Implementation Measures for the Levy of Individual Income Tax on Interest Income from Savings Deposits of China (the PRC)

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

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Article 1 — These Measures are formulated in accordance with Article 12 of the Individual Income Tax Law of the People's Republic of China.

Article 2 — Individuals who derive interest income on RMB or foreign currency savings deposits from savings institutions within the territory of the People's Republic of China shall pay individual income tax in accordance with these Measures.

Article 3 — The tax base for the levy of individual income tax on interest income from savings deposits shall be the interest income on RMB or foreign currency savings deposits obtained by the taxpayer.

Article 4 — Individual income tax on interest income from savings deposits shall be levied at a reduced proportional tax rate of 5%. The adjustment of the reduction shall be decided by the State Council.

Article 5 — Interest income obtained by individuals from education savings deposits, as well as interest income from other special-purpose savings deposits or savings deposits of savings-type special funds determined by the financial department of the State Council, shall be exempted from individual income tax.

"Education savings" as mentioned in the preceding paragraph refers to special-purpose savings deposited by individuals in designated banks, in a prescribed amount, for educational purposes in accordance with the relevant state provisions.

Article 6 — Individual income tax on interest income from savings deposits shall be calculated and levied on the amount of interest income obtained on each occasion.

Article 7 — For the levy of individual income tax on interest income from savings deposits, the savings institution that pays the interest shall be the withholding agent, and tax shall be withheld and paid on a withholding basis.

Article 8 — A withholding agent shall withhold and pay tax in accordance with the law when paying interest to a depositor.

"Payment of interest" as mentioned in the preceding paragraph includes the payment of interest when a depositor withdraws money, the payment of interest on the interest settlement date of demand deposits, and the payment of interest when handling the automatic rollover of savings deposits, etc.

A withholding agent shall indicate the tax withheld on the interest payment statement issued to the depositor.

Article 9 — The tax withheld by a withholding agent each month shall be paid into the central treasury within 7 days of the following month, and a report on tax withheld and paid shall be submitted to the local competent tax authority; where the tax withheld is in foreign currency, it shall be converted into RMB and paid into the central treasury.

Article 10 — A handling fee of 2% of the tax withheld shall be paid to the withholding agent.

Article 11 — Tax authorities shall strengthen supervision and inspection of the withholding and payment of tax by withholding agents. Withholding agents shall actively cooperate, truthfully report the relevant

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information, and provide the relevant materials, and shall not refuse or conceal.

Article 12 — The individual income tax levied on interest income from savings deposits shall be collected and administered by the State Taxation Administration in accordance with the Law of the People's Republic of China on the Administration of Tax Collection, the Individual Income Tax Law of the People's Republic of China and these Measures.

Article 13 — "Savings institutions" as mentioned in these Measures refers to commercial banks, urban credit cooperatives, rural credit cooperatives and other financial institutions that absorb public deposits, approved by the banking regulatory institution of the State Council.

Article 14 — No individual income tax shall be levied on interest income accruing from savings deposits before October 31, 1999; individual income tax at a proportional tax rate of 20% shall be levied on interest income accruing from savings deposits between November 1, 1999 and August 14, 2007; and individual income tax at a proportional tax rate of 5% shall be levied on interest income accruing from savings deposits after August 15, 2007.

Article 15 — These Measures shall enter into force as of November 1, 1999.

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