

EXPATRIATES

China

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE

For Chinese tax residents, all the income whether derived from inside China or outside shall be taxable in China for China Individual Income Tax (“IIT”) purposes.

For Chinese nationals, they generally will be treated as Chinese tax residents regardless of working inside or outside PRC. Unless the Chinese individual changes his/her nationality and does not meet the six year residence rule, he/she can become non-resident from a Chinese tax perspective.

CHINA IIT FILING REQUIREMENTS

For the income derived from Chinese enterprise (if applicable) during his/her overseas assignment, the Chinese employer shall be the withholding agent for the income sourced within China and file the monthly IIT returns on or before the 15th of 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.

For the income derived from overseas with no withholding agent within China, usually the employee shall complete the China IIT filing for overseas income himself/herself or appoint the agent to proceed the China IIT annual declaration from March 1 to June 30 of the following tax year.

Penalties of RMB2,000 to RMB10,000 might be levied if the inbound assignees fail to file the China annual IIT returns and will have negative impacts on their personal reputation and visa extension.

FOREIGN TAX CREDIT

The foreign tax the individual paid in the income-sourced country can be used to credit the China IIT that is obligated to be paid in China.

However, the foreign tax credit is limited up to the upper limit of Chinese tax obligation of the foreign-sourced income according to China IIT laws and regulations.

BREAKING RESIDENCY - EXIT PROCEDURES

Since an outbound assignee with nationality of China would still be considered a Chinese tax resident in practice, there is generally no deregistration process for outbound assignees in China. There would be no break of China tax residency for an outbound assignee either as far as he/she is still a citizen of P.R. China.

There is no special tax registration for Chinese outbound assignees. However, if the individual has overseas income and unable to complete the declaration within the stipulated time, an explanation letter shall be submitted to the local in-charge tax bureau for consideration.

INCOME TAX RATES

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

SOCIAL SECURITY TAXES

Chinese nationals who conclude employment relationships with China entities are mandatorily required to enroll in China's social security scheme.

For Chinese nationals who cease employment relationships with China entities and permanently transfer to overseas entity, theoretically there is no relevant China social security laws and/or regulations that stipulate whether they are required to enroll in China's social security scheme.

However, in practice the implementation of China social security remains managed and administered at municipal levels and regional implementation variations from city to city. We suggest outbound expatriates consult with Chinese tax counseling for their social security requirements once their employment location in China is determined.

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 individuals should apply the cumulative withholding method within a calendar year period. The calculation formula is listed as below:

Tax to be withheld and prepaid in current period = (cumulative taxable income x withholding rate - QCD) - cumulative deductions/exemptions - cumulative prepaid tax

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 considered in the calculation of the employee's tax liabilities.

Annual bonus can be spread over 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, 2023. Starting from January 1, 2024, the preferential treatments will expire and the annual bonus should be combined with other consolidated income for PRC IIT calculation purposes.

Please kindly note that the preferential calculation method for annual bonus can only be adopted one time in a calendar year and is only applicable to China resident individuals.

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

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