

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

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(Adopted at the 3rd session of 5th National People's Congress on September 10, 1980, revised for the first time according to Decision on Amending Individual Income Tax Law of the People's Republic of China at the 4th session of 8th National People's Congress Standing Committee on October 31, 1003, revised for the second time according to Decision on Amending Individual Income Tax Law of the People's Republic of China at 11th session of 9th National People's Congress on August 30, 1999, and revised for the third time according to Decision on Amending Individual Income Tax Law of the People's Republic of China at 18th session of 10th National People's Congress on October 27, 2005.)

Article 1 Individual income tax shall be levied in accordance with the provisions of this Law by individuals who have domicile in China, or though without domicile but have resided for one year or more in China on their income derived from sources within and outside China.

Individuals who are neither domiciled nor resident in China, or who are not domiciled and reside for less than one year in China, shall pay individual income tax in accordance with this Law on income derived from sources within China.

Article 2 Individual income tax shall be levied on the following categories of income:

1. Income from wages, salaries;
2. Income from production, operation derived by industrial and commercial households;
3. Income from contractual or leasing operations to enterprises or institutions;
4. Income from labor service payment;
5. Income from authors remuneration;
6. Income from royalties;
7. Income from interest, dividends and extra dividends;
8. Income from lease of property;
9. Income from transfer of property;
10. Contingent income;
11. Other income specified as taxable by the finance department of the State Council.

Article 3 Individual income tax rates

1. Income from wages and salaries, applying to progressive tax rate, shall be taxed at rates ranging from 5% to 45% (see the appended tax rate schedule) .
2. Income from production and business of individual industrialists and merchants and income from contracted or leased operation of enterprises or institutions shall be taxed at progressive rates ranging from 5% to 35% (see the appended tax rate schedule) .
3. Income from author's remuneration, applying to proportional rate, shall be taxed at a flat rate of 20%. The amount of tax payable however shall be reduced by 30%.
4. Income from remuneration for labor service, applying to proportional rate, shall be taxed at a rate of 20%. where a specific payment of income from remuneration for personal service is excessively high, additional tax can be levied at a rate to be specifically determined by the State Council.
5. Income from royalties, interest, dividends, bonuses, lease of property and transfer of property, as well as contingent income and other income, applying to proportional rate, shall be taxed at a rate of 20%.

Article 4 The following categories of income shall be exempted from individual income tax:

1. Awards for achievements in science, education, technology, culture, public health, physical culture and environmental protection granted by the provincial people's governments, ministries and commissions under the State Council, the People's Liberation Army units at army level and

- above and foreign or international organizations;
2. Interest income on national debt and financial bond issued by the state;
 3. Subsidies and allowances received under the state uniform provisions;
 - 4 Welfare benefits, survivors pensions and relief payments;
 - 5 Insurance indemnities;
 6. Military severance pay and demobilization pay received by members of the armed forces;
 7. Settlement pay, severance pay, retirement pay and retirement living allowances received by public servants and workers under state uniform provisions;
 8. Income derived by the diplomatic agents, consular officers and other personnel in the embassies or consulates abroad and other personnel who are exempt from tax under the provisions of the relevant Laws of China;
 9. Income exempt from tax as stipulated in the international conventions to which the Chinese Government is a party and in agreements it has entered into; and
 10. Income exempt from tax with the approval of the finance department of the State Council.

Article 5 In any of the following circumstances, individual income tax may be reduced upon approval:

1. Income derived by disabled persons, unsupported aged persons or members of martyr's family;
2. The taxpayer suffers major losses caused by severe natural disasters;
3. Other cases in which reduction is approved by the finance department of the State Council.

Article 6 The amount of taxable income shall be computed as follows:

1. For income from wages and salaries, a monthly deduction of 1600 yuan shall be allowed for expenses and the excess part shall be the taxable income;
2. For income from production or business operation derived by individual industrial and commercial households, the taxable income shall be the amount remaining from the gross income in a tax year after deduction of the costs, expenses and losses;
3. For income from contracted or leased operation of enterprises or institutions, the taxable income shall be the amount remaining from the gross income in a tax year after the deduction of necessary expenses;
4. For income from remuneration for labor service, author's remuneration, royalties and lease of property, a deduction of 800 yuan shall be allowed for expenses, if the amount received in a single payment is less than 4000 yuan; for single payments of 4000 yuan or more, a deduction of 20% shall be allowed for expenses. The remaining amount after the deduction shall be the taxable income;
5. For income from transfer of property, the taxable income shall be the amount remaining from the gross transfer income after deducting the original value of the property and reasonable expenses;
6. For interest, dividends, bonuses, contingent income and other income, the taxable income may be the full amount received in each payment. The part of individual income donated to educational and other public welfare undertakings, shall be deducted from the taxable income in accordance with the relevant regulations formulated by the State Council.

For the taxpayer who have no domicile in China but derive wages and salaries from sources within China, or have domicile in China but derive wages and salaries from sources outside China, the additional deduction for expenses shall be allowed on the basis of the average income level, living standard and the changes of exchange rates. the scope of application and amount of the additional deduction for expenses shall be regulated by the State Council.

Article 7 Income tax paid to foreign tax authorities by the taxpayer on income derived from sources 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 For individual income tax, the income earner shall be the taxpayer and the paying unit or individual shall be the withholding agent. Taxpayers whose income exceed the sum stipulated by the State Council, or who receive wages or salaries from two or more payers, or taxpayers without withholding agent, and other circumstances stipulated by the State Council, shall file tax returns in accordance with national regulations. Withholding agent shall handle withholding for all members in accordance with national regulations.

Article 9 The tax withheld by the withholding agent on monthly basis, and the tax paid by the self-reporting individual, shall be paid to the state treasury within the first seven days of the following month and report the tax returns to the tax authorities.

For income from wages and salaries, the tax shall be levied on monthly basis. The tax shall be withheld by the withholding agent or paid by the taxpayers to the state treasury within the first seven days of the following month together with the tax returns filed with the tax authorities. For income from wages and salaries in specified industries, the tax may be computed on annual basis and paid in advance in monthly installments, specific rules shall be regulated by the State Council.

For income from production or business operation derived by individual industrial and commercial households, the tax payable shall be computed on annual basis and paid in advance in monthly installments. Such payments shall be made within the first seven days after the end of each month and the final settlement shall be made within three months after the end of each tax year. Any excess payment shall be refunded and any deficiency repaid.

For income from contracted or leased operation of enterprises and institutions, the tax payable shall be computed on annual basis and paid to the state treasury within thirty days after the end of each tax year, together with the tax returns filed with the tax authorities. For the taxpayers receiving income from contracted or leased operation in installment during the year, the tax payable shall be paid in advance installments within the first seven days after each time when a payment is made, and the final settlement shall be made within three months after the end of each tax year; and excess payment shall be refunded and any deficiency repaid. For taxpayers who derive income outside China, the tax payable shall be paid to the state treasury within thirty days after the end of each tax year, together with the tax returns filed with the tax authorities.

Article 10 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 exchange rate quoted by the state exchange control authorities.

Article 11 A handling fee of 2% of the amount of tax withheld shall be paid to the withholding agent.

Article 12 Time and measures for collecting individual income tax from income of interest on deposit are stipulated by the State Council.

Article 13 Tax administration of the individual income tax shall be proceeded in accordance with Administration Law for Tax Levying of the People's Republic of China.

Article 14 The detailed rules and regulations for the implementation shall be formulated by the State Council in accordance with this Law.

Article 15 This Law shall enter into force on the day of its promulgation.

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