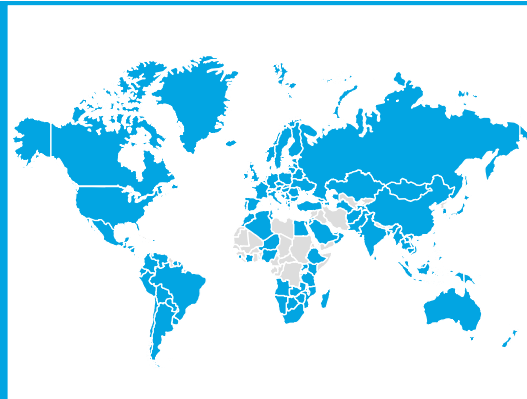


INPATRIATES

China

Tax facts for international assignees



DETERMINATION OF CHINA INDIVIDUAL INCOME TAX (“IIT”) POSITION

For individuals who do not have a domicile in China, their income tax obligation shall depend on their residency status in China:

- **Not more than 90 days** within a tax year and without a domicile in China, only the China sourced income which is borne by the organizations in China will have China Individual Income Tax (“IIT”) obligation. The China sourced income borne by organizations and business premises outside China shall be exempted from China IIT.
- **More than 90 days but less than 183 days**, all their China sourced income will have China IIT obligation regardless of whether the income is borne by organizations in or outside China.
- **More than 183 days but less than 6 years**, all their China sourced income, as well as the income sourced outside China but borne by organizations in China, will have IIT obligation in China when the individuals do not have a domicile in China and the Chinese tax authorities grant the advance approval for such tax treatments.
- **More than 6 years**, all income derived from China and overseas from the seventh year onwards will be taxed in China if the individuals continue to reside in China for more than 183 days in that particular year.

Special Rules of China IIT

For non-domiciled individual holding a director or senior management position in an enterprise in China who performs duties in China and overseas concurrently, income borne by organizations and business premises in China will be taxed regardless of the actual resided period in China. For income borne by organizations outside China, the income tax obligation shall be dependent on the above regulations.

If a foreigner without a domicile in China stays in China for “six full consecutive tax years”, he/she will become a Chinese tax resident and be subject to China IIT on his/her world-wide income starting from the seventh year onwards if he/she continues to reside in China for more than 183 days in that particular year.

The six full consecutive years mentioned above is if a foreigner spends more than 183 days China in each of the six calendar years without physically outside China for 30 days in a single trip in any year.

In calculating days outside China, any day that a foreigner resides in China for less than 24 hours are not counted as a day in China.

China IIT Filing Requirements

Inbound assignees are deemed as taxpayers and the China entities should act as withholding agents who need to fulfill withholding obligations for all the taxpayers’ China sourced income on monthly basis. The filing due date of monthly China IIT filing is on or before 15th in the following month.

When withholding agents fail to remit China IIT within the set period, there will be late payment surcharges at 0.05% per day on the delinquent payments. In addition, if the monthly China IIT returns are not submitted during the stipulated period, penalties of RMB2,000 to RMB10,000 might be levied.

In addition, if inbound assignees receive any consolidated income such as remuneration for personal service, author’s remuneration and royalties other than salary income or have additional IIT liabilities/refund within a calendar year, they are responsible to file the China annual reconciliation IIT returns from March 1 to June 30 following the year end. Penalties of RMB2,000 to RMB10,000 might be levied if the inbound assignees fail to file the China annual reconciliation IIT returns before the filing due date.

Annual Bonus

China resident individual - Annual bonus can be spread over to 12 months in determination of an applicable tax rate and the total bonus would then be subject to the said rate from January 1, 2019 to December 31, 2021. Starting from January 1, 2022, the preferential treatments will expire and annual bonus should be combined with other consolidated income for PRC IIT calculation purpose.

China non-resident individual - Annual bonus can be spread over to 6 months in determination of an applicable tax rate and the total bonus would then be subject to the above rate by applying the below listed formulas:

- Tax Payable = [(Total Annual Bonus Income / 6) x applicable tax rate - QCD * 6

Please kindly note that the preferential calculation method for annual bonus can only be adopted one time in a calendar year.

Fixed Monthly Deduction

China IIT is payable on a monthly basis. An individual is entitled to a fixed monthly deduction of RMB5,000.

Contributions to China statutory social security scheme and housing fund by employer and employees are tax free for China IIT purpose.

China resident individual - Cumulative withholding method within a calendar year period.

INCOME TAX RATES

Tax Rate Table for China Resident Individuals

Grade	Annual gross taxable income amount	Withholding tax rate (%)	Quick calculation deduction ("QCD")
1	RMB36,000 or Less	3	0
2	The part exceeding RMB36,000 and up to RMB144,000	10	2,520
3	The part exceeding RMB144,000 and up to RMB300,000	20	16,920
4	The part exceeding RMB300,000 and up to RMB420,000	25	31,920
5	The part exceeding RMB420,000 and up to RMB660,000	30	52,920
6	The part exceeding RMB660,000 and up to RM960,000	35	85,920
7	The part exceeding RMB960,000	45	181,920

Tax Rate Table for China Non-resident Individuals

Grade	Monthly gross taxable income amount	Tax rate (%)	Quick calculation deduction ("QCD")
1	RMB3,000 or Less	3	0
2	The part exceeding RMB3,000 and up to RMB12,000	10	210
3	The part exceeding RMB12,000 and up to RMB25,000	20	1,410
4	The part exceeding RMB25,000 and up to RMB35,000	25	2,660
5	The part exceeding RMB35,000 and up to RMB55,000	30	4,410
6	The part exceeding RMB55,000 and up to RMB80,000	35	7,160
7	The part exceeding RMB80,000	45	15,160

SOCIAL SECURITY TAXES

Inbound assignees work in China are required to enroll China social security scheme. However, in practice the implementation remains managed and administered at municipal level. As such, we suggest the inbound assignees consult with Chinese tax counseling for the social security requirements once their employment locations in China are decided.

The calculation formula is listed as below:

$$\text{Tax to be withheld and prepaid in current period} = (\text{cumulative taxable income} \times \text{withholding rate} - \text{QCD}) - \text{cumulative deductions/exemptions} - \text{cumulative prepaid tax}$$

China non-resident individual - Monthly IIT filing should be performed based on the individual's monthly income by adopting the following calculation formula:

$$\text{Monthly IIT payable} = (\text{Gross taxable income} - \text{monthly fixed deduction (RMB5,000)}) \times \text{applicable tax rate} - \text{QCD}$$

When the China IIT is borne by the employer, payment of China IIT by an employer on behalf of an employee gives rise to the taxable benefit, which must be taken into account in the calculation of the employee's tax liabilities.

REGISTRATION/DEREGISTRATION

Inbound assignees should register/deregister with Chinese tax authorities before the commencement/end of their China assignments.

In practice, the implementation of register/deregister procedures varies from city to city. Therefore, it is recommended the China employers or assigned consulting firm to communicate with the in-charge tax authorities on the specific issue.

For further information and to register for future updates contact expat@bdo.global

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Version 08/2020