

**Individual Income Tax Law
of the People's Republic of China
(2018 Revision)**

(Adopted by the Third Session of the Fifth National People's Congress on September 10, 1980, amended for the first time in accordance with the Decision of the Fourth Session of the Standing Committee of the Eighth National People's Congress Concerning Amendment to the Individual Income Tax Law of the People's Republic of China on October 31, 1993; and amended for the second time in accordance with the Decision of the 11th Session of the Standing Committee of the Ninth National People's Congress Concerning Amendment to the Individual Income Tax Law of the People's Republic of China on August 30, 1999; amended for the third time in accordance with the Decision of the 18th Session of the Standing Committee of the Tenth National People's Congress on Amending the Individual Income Tax Law of the People's Republic of China on October 27, 2005; amended for the fourth time in accordance with the Decision of the 28th Session of the Standing Committee of the Tenth National People's Congress on Amending the Individual Income Tax Law of the People's Republic of China on June 29, 2007; amended for the fifth time in accordance with the Decision of the 31st Session of the Standing Committee of the Tenth National People's Congress on Amending the Individual Income Tax Law of the People's Republic of China on December 29, 2007; amended for the sixth time in accordance with the Decision of the 21st Session of the Standing Committee of the Eleventh National People's Congress on Amending the Individual Income Tax Law of the People's Republic of China on June 30, 2011; and amended for the seventh time in accordance with the Decision of the 5th Standing Committee of the Thirteenth National People's Congress to Amend the Individual Income Tax Law of the People's Republic of China on August 31, 2018)

Article 1 A resident individual is an individual who is domiciled in China or who is not domiciled in China but has stayed in the aggregate for 183 days or more of a tax year in China. A resident individual shall, in accordance with the provisions of this Law, pay individual income tax on his or her income obtained inside and outside China.

A nonresident individual is an individual who neither is domiciled in China nor stays in China or who is not domiciled in China but has stayed in the aggregate for less than 183 days of a tax year in China. A nonresident individual shall, in accordance with the provisions of this Law, pay individual income tax on his or her income obtained inside China.

Tax year means the Gregorian calendar year that runs from January 1 to December 31.

Article 2 Individual income tax shall be paid on the following individual income:

- (1) Income from wages and salaries.
- (2) Income from remuneration for labor services.

- (3) Income from author's remuneration.
- (4) Income from royalties.
- (5) Business income.
- (6) Income from interest, dividends and bonuses.
- (7) Income from the lease of property.
- (8) Income from the conveyance of property.
- (9) Contingent income.

Resident individuals shall calculate by tax year on a consolidated basis the individual income tax, and nonresident individuals shall calculate by itemization on a monthly or transaction-by-transaction basis the individual income tax, on the income obtained as set forth in subparagraphs (1) to (4) of the preceding paragraph (hereinafter referred to as the 'comprehensive income'). The individual income tax on the income set forth in subparagraphs (5) to (9) of the preceding paragraph obtained by a taxpayer shall be calculated respectively in accordance with the provisions of this Law.

Article 3 Individual income tax rates:

- (1) Progressive tax rates ranging from 3% to 45% (see the attached tax rate schedule) shall apply to comprehensive income.
- (2) Progressive tax rates ranging from 5% to 35% (see the attached tax rate schedule) shall apply to business income.
- (3) The proportional tax rate of 20% shall apply to income from interest, dividends and bonuses, income from the lease of property, income from the conveyance of property, and contingent income.

Article 4 Individual incomes set forth below shall be exempt from individual income tax:

- (1) prizes in science, education, technology, culture, health, sports and environmental protection awarded by provincial people's governments, ministries and commissions under the State Council and units of the People's Liberation Army at or above the army level, as well as by foreign organizations and international organizations;
- (2) interest accruing from treasury bonds and financial bonds issued by the State;
- (3) subsidies and allowances distributed according to the unified regulations of the State;

- (4) welfare benefits, pensions for the disabled or for the family of the deceased and relief payment;
- (5) insurance compensation;
- (6) military severance pay, demobilization pay and retirement pay for military personnel;
- (7) settling-in allowance, severance pay, retirement wages, retirement wages for veteran cadres, and living allowances and subsidies for retired veteran cadres distributed to cadres and workers according to the unified regulations of the State;
- (8) incomes of diplomatic representatives, consular officers and other personnel of foreign embassies and consulates in China, which, pursuant to the provisions of relevant laws, shall be exempt from tax;
- (9) incomes which shall be exempt from tax under the international conventions to which the Chinese Government is a member or agreements which the Chinese Government has signed; and
- (10) Other tax-exempt income as prescribed by the State Council.

The tax exemptions prescribed in subparagraph (10) of the preceding paragraph shall be filed by the State Council with the Standing Committee of the National People's Congress.

Article 5 Under any of the following circumstances, individual income tax may be reduced, the specific scope and time limit shall be prescribed by the people's government of the province, autonomous region, or municipality directly under the Central Government, and be filed with the standing committee of the people's congress at the same level:

- (1) Income of the disabled, the elderly and childless people and the families of martyred soldiers.
- (2) Those who suffer heavy losses in natural disasters.

Other tax reductions may be prescribed by the State Council but shall be filed with the Standing Committee of the National People's Congress.

Article 6 Calculation of the amount of taxable income:

- (1) For the comprehensive income of a resident individual, the amount of taxable income shall be the amount of income obtained in each tax year less expenses of 60,000 yuan, special deductibles, special additional deductibles, and other deductibles determined in accordance with the law.

(2) For the income from wages and salaries of a nonresident individual, the amount of taxable income shall be the amount of monthly income less expenses of 5,000 yuan. For the income from remuneration for labor services, author's remuneration, and royalties, the amount of taxable income shall be the amount of income obtained each time.

(3) For business income, the amount of taxable income shall be the gross income in each tax year less costs, expenses and losses.

(4) For the income from the lease of property, the amount of taxable income shall be the income less expenses of 800 yuan if the income is less than 4,000 yuan each time; and the amount of taxable income shall be the income less expenses at 20% of the income if the income is 4,000 yuan or more each time.

(5) For the income from the conveyance of property, the amount of taxable income shall be the income from the conveyance of property less the original value of the property and reasonable expenses.

(6) For the income from interest, dividends and bonuses and contingent income, the amount of taxable income shall be the amount of income obtained each time.

The amount of income from remuneration for labor services, author's remuneration, and royalties shall be reduced by subtracting expenses at 20% of the income obtained. The amount of income from author's remuneration shall be calculated at 70% of the income obtained.

The part of income donated by an individual to public welfare and charitable causes such as education and poverty alleviation that does not exceed 30% of the amount of taxable income declared by the taxpayer may be deducted from the amount of taxable income, unless the State Council prescribes the pre-tax deduction in full amount of donations made to public welfare and charitable causes.

As mentioned in paragraph 1(1) of this article, special deductibles include but are not limited to contributions to the basic pension insurance, basic medical insurance, unemployment insurance, and other social insurance and housing provident funds paid by resident individuals in accordance with the scopes and standards specified by the state; and special additional deductibles include but are not limited to expenditures for education of children, continuing education, medical treatment of serious diseases, housing loan interest, housing rents and support for elderly parents. The specific scopes, standards and implementation procedures shall be determined by the State Council and filed with the Standing Committee of the National People's Congress.

Article 7 For the income obtained by a resident individual from outside China, the amount of individual income tax already paid outside China by the individual may be deducted from the amount of tax payable by the individual, but the tax credit shall not exceed the amount

of tax payable on the income obtained by the taxpayer from outside China as calculated in accordance with the provisions of this Law.

Article 8 Under any of the following circumstances, tax authorities shall have the authority to make tax payment adjustments in reasonable methods:

(1) Business transactions between an individual and his or her affiliates do not conform to the independent transaction principle, resulting in reduction of the amount of tax payable by the individual or his or her affiliates, which is not justified.

(2) An enterprise formed in a country (or region) with an evidently low actual tax burden, which is controlled by a resident individual or is jointly controlled by a resident individual and a resident enterprise, fails to distribute or distributes a reduced amount of profits attributable to the resident individual without any reasonable operational need.

(3) An individual obtains inappropriate tax benefits from the implementation of any other arrangement without any reasonable commercial purpose.

Where tax authorities make tax payment adjustments under the preceding paragraph, which requires collection of taxes in arrears, such taxes in arrears shall be collected, together with interest thereon in accordance with the law.

Article 9 Individuals having income are the taxpayers of individual income tax, and the entities or individuals making payments from which the income is derived are the withholding agents.

Where a taxpayer has a Chinese citizen identity number, the taxpayer's identification number shall be his or her Chinese citizen identity number; otherwise, the taxpayer shall be assigned a taxpayer's identification number by the tax authority. When a withholding agent withholds taxes, the taxpayers shall provide their taxpayer's identification numbers to the withholding agent.

Article 10 Under any of the following circumstances, a taxpayer shall file a tax return in accordance with the law:

(1) Filing a tax return on a consolidated basis is required for comprehensive income obtained.

(2) There is no withholding agent for any taxable income obtained.

(3) The withholding agent fails to withhold taxes on any taxable income obtained.

(4) Income is obtained overseas.

(5) Chinese household registration is cancelled as a result of emigration.

(6) A nonresident individual obtains income from wages and salaries at two or more places inside China.

(7) Any other circumstances prescribed by the State Council.

The withholding agent shall, in accordance with the provisions issued by the state, file withholding returns for all taxpayers in full amount, and provide the taxpayers with their individual incomes, taxes withheld, and other information.

Article 11 The individual income tax on the comprehensive income obtained by a resident individual shall be calculated annually; if there is a withholding agent, the withholding agent shall withhold and prepay taxes on a monthly or transaction-by-transaction basis; and if the filing of a tax return on a consolidated basis is needed, the return shall be filed from March 1 to June 30 of the next year after obtaining the income. The measures for withholding and prepayment shall be developed by the taxation department of the State Council.

Where a resident individual provides the withholding agent with information on special additional deductibles, the withholding agent shall, when withholding and prepaying taxes on a monthly basis, make deductions as required, and shall not refuse to do so.

Where there is a withholding agent for the income from wages and salaries, income from remuneration for labor services, income from author's remuneration, and income from royalties obtained by a nonresident individual, the withholding agent shall withhold taxes on a monthly or transaction-by-transaction basis, rather than filing a tax return on a consolidated basis.

Article 12 The individual income tax on the business income obtained by a taxpayer shall be calculated annually, and the taxpayer shall, within 15 days after the end of a month or quarter, file a tax return with and prepay taxes to the tax authority; and file a tax return on a consolidated basis before March 31 of the next year after obtaining the income.

For the income from interest, dividends and bonuses, income from the lease of property, income from the conveyance of property, and contingent income obtained by a taxpayer, the individual income tax shall be calculated on a monthly or transaction-by-transaction basis, and if there is a withholding agent, the withholding agent shall withhold taxes on a monthly or transaction-by-transaction basis.

Article 13 Where there is no withholding agent for a taxpayer's taxable income obtained, the taxpayer shall, within the first 15 days of the next month after obtaining the income, file a tax return with and pay taxes to the tax authority.

Where the withholding agent fails to withhold taxes on a taxpayer's taxable income obtained, the taxpayer shall pay taxes before June 30 of the next year after obtaining the income; or if the payment period is specified in a notice from the tax authority, the taxpayer shall pay taxes during the specified period.

Where a resident individual obtains any income from outside China, the individual shall file a tax return from March 1 to June 30 of the next year after obtaining the income.

Where a nonresident individual obtains any income from wages and salaries from two or more places inside China, the individual shall file a tax return with the tax authority within the first 15 days of the next month after obtaining the income.

Where a taxpayer's Chinese household registration is cancelled as a result of emigration, the taxpayer shall settle taxes before cancellation of his or her Chinese household registration.

Article 14 The tax deducted in advance or withheld by a withholding agent each month or in each transaction shall be paid to the state treasury within the first 15 days of the next month, with an individual income tax withholding return filed with the tax authority.

Where a taxpayer claims any tax refund by filing a tax return on a consolidated basis or a withholding agent claims any tax refund by filing a tax return on a consolidated basis on behalf of a taxpayer, the tax authority shall, after verification, handle the tax refund in accordance with the provisions on the administration of the state treasury.

Article 15 Public security, people's bank, financial regulation, and other relevant departments shall assist tax authorities in confirming the identity and financial account information of taxpayers. Education, health, medical insurance, civil affairs, human resources and social security, housing and urban-rural development, public security, people's bank, financial regulation, and other relevant departments shall provide tax authorities with information on special additional deductibles of taxpayers such as education of children, continuing education, medical treatment of serious diseases, housing loan interest, housing rents and support for elderly parents.

Where an individual conveys any real estate, the tax authority shall assess the individual income tax payable based on the real estate registration and other relevant information, and the registration agency shall, when handling transfer registration, verify the payment receipt of individual income tax related to the conveyance of real estate. Where an individual undergoes modification registration for transfer of equities, the registration authority of the market participant shall verify the payment receipt of individual income tax related to the equity transaction.

The relevant departments shall, in accordance with the law, include information on the compliance of taxpayers and withholding agents with this Law in their credit information systems, and implement joint incentives or sanctions.

Article 16 All income shall be calculated in RMB. If income is obtained in a currency other than RMB, it shall be converted into RMB at the central parity of RMB exchange rate for purposes of tax payment.

Article 17 A service fee equivalent to 2 per cent of the amount of tax withheld shall be paid to the withholding agent.

Article 18 The imposition, reduction, or suspension of collection of individual income tax on interest income from savings deposits and the specific measures shall be specified by the State Council and filed with the Standing Committee of the National People's Congress.

Article 19 Taxpayers, withholding agents, and tax authorities and their staff members that violate the provisions of this Law shall be held legally liable in accordance with the provisions of the Law of the People's Republic of China on the Administration of Tax Collection and relevant laws and regulations.

Article 20 The administration of individual income tax collection shall be governed by the provisions of this Law and the Law of the People's Republic of China on the Administration of Tax Collection.

Article 21 The State Council shall, pursuant to the provisions of this Law, formulate the regulation for its implementation.

Article 22 This Law shall enter into force on the day of its promulgation.

Schedule 1 of Individual Income Tax Rates (applicable to comprehensive income)

Grade	Annual taxable income amount	Tax rate (%)
1	RMB36,000 or less	3
2	The part exceeding RMB36,000 and up to RMB144,000	10
3	The part exceeding RMB144,000 and up to RMB300,000	20
4	The part exceeding RMB300,000 and up to RMB420,000	25
5	The part exceeding RMB420,000 and up to RMB660,000	30
6	The part exceeding RMB660,000 and up to RMB960,000	35
7	The part exceeding RMB960,000	45

Schedule 2 of Individual Income Tax Rates (applicable to business income)

Grade	Annual taxable income amount	Tax rate (%)
1	RMB30,000 or less	5
2	The part exceeding RMB30,000 and up to RMB90,000	10
3	The part exceeding RMB90,000 and up to RMB300,000	20
4	The part exceeding RMB300,000 and up to RMB500,000	30
5	The part exceeding RMB500,000	35