

A low-angle photograph of several modern skyscrapers with glass facades, set against a clear blue sky. The buildings are reflected in the glass windows of a building in the foreground on the right. A wooden walkway with an orange railing is visible in the lower-left corner.

Updated Individual Income Tax policy in Mainland China



The old preferential IIT policy for foreigners and the new special deductions

The preferential IIT policies for foreigners in Mainland China

- Housing allowance
- Food allowance
- Laundry expense
- Money paid to take up or leave a job in China
- Business trip allowance
- Home leave travel allowance
- Language training
- Children's education

Expired from 1st Jan
2022

Specific additional deductions (Six Items)

Children's
education

Continued
education

Illness
medical
treatment

Elderly care

Housing
loan interest

Housing
rental

Specific additional deductions (Six Items)

- Children education
 - RMB12,000 p.a. (RMB1,000 per month) / per child
 - Pre-primary school education (from 3 years-old) & Diploma education are included
- Continued education
 - Qualified education RMB4,800 p.a. (RMB400 per month)
 - Technical / qualification training RMB3,600 p.a.

Specific additional deductions (Six Items)

- Serious illness medical treatment
 - Over RMB15,000 p.a. borne by individual after social medical insurance
 - Capped at RMB60,000 p.a.
 - Actual basis
- Elderly care
 - 60, parents or grand-parents with parents passed away
 - RMB24,000 p.a. (RMB2,000 per month shared between children)

Specific additional deductions (Six Items)

- Housing loan interest
 - First property RMB12,000 p.a. (RMB1,000 per month)
 - No deduction for second or more

- Housing rental
 - Without property in main place of working
 - Ranging from RMB9600 to RMB14,400 p.a. (RMB800 to RMB1,200 per month)

Specific additional deductions (Six Items)

- Housing loan interest
- Housing rental
- Children education
- Qualified education
- Elderly care



Deducted on monthly basis

Specific additional deductions (Six Items)

- Housing loan interest
- Housing rental
- Serious illness medical treatment



Please keep the contract, invoices and receipts!!!

Case study



Andy

- Hired and paid by a Chinese company
- Work in Shenzhen, Mainland China
- RMB600,000 per year

	Old rules	New rules
Salaries p.a.	600,000	600,000
Housing allowance	96,000	14,400
Food allowance	24,000	0
Language training	12,000	0
Children's education	120,000	12,000
Laundry expense	12,000	0
Business trip allowance	36,000	0
Money paid to pick up or leave a job in China	36,000	0
Home leave travel allowance	24,000	0
Elderly care	0	24,000
Qualified education	0	4,800
Standard deduction	60,000	60,000
Taxable income	180,000	484,800
Tax burden	20%	30%



Q&A about the 6 special deductions



Could we still enjoy the deductions if our children are not Chinese Citizen?



Public School ? or Private School?



Could we get the deduction from taking care of grandparents and parents in law?



If I have a house in other city but work in Shenzhen, could I still enjoy the deduction for housing rental?



If I get medical treatment in other countries, could I still enjoy the deduction ?



IIT policy for Greater Bay Area (GBA)

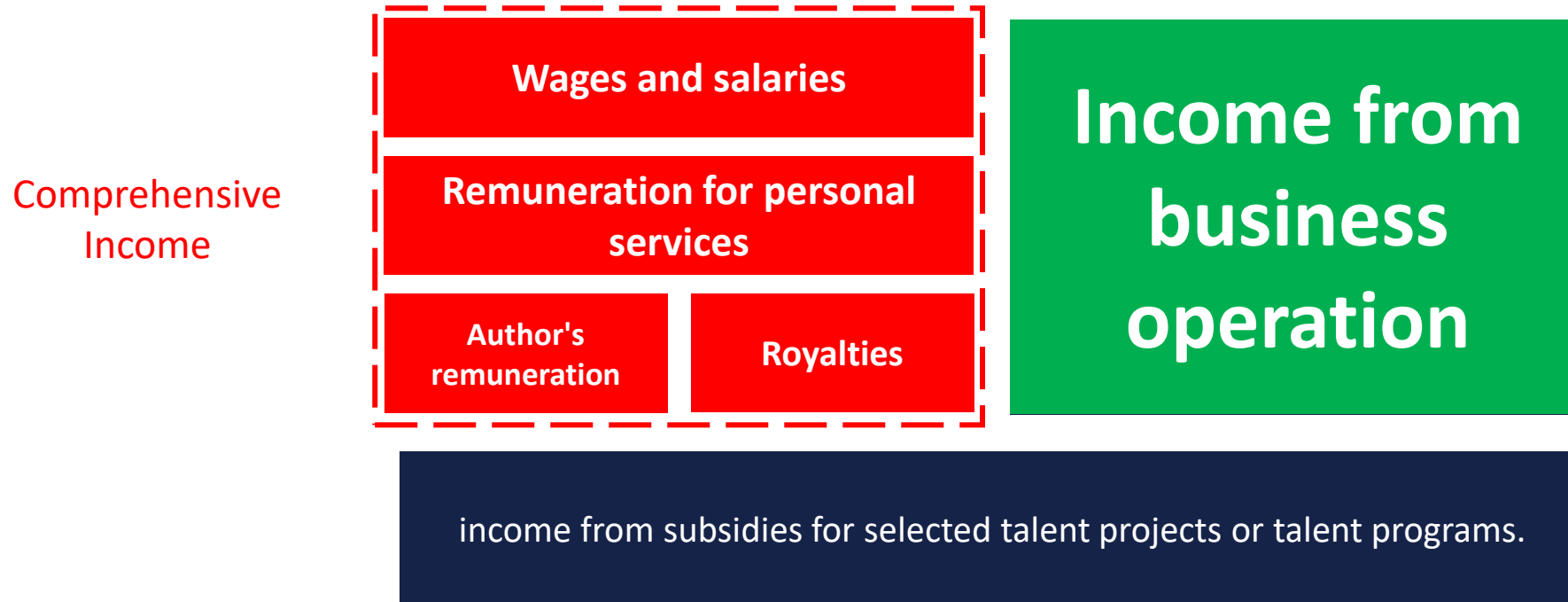
- For overseas high-end talents and high-demand talents working in the Greater Bay Area, the portion of their individual income tax paid amount in the nine cities which exceeds the tax amount computed on 15% of their taxable income amount shall enjoy financial subsidy from the People's Government of the nine cities, and the said financial subsidy shall be exempt from individual income tax.

-<Notice on Implementing Individual Income Tax Policies for Greater Bay Area>

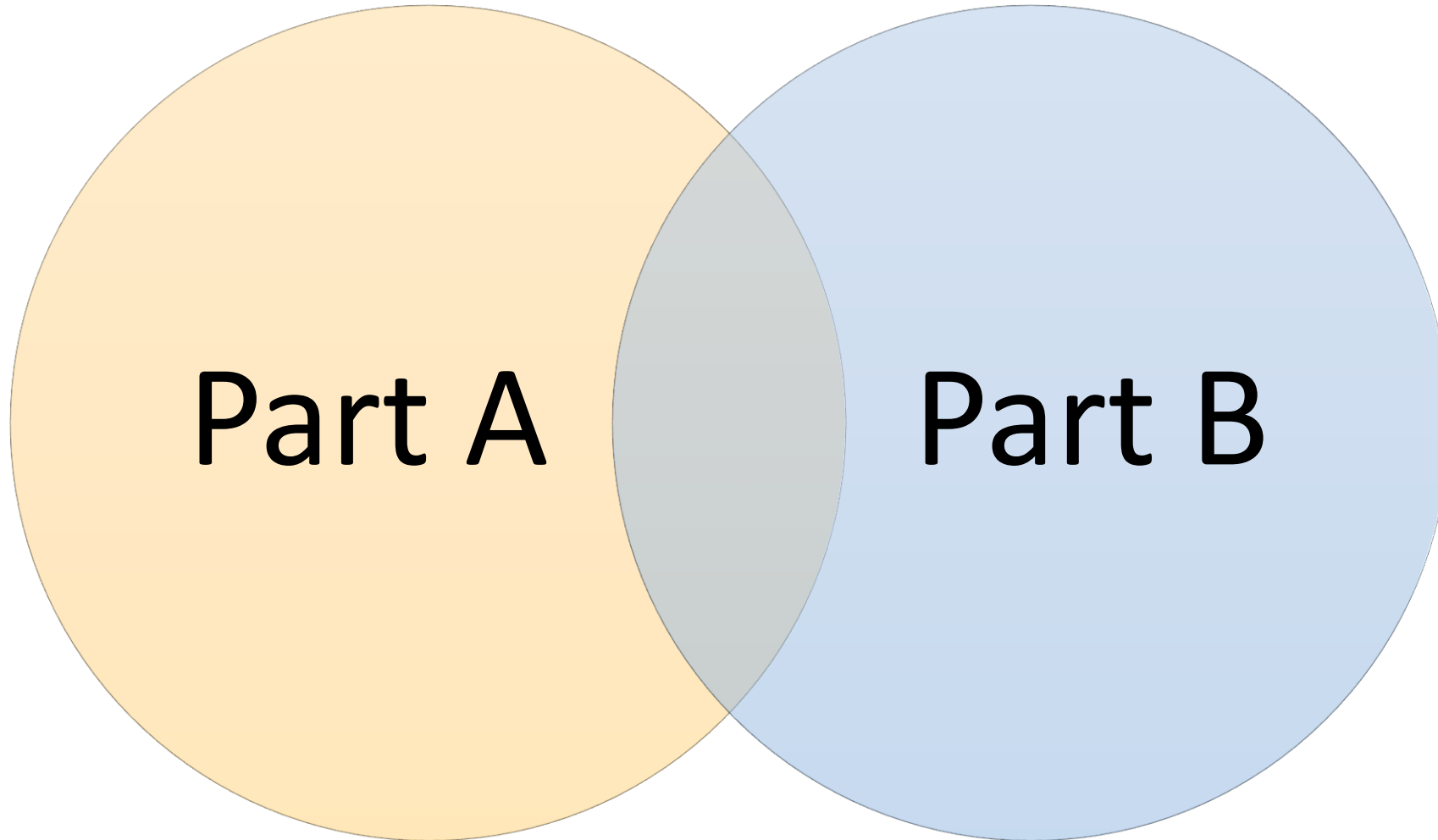
9 Cities in Greater Bay Area



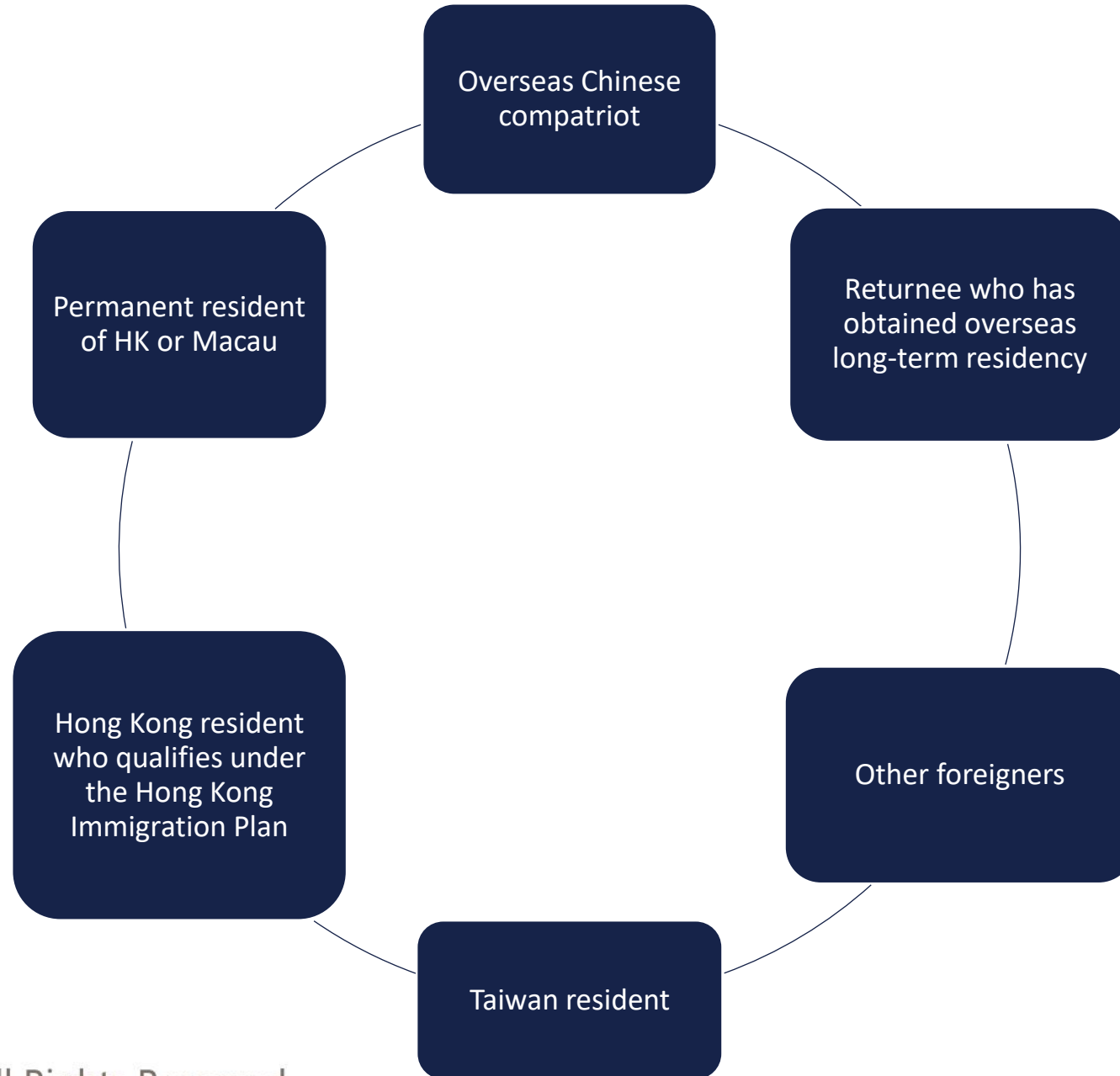
Which income categories are included?



Who could enjoy this preferential IIT policy in GBA?



Part A



Part B

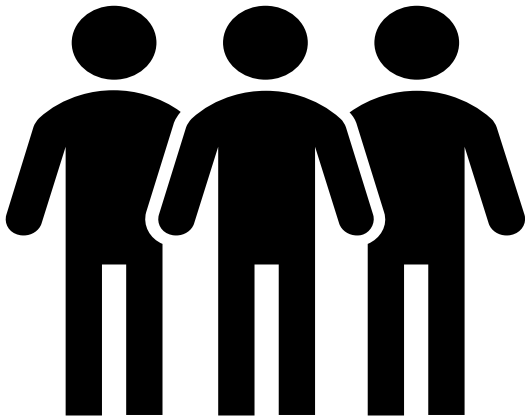
Selected candidates of major talent projects of the State, the Province and the municipalities

Holding a Guangdong Province "Superior Talent Card"

Other overseas high-level talents recognized by the State, the Province and the municipalities

Foreign high-end talent confirmation letter

Foreigner work permit (Type A)



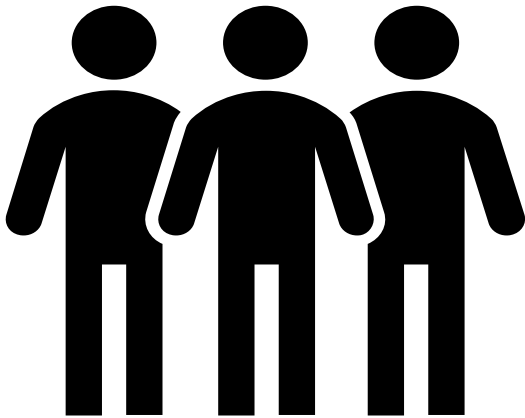
Part B

Research team member of major innovation platform of the State, the Province or the municipalities

Research and technical team member in the relevant institutes such as tertiary institutions, research institutes, hospitals etc

Technical backbone and excellent management talent employed and starting business in key development industries or key sectors of Guangdong Province

Other high-demand talents in shortage recognized by the nine cities



Differences of the policies of nine cities

Requirements	Days of staying	Taxable income	Type of talents	When to declare
Guangzhou	90 days	Urgently needed talents >300K	According to every city's categories of overseas high-end talents and urgently needed talents	Starting from June of next year
Shenzhen	90 days			
Huizhou	90 days			
Zhongshan				
Zhuhai		High-end talents, average salary > 6 times of local average salary		
Jiangmen	90 days			
Dongguan	6 months			
Foshan				
Zhaoqing	90 days			

Valid from 2020 to 2023

High-end talents and urgently needed talents categories

- Medical care
- Teaching
- Finance
- e-Commerce
- Engineering
- Others

Case study



Toby

- Engineer
- Hired by Shenzhen's company
- Dispatched to Beijing

Case study



Andrew

- Consultant
- Hired by Hong Kong's company
- Dispatched to Shenzhen

How to prepare for the change?

- Evaluate the potential impacts of the new IIT policies on foreign employees working in China,
- communicate with them on potential changes in a timely manner and manage their expectations of net
- income;
- Adjust the remuneration structure to reduce the overall tax burden, if necessary;
- Re-visit the company's overall compensation policy and make corresponding adjustments according to
- changes in regulations;
- Pay close attention to the development of policies and seek effective tax solutions.

What CW can do for you?

For Corporations:

- Company briefing on the new updated IIT policies
- Review the compensation package/employment contracts
- Advice on corporate administration and finance policies

For Individuals:

- Health-check on the current IIT position
- Analyze the implications of the new IIT Law
- Facilitate dialogue with your employer

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Disclaimer

The materials contained in this presentation were assembled in August 2021 and were based on the current laws and information available at that time.

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