

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

(Adopted at the 3rd Session of the 5th National People's Congress on September 10, 1980, revised for the first time in accordance with the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the 4th Session of the Standing Committee of the 8th National People's Congress on October 31, 1993; revised for the second time in accordance with the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the 11th Session of the Standing Committee of the 9th National People's Congress on August 30, 1999; and revised for the third time in accordance with the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the 18th Session of the Standing Committee of the 10th National People's Congress on October 27, 2005)

Article 1

Individual income tax shall be paid in accordance with the provisions of this Law by individuals who, with or without domiciles in the People's Republic of China, have resided in the country for one year or more on their income gained within or outside China.

Individuals who have no domiciles and do not reside in the People's Republic of China or who have no domiciles but have resided in China for less than one year shall pay individual income tax on their income gained within China in accordance with the provisions of this Law.

Article 2

Individual income tax shall be paid on the following categories of individual income:

- (1) income from wages and salaries;
- (2) income from production or business operation conducted by self-employed industrial and commercial households;
- (3) income from contracted or leased operation of enterprises or institutions;
- (4) income from remuneration for personal services;
- (5) income from author's remuneration;
- (6) income from royalties;
- (7) income from interest, dividends and bonuses;
- (8) income from the lease of property;
- (9) income from the transfer of property;
- (10) incidental income; and
- (11) income from other sources specified as taxable by the department of finance under the State Council.

Article 3

Individual income tax rates:

- (1) For income from wage and salaries in excess of the specified amounts, the progressive rates ranging from 5 percent to 45 percent shall apply (see the appended schedule of tax rates).
- (2) For income of self-employed industrial and commercial households from production or business operation and income of enterprises or institutions from contracted or leased operation that are in excess of the specified amounts, the progressive rates ranging from 5 percent to 35 percent shall apply (see the appended schedule of tax rates).
- (3) For income from author's remuneration, a flat rate which is 20 percent shall apply, and the amount of tax payable shall, however, be reduced by 30 percent.
- (4) For income from remuneration for personal services, a flat rate which is 20 percent shall apply. Where income gained at one time from remuneration for personal services is extremely high, an additive tax may be levied. Specific measures shall be stipulated by the State Council.
- (5) For income from royalties, interest, dividends, bonuses, lease of property, transfer of property, incidental income or income from other sources, a flat rate which is 20 percent shall apply.

Article 4

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

- (1) awards for achievements in such fields as science, education, technology, culture, public health, sports and environmental protection granted by people's government at or above the provincial level, ministries and commissions under the State Council, units of the Chinese People's Liberation Army at or above the corps level or by foreign or international organizations;
- (2) interest on national debts and financial debentures issued by the State;
- (3) subsidies and allowances given according to the uniform regulations of the State;
- (4) welfare benefits, pensions for the family of the deceased and relief payments;
- (5) insurance indemnities;
- (6) military severance pay and demobilization pay for army men;
- (7) settlement pay, severance pay, retirement pay, as well as full-pay retirement pension for veteran cadres and their living allowances, received by cadres, staff and workers according to the uniform regulations of the State;
- (8) income, exempted from tax according to the provisions of the relevant laws of China, of diplomatic representatives and consular officers and other personnel of foreign embassies and consulates in China;
- (9) income exempted from tax as stipulated in the international conventions to which the Chinese Government has acceded or in agreements it has signed; and
- (10) income exempted from tax with the approval of the department of finance under the State Council.

Article 5

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

- (1) income of the disabled, the aged without families, or family members of martyrs;
- (2) suffering great losses from serious natural disasters; or
- (3) other cases in which tax reduction is approved by the department of finance under the State Council.

Article 6

The amount of taxable income shall be computed as follows:

- (1) For income from wages and salaries, the amount of taxable income shall be the part remaining after deduction of 1,600 yuan for expenses from a monthly income;
- (2) For income from production or business operation gained by self-employed industrial and commercial households, the amount of taxable income shall be the part remaining after deduction of the costs, expenses and losses from the gross income in a tax year;
- (3) For income from contracted or leased operation of enterprises or institutions, the amount of taxable income shall be the part remaining after deduction of the necessary expenses from the gross income in a tax year;
- (4) For income from remuneration for personal services, author's remuneration, royalties and lease of property, the amount of taxable income shall be the part remaining after deduction of 800 yuan for expenses from the amount received in a single payment not exceeding 4,000 yuan; or after deduction of 20 percent from the amount for a single payment of 4,000 yuan or more;
- (5) For income from the transfer of property, the amount of taxable income shall be the part remaining after deduction of the original value of the property and the reasonable expenses from the income gained from such transfer; and
- (6) For interest, dividends, bonuses, incidental income and income from other sources, the amount of taxable income shall 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 amount of taxable income in accordance with the relevant regulations of the State Council.

For taxpayers who have no domiciles in China but obtain wages or salaries within China, or who have domiciles in China but obtain wages or salaries outside China, an additional deduction of expenses may be determined on the basis of the average income level, living standard and the changes in exchange rates. The applicable scope and standard of the additional deduction of expenses shall be prescribed by the State Council.

Article 7

For income gained by taxpayers from outside China, the amount of individual income tax paid outside China shall be permitted to be deducted from the amount of tax payable. The amount to be deducted, however, shall not exceed the amount of tax payable as calculated according to the provisions of this Law on income gained by the taxpayer from 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. If a taxpayer receives wages or salaries exceeding the amount provided by the State Council, from two or more sources, without withholding agent, or having other situations provided by the State Council, the taxpayer shall file returns and pay tax personally according to the provisions of the State. The withholding agents shall file withholding returns for all staff with full amount according to the provisions of the State.

Article 9

The tax withheld each month by a withholding agent and the tax payable each month by a taxpayer personally filing tax returns shall be turned in to the State Treasury within the first seven days of the following month and the tax returns submitted to the tax authorities.

The tax payable on income from wages and salaries shall be turned in on a monthly basis by the withholding agents or by the taxpayers to the State Treasury within the first seven days of the following month and the tax returns submitted to the tax authorities. The tax payable on income from wages and salaries from specified trades may be computed on an annual basis and paid in advance in monthly installments, and specific measures therefore shall be formulated by the State Council.

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

The tax payable on income of enterprises and institutions from contracted or leased operation shall be computed on an annual basis and turned in by taxpayers to the State Treasury within 30 days after the end of each year and the tax returns submitted to the tax authorities. Taxpayers who gain income from contracted or leased operation in installments during a year shall pay tax in advance within the first seven days after each installment, and final settlement shall be made within three months after the end of each year; any excess payment shall be refunded and any deficiency repaid.

Taxpayers who earn income outside China shall pay tax to the State Treasury within 30 days after the end of each year and submit the tax returns to the tax authorities.

Article 10

All categories of income shall be computed in terms of Renminbi (RMB). Income in foreign currency shall be taxed on the equivalent amount converted into Renminbi according to the foreign exchange rate quoted by the State Exchange Control Authorities.

Article 11

A service fee of two percent of the amount of tax withheld shall be paid to the withholding agent.

Article 12

The time to start the collection of individual income tax on interest income on savings deposit and measures therefore shall be prescribed 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 formulate regulations for implementation in accordance with this Law.

Article 15

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

Schedule 1**Individual Income Tax Rates**

(Applicable to income from wages and salaries)

Grade	Monthly Taxable Income	Tax Rate (%)
1	Income of 500 yuan or less	5
2	That part of income in excess of 500 to 2,000 yuan	10
3	That part of income in excess of 2,000 to 5,000 yuan	15
4	That part of income in excess of 5,000 to 20,000 yuan	20
5	That part of income in excess of 20,000 to 40,000 yuan	25
6	That part of income in excess of 40,000 to 60,000 yuan	30
7	That part of income in excess of 60,000 to 80,000 yuan	35
8	That part of income in excess of 80,000 to 100,000 yuan	40
9	That part of income in excess of 100,000 yuan	45

(Note: "Monthly taxable income" mentioned in this schedule refers to the amount remaining after deduction of 1,600 yuan for expenses or an additional deduction of expenses from monthly income in accordance with the provisions of Article 6 of this Law.)

Schedule 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 enterprise and institutions from contracted or leased operation)

Grade	Monthly Taxable Income	Tax Rate (%)
1	Income of 500 yuan or less	5
2	That part of income in excess of 5,000 to 10,000 yuan	10
3	That part of income in excess of 10,000 to 30,000 yuan	15
4	That part of income in excess of 30,000 to 50,000 yuan	20
5	That part of income in excess of 50,000 yuan	25

(Note: "Annual taxable income" mentioned in this schedule refers to the amount remaining after deduction of the costs, expenses or losses from the gross income in a tax year in accordance with the provisions of Article 6 of this Law.)