Article 31 — Collection and administration of individual income tax shall be conducted in accordance with the Individual Income Tax Law and these Regulations. Taxes that shall be paid on various items of taxable income shall be paid in Renminbi. Where income is derived in a currency other than Renminbi, the taxable income shall be calculated after converting such income into Renminbi in accordance with the central parity rate of the Renminbi exchange rate published by the People's Bank of China on the last day of the month in which the tax is declared.

Article 32 — Taxpayers and withholding agents shall comply with the administration of tax collection and shall accept supervision and inspection by taxation authorities in accordance with the law.

Article 33 — These Regulations shall take effect as of January 1, 2019.

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