

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

(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 Law of the People's Republic of China on Individual Income Tax 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 Law of the People's Republic of China on Individual Income Tax 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 Law of the People's Republic of China on Individual Income Tax 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 Law of the People's Republic of China on Individual Income Tax 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 Law of the People's Republic of China on Individual Income Tax on December 29, 2007)

Article 1 An individual who has a domicile in the territory of China or who has no domicile but has stayed in the territory of China for one year or more shall pay individual income tax in accordance with the provisions of this Law for his incomes obtained in and/or outside the territory of China.

An individual who has no domicile and does not stay in the territory of China or who has no domicile but has stayed in the territory of China for less than one year shall pay individual income tax in accordance with the provisions of this Law for his incomes obtained in the territory of China.

Article 2 Individual incomes set forth below shall be subject to payment of individual income tax:

1. incomes from wages and salaries;
2. incomes of private industrial and commercial households from their productions and business operations;
3. incomes from contracting or leasing enterprises and institutions;
4. incomes from remuneration for labor services;
5. incomes from authors' remuneration;
6. incomes from royalties;
7. incomes from interest, stocks dividends and bonuses;
8. incomes from lease of property;
9. incomes from transfer of property;
10. occasional incomes; and
11. other incomes specified as taxable by the department of the State Council for finance.

Article 3 Individual income tax rates:

1. For incomes from wages and salaries, the progressive tax rate in excess of specific amount is applicable and the rate ranges from 5 per cent to 45 per cent (the tax rate schedule appended).
2. For incomes of private industrial and commercial households from their productions and business operations and incomes from contracting or leasing enterprises and institutions, the progressive tax rate in excess of specific amount ranging from 5 per cent to 35 per cent is applicable (the tax rate schedule appended).

3. For incomes from author's remuneration, the flat tax rate is applicable and the tax rate is 20 per cent and a 30 per cent tax deduction shall be applied to the amount of tax payable.
4. For incomes from remuneration for labor services, the flat tax rate is applicable and the tax rate is 20 per cent. If a single payment of remuneration for labor service is excessively high, an additional proportion of tax may be levied thereon, and the concrete measures shall be provided for by the State Council.
5. For incomes from royalties, incomes from interest, stocks dividend and bonuses, incomes from lease of property, incomes from transfer of property, occasional incomes and other incomes, the flat tax rate is applicable and the tax rate is 20 per cent.

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 and demobilization 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 of China, 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. incomes which are approved to be exempt from tax by the department of the State Council for finance.

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

1. incomes of the disabled, the widowed lonely old people and the families of martyrs;
2. those suffering heavy losses caused by serious natural calamities; or
3. other tax reductions approved by the department of the State Council for finance.

Article 6 Calculation of income amount taxable:

1. For incomes of wages and salaries, the taxable income amount shall be the remainder after deducting 2,000 yuan from the monthly income." At the same time, the notes in Table 1 "Individual Income Tax Rates" shall be amended correspondingly.
2. For incomes of private industrial and commercial households from their productions and business operations, the income amount taxable shall be the remainder after deducting costs, expenses and losses from the gross incomes in a tax year.
3. For incomes from contracting or leasing enterprises and institutions, the income amount taxable shall be the remainder after deducting necessary expenses from the gross income in a tax year.
4. For incomes from remuneration for labor services, incomes from author's remuneration, incomes from royalties and incomes from lease of property, the income amount taxable shall be the remainder after deducting 800 yuan if a single payment does not exceed 4,000 yuan; and be the remainder after deducting 20 per cent for expenses if a

single payment exceeds 4,000 yuan.

5. For incomes from transfer of property, the income amount taxable shall be the remainder after deducting the original value of the property and reasonable expenses from proceeds of the transfer of property.

6. For incomes from interest, stocks dividends and bonuses, occasional incomes and other incomes, the income amount taxable shall be the amount of income received each time.

The part of income donated by the individuals into education and other public welfare causes shall be deducted from the income amount taxable in accordance with the relevant regulations of the State Council.

For a taxpayer who has no domicile in the territory of China but has obtained incomes from wages and salaries in the territory of China, or for a taxpayer who has a domicile in the territory of China but has obtained wage and salary incomes from abroad, an additional deduction for expenses may be determined according to his average income level, living standard and the change of exchange rates, and the scope and standard for the additional deduction for expenses shall be provided for by the State Council.

Article 7 For a taxpayer who has obtained incomes outside the territory of China, the amount of individual income tax already paid outside China by him may be deducted from the tax amount payable. Nevertheless, the amount so deducted may not exceed the tax amount payable for the taxpayer's incomes from abroad as calculated according to the provisions of this Law.

Article 8 The income earner shall be the taxpayer of individual income tax and the unit or person that effects the payment shall be the withholding agent. Where the individual income exceeds the amount as prescribed by the State Council, where a taxpayer has wage or salary incomes from two or more places or has no withholding agent, or where there is any other circumstance as prescribed by the State Council, the taxpayer shall handle the tax payment declaration according to the provisions of the state. A withholding agent shall, according to the provisions of the state, make the withholding declaration for all the taxpayers and in full amount.

Article 9 Within the first seven days of the following month, all tax amounts withheld each month by the withholding agents and all tax amounts paid each month by the taxpayers who file tax returns themselves shall be turned into the State treasury and tax returns shall be submitted to the tax authorities.

For incomes from wages and salaries, the tax amount payable shall be computed and collected on a monthly basis, and the withholding agents or taxpayers shall, within the first seven days of the following month, turn them into the State treasury and submit tax returns to the tax authorities. For incomes from wages and salaries in some specific industries, the tax amount payable may be computed on a yearly basis and be prepaid on a monthly basis, and the concrete measures shall be provided for by the State Council.

For incomes of private industrial and commercial households from their productions and business operations, the tax amount payable shall be computed on a yearly basis and be prepaid on a monthly basis, the taxpayers shall make such prepayments within the first seven days of the following month and shall settle it within three months following the end of a year, and the amount in excess shall be refunded and any amount in deficiency shall be made up.

For incomes from contracting or leasing enterprises and institutions, the tax amount payable shall be computed on a yearly basis, and the taxpayers shall, within 30 days following the end of a year, turn them into the State treasury and submit tax returns to the tax authorities. In case where a taxpayer receives incomes in separate installments within a year from contracted or leased operations, prepayment shall be made within the first seven days following receipt of each installment of income, and the tax amount payable shall be settled within three months following the end of a year, and the amount in excess shall be refunded and any amount in deficiency shall be made up.

A taxpayer who has incomes outside the territory of China shall, within 30 days following the end of a year, turn the tax amount payable into the State treasury and submit the tax return to the tax authority.

Article 10 Renminbi shall be the unit for calculation of all types of incomes. If incomes are in foreign currencies, they shall be converted into Renminbi according to the foreign exchange rates quoted by the State administration of foreign exchanges for tax payment.

Article 11 A service fee equivalent to 2 per cent of the amount of tax withheld shall be paid to the withholding agent.

Article 12 The starting or suspending of the collection of individual income taxes on bank deposit interests or the collecting of individual income taxes at a reduced rate as well as the specific measures for such purposes shall be provided for by the State Council.

Article 13 The administration of individual income tax collection shall be governed by the provisions of the Law of the People's Republic of China on the Administration of Tax Collection.

Article 14 The State Council shall, pursuant to the provisions of this Law, formulate the regulation for its implementation.

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

Attachment 1:

Table 1 Individual Income Tax Rates
(Applicable to income from wages and salaries)

Grade	Taxable income of the month	Tax rate (%)
1	Less than 500	5
2	The part of income in excess of 500 to 2,000 yuan	10
3	The part of income in excess of 2,000 to 5,000 yuan	15
4	The part of income in excess of 5,000 to 20,000 yuan	20
5	The part of income in excess of 20,000 to 40,000 yuan	25
6	The part of income in excess of 40,000 to 60,000 yuan	30
7	The part of income in excess of 60,000 to 80,000 yuan	35
8	The part of income in excess of 80,000 to 100,000 yuan	40
9	The part of income in excess of 100,000 yuan	45

Note: "The taxable income of the month" in this table refers to the amount of a monthly income after deduction of 2000 yuan for expenses or additional deductions for expenses in accordance with the provisions of Article 6 of this Law.

Attachment 2:

Table 2 Individual Income Tax Rates
(Applicable to income gained by self-employed industrial and commercial households from production or business operation and income gained by enterprises and institutions from contracted or leased operation)

Grade	Taxable income of the year	Rate(%)
1	Not exceeding 5,000 yuan	5
2	The part of income in excess of 5,000 to 10,000 yuan	10
3	The part of income in excess of 10,000 to 30,000 yuan	20
4	The part of income in excess of 30,000 to 50,000 yuan	30
5	The part of income in excess of 50,000 yuan	35

Note: The "taxable income of the year" in the table refers to the taxable income based on the gross income of a tax year after the deductions for costs, expenses and losses in accordance with the provisions of Article 6 of this Law.