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

(Revised for the seventh time according to decision on amending Individual Income Tax Law of the People's Republic of China at the fifth session of the thirteenth National People's Congress of the Standing Committee on 31 August 2018)

Article 1

Individuals who have domicile in China or have no domicile but reside in China for an accumulated 183 days or more within one tax year shall be regarded as “resident”, and subject to individual income tax on the income derived from sources within and outside of China in accordance with this law.

Individuals who have no domicile or residency in China or reside in China for less than an accumulated 183 days within one tax year shall be considered as “non-resident” and subject to individual income tax on the income derived from sources within China in accordance with this law.

Tax year means the Gregorian calendar year that runs from January 1 to December 31.

Article 2

Individual income tax shall be levied on the following categories of income:

- (1) income from wages and salaries;
- (2) income from remuneration for personal services;
- (3) income from author's remuneration;
- (3) income from royalties;
- (5) income from business operation;
- (6) income from interest, dividends and bonuses;
- (7) income from lease of property;
- (8) Income from conveyance of property; and
- (9) contingent income

Resident individuals shall calculate by tax year on a consolidated basis the individual income tax, and nonresident individuals shall calculate by itemization on a monthly or transaction-by-transaction basis the individual income tax, on the income obtained as set forth in subparagraphs (1) to (4) of the preceding paragraph (hereinafter referred to as the ‘comprehensive income’). The individual income tax on the income set forth in subparagraphs (5) to (9) of the preceding paragraph obtained by a taxpayer shall be calculated respectively in accordance with the provisions of this Law.

Article 3

Individual income tax rates:

- (1) Progressive tax rates ranging from 3% to 45% (see the attached tax rate schedule) shall apply to comprehensive income;
- (2) Progressive tax rates ranging from 5% to 35% (see the attached tax rate schedule) shall apply to business income;
- (3) The proportional tax rate of 20% shall apply to income from interest, dividends and bonuses, income from the lease of property, income from the conveyance of property, and contingent income.

Article 4

The following categories of income shall be exempted from individual income tax:

- (1) Prizes in science, education, technology, culture, health, sports and environmental protection awarded by provincial people's governments, ministries and commissions under the State Council and units of the People's Liberation Army at or above the army level, as well as by foreign organizations and international organizations;
- (2) Interest accruing from treasury bonds and financial bonds issued by the State;
- (3) Subsidies and allowances distributed according to the unified regulations of the State;
- (4) Welfare benefits, pensions for the disabled or for the family of the deceased and relief payment;
- (5) Insurance compensation;
- (6) Military severance pay, demobilization pay and retirement pay for military personnel;
- (7) Settling-in allowance, severance pay, retirement wages, retirement wages for veteran cadres, and living allowances and subsidies for retired veteran cadres distributed to cadres and workers according to the unified regulations of the State;
- (8) Incomes of diplomatic representatives, consular officers and other personnel of foreign embassies and consulates in China, which, pursuant to the provisions of relevant laws, shall be exempt from tax;
- (9) Incomes which shall be exempt from tax under the international conventions to which the Chinese Government is a member or agreements which the Chinese Government has signed; and;
- (10) Other tax-exempt income as prescribed by the State Council.

The tax exemptions prescribed in subparagraph (10) of the preceding paragraph shall be filed by the State Council with the Standing Committee of the National People's Congress.

Article 5

Under any of the following circumstances, individual income tax may be reduced, the specific scope and time limit shall be prescribed by the people's government of the province, autonomous region, or municipality directly under the Central Government, and be filed with the standing committee of the people's congress at the same level:

1. Income of the disabled, the elderly and childless people and the families of martyred soldiers.
2. Those who suffer heavy losses in natural disasters.

Other tax reductions may be prescribed by the State Council but shall be filed with the Standing Committee of the National People's Congress.

Article 6

The amount of taxable income shall be computed as follows:

- (1) Comprehensive income: the amount of taxable income shall be the balance after deducting the annual deductible expense of RMB60,000, special deduction, special additional deduction and other deduction as stipulated from the total income gained in the tax year;
- (2) Income from wages and salaries of the non-resident individual: the amount of taxable income shall be computed by deducting the monthly deductible expense of RMB5,000 from the monthly

- income; Income from remuneration for personal services, author's remuneration, and royalties: the taxable income shall be the full amount of tax calculated based income received each time;
- (3) Income from business operation: the amount of taxable income shall be the balance after deducting the costs, expenses and losses from the annual gross revenue earned within a tax year;
 - (4) Income from lease of property: (i) income no more than RMB4,000 each time, the amount of taxable income shall be computed by deducting RMB800 from the income; (ii) income exceeding RMB4,000, the amount of taxable income shall be the computed by deducting 20% of expense from the income;
 - (5) Income from assignment of property: the amount of taxable income shall be the balance by deducting the origin value of the property and reasonable expenses from the income;
 - (6) Income from interest, dividends and bonuses and contingent income: the taxable income shall be full amount of income received each time.

For income from provision of independent personal services, income from author's remuneration and income from royalties, the taxable amount shall be the balance of gross income after deducting deemed expenses at the rate of 20% of gross income. Income tax on author's remuneration will be assessed on 70% of the net income after deducting the 20% deemed expenses.

Where an individual donates his/her income to public welfare and charitable causes such as education, poverty alleviation and relief, the donated amount can be deducted from his/her taxable income in case the donated amount does not exceed 30% of taxable income as declared by the taxpayer; where the State Council provides full amount of pre-tax deduction of the donations to public welfare and charitable causes, such provisions shall prevail.

The special deduction specified in the first item of this article includes the basic pension insurance, basic medical insurance, unemployment insurance and other social insurance and housing provident fund paid by individual resident according to the scope and standards prescribed by the state; special itemized deductions include children education expenses, continuing education expenses, medical expense for serious diseases, housing mortgage interest or housing rent, and expenditures supporting for the elderly. The specific scope, standards and implementing procedures of deduction shall be determined by the State Council and reported to the Standing Committee of the National People's Congress for record.

Article 7

Income tax paid to foreign tax authorities by the taxpayer on income derived outside China shall be allowed as credit against the amount of income tax payable. The creditable amount, however, shall not exceed the amount of tax otherwise payable under this Law in respect of the income derived from the sources outside China.

Article 8

In any of the following circumstances, the tax authorities are entitled to tax adjustment based on legitimate methods:

- (1) Business transactions between an individual and his/her related party do not conform to arm's length principle and reduce the amount of tax payable of the individual or his/her related party without justified reasons;
- (2) Where an enterprise controlled by individual resident or jointly controlled by individual resident and resident enterprise is established in a country (region) where the actual tax burden is obviously lower does not distribute or reduce the amount of profit attributable to the individual with no reasonable business need.
- (3) Individuals obtain improper tax benefits by implementing other arrangements that have no reasonable business purpose.

Where the tax authorities make tax adjustment in accordance with the provisions of the preceding paragraph and determine to repay tax, tax shall be repaid and interest for the repaid tax shall be charged according to law.

Article 9

For individual income tax, the income earner shall be the taxpayer and the paying unit or individual shall be the withholding agent.

Where a taxpayer has a Chinese citizen identity number, the Chinese citizen identity number shall be the taxpayer identification number; Otherwise, the tax authorities shall grant a taxpayer identification number. Taxpayer shall provide taxpayer identification number to the withholding agent when the withholding agent withholds tax payment for the taxpayer.

Article 10

In any of the following circumstances, the taxpayer shall declare tax in accordance with the laws:

- (1) Obtain comprehensive income and need to tax final settlement;
- (2) Obtain taxable income but with no withholding agent;
- (3) Obtain taxable income but withholding agent fails to deduct tax payable;
- (4) Obtain income derived from sources outside China;
- (5) Cancel household registration due to emigration;
- (6) Non-resident who earns income from wages or salaries from two or more places within the territory of China;
- (7) Other circumstances as stipulated by the State Council.

The withholding agent shall, in accordance with the state provisions, handle the withholding tax declaration for all members in full amount and provide taxpayers with information such as personal income and taxes withheld.

Article 11

Individual income tax shall be calculated annually for the comprehensive income of individual residents. Where there is a withholding agent, the withholding agent shall withhold the tax payment in advance on monthly or quarterly basis; in case tax final settlement is needed, the settlement shall be arranged between March 1 and June 30 of the following year. The withholding measures shall be formulated by the competent tax departments of the State Council.

Where an individual resident provides information on special additional deductions to a withholding agent, the withholding agent shall deduct such amounts in accordance with the relevant regulations when withholding taxes on monthly basis and shall not refuse to do so.

For non-resident individual obtaining income from wages and salaries, remuneration for personal services, author's remuneration and royalties, where the non-resident has withholding agent, the withholding agent shall withhold tax on monthly or piecemeal basis and does not need to handle tax final settlement.

Article 12

A taxpayer who has obtained business income shall calculate individual income tax annually and submit tax return to the tax authorities and pay the tax in advance within 15 days after the end of each month or quarter. The tax final settlement shall be arranged before March 31 of the following year.

A taxpayer who has obtained income from interest, dividends and bonuses, from lease and assignment of property and contingent income, shall compute individual income tax on monthly or piecemeal basis.

Where the taxpayer has withholding agent, the withholding agent shall withhold tax on monthly or piecemeal basis.

Article 13

Where a taxpayer has no withholding agent, he/she shall file tax return to the tax authorities and pay tax for his/her taxable income within 15 days of the following month.

Where a taxpayer obtains taxable income and the withholding agent fails to withhold the tax, the taxpayer shall pay the tax before June 30 of the following year. Where the tax authorities notify the payment deadline, the taxpayer shall pay the tax before the deadline.

Individual resident obtaining income from outside China, shall declare tax for the income with March 1 to June 30 of the following year.

Non-resident obtaining income from wages and salaries in two or more places in the territory of China shall declare tax for the income within 15 days of the following month.

A taxpayer who plan to deregister his/her household registration for emigration purpose shall settle his/her individual income tax liability before the deregistration of his/her Chinese household registration.

Article 14

The withholding agent shall, within 15 days of the following month, pay the taxes withheld each month or each time to the State Treasury, and submit tax return for withholding individual income tax to the tax authorities.

Where the taxpayer or the withholding agent handle tax refund for tax final settlement, the tax authorities shall, after examination and verification, handle the tax refund in accordance with the relevant provisions of the administration of the State Treasury.

Article 15

The public security bureau, people's bank, financial supervision and administration department and other relevant departments shall assist the tax authorities in identifying taxpayers' identity and financial account information. The education department, health department, medical security department, civil affairs, human resources, social security, housing, urban and rural construction, public security bureau, the people's bank, financial supervision and administration, and other relevant departments shall provide taxpayers' additional itemized deduction information such as children education expenses, continuing education expenses, medical treatment expenses for serious diseases, housing mortgage interest, housing rent and support to the elderly to the tax authorities.

Where an individual transfers real estate, the tax authorities shall verify the individual income tax payable in accordance with the relevant information such as real property registration. The registration authorities shall check and examine individual income tax payment voucher in relation to the real estate transfer when handle the property transfer. Where an individual transfers equity and handle alteration registration, the registration authority of the market subject shall examine individual income tax payment voucher related to such equity transaction.

Relevant departments shall incorporate the compliance of taxpayers and withholding agents into the credit information system as stipulated, and implement joint incentives or punishments.

Article 16

All categories of income shall be computed in Renminbi (RMB). Income in foreign currency shall be converted into Renminbi for tax purposes according to the published central parity exchange rate.

Article 17

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

Article 18

The collection, reduction and cessation of collection of individual income tax on income from interest on saving deposits and the detailed measures thereof shall be formulated by the State Council and report to the Standing Committee of the National People's Congress for record.

Article 19

Taxpayers, withholding agents, tax authorities and their officers who violate the provisions of this Law shall be investigated for legal responsibility in accordance with the Law of the People's Republic of China on the Administration of Tax Collection and relevant laws and regulations.

Article 20

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

Article 21

The detailed rules and regulations for the implementation shall be formulated by the State Council in accordance with this Law.

Article 22

This law shall enter into force on the date of its promulgation.

Individual Income Tax Rate Table 1
(Comprehensive Income applied)

Brackets	Yearly Taxable Income	Rate
1	$\leq 36,000$	3%
2	$36,000 < A \leq 144,000$	10%
3	$144,000 < A \leq 300,000$	20%
4	$300,000 < A \leq 420,000$	25%
5	$420,000 < A \leq 660,000$	30%
6	$660,000 < A \leq 960,000$	35%
7	$> 960,000$	45%

Note1: According to the article 6 in the new IIT law above table mentioned, the yearly taxable comprehensive income for resident taxpayers shall be the balance after allowed to deduct RMB 60,000 standard basic deduction with specific deduction and specific additional deduction and other allowed deductions.

Note2: According to above table the non-resident taxpayers computed taxable income on monthly basis for Income from wages and salaries, remuneration for personal services, author's remuneration, and royalties.

Individual Income Tax Rate Table 2
(Business Operation Income applied)

Brackets	Yearly Taxable Income	Rate
1	$\leq 30,000$	5%
2	$30,000 < A \leq 90,000$	10%
3	$90,000 < A \leq 300,000$	20%
4	$300,000 < A \leq 500,000$	30%
5	$> 500,000$	35%

Note: According to the article 6 of new IIT law in above table mentioned yearly taxable income shall be allowed balance after the yearly income deduct costs, expenses, losses.