



## CHINA'S NEW INDIVIDUAL INCOME TAX LAW: WHAT TO EXPECT?

### Why is the law amended?

- To ease the tax burden for low and mid-income earners and boost consumption
- The amendment comes at a time when the government is increasing efforts to support the elderly and encourage families to have more children
- Increase anti-tax avoidance to block tax loopholes and safeguard national tax rights

### Who is concerned?

- Individuals domiciled in China
- Individuals staying in China 183 days or longer during the tax year

### What changes?

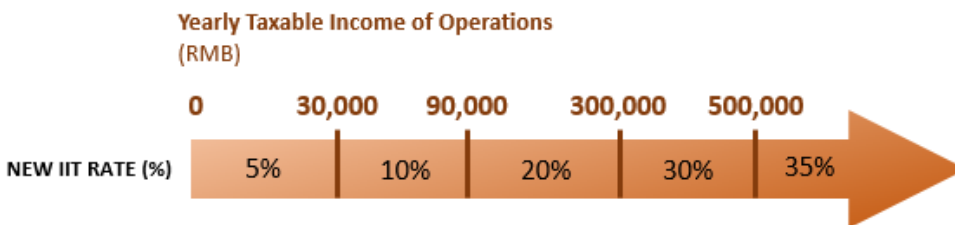
- **Standard deduction is raised** and becomes the same for both resident and non-resident taxpayers: from RMB 3,500 to **RMB 5,000 per month** or RMB 60,000 per year.
- **New 'special additional deduction' category**  
*From January 1<sup>st</sup> 2019, all resident taxpayers (not only expats) can deduct the following additional items from their comprehensive income:*
  - Education expenses for children
  - Expenses for further self-education
  - Healthcare costs for serious illness
  - Housing loan interest
  - Housing rent
  - Support for elderly
- **New categories of taxable income and progressive tax rates**

INCOME CATEGORIES	NEW TAX RATE
<b>COMPREHENSIVE INCOME</b> <ul style="list-style-type: none"> <li>• Salary and wages</li> <li>• Income from labor services</li> <li>• Income from author's remuneration</li> <li>• Income from royalties</li> </ul>	<b>3% to 45%</b> (see New Tax Brackets for Taxable Comprehensive Income)
Income from Operations	<b>5% to 35%</b> (see New Tax Brackets for Taxable Income of Operations)
<ul style="list-style-type: none"> <li>• Income from interest, dividends and bonuses</li> <li>• Income from lease or transfer of property</li> <li>• Contingent income</li> </ul>	<b>20%</b>

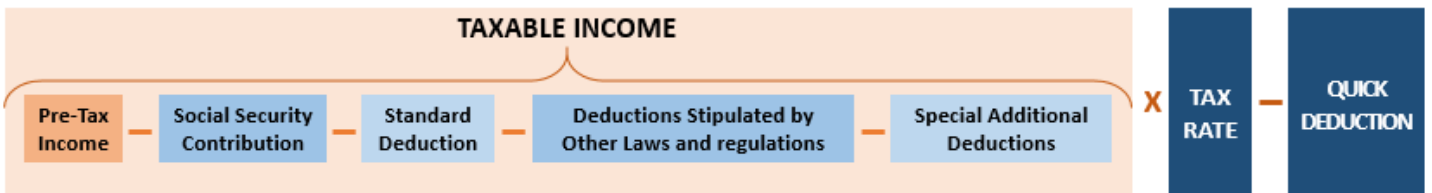
➤ **New Tax Brackets for IIT on Yearly and Monthly Taxable Comprehensive Income**



➤ **New Tax Brackets for Yearly IIT on Taxable Income of Operations**



➤ **New Monthly Taxable Income Formula**



**What to do next?**

- Foreign companies should **communicate any changes in payroll and IIT** to local and foreign employees
- **Companies are obliged to implement** the new deductions available to resident employees.
- Expatriates should **be prepared for any changes** in deductibles and communicate with their employer
- **Keep updated** with the final version of the new IIT Law (planned for January 2019)



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