

➤ **Q: How is income from contracted or leased operation of enterprises or institutions assessed for Individual Income Tax?**

A: The income from contracted or leased operation of enterprises or institutions refers to the income derived by individuals from contracted or leased operations and from sub-contracts or sub-leases, including income of profits shared according to the business contracts and income of wage or salary nature.

Where the contractors or leasees own all achievements business operation by simply paying some charges to the principals or lessors according to the contracts (agreements), the Individual Income Tax shall be paid on the basis of the achievements. Where the contractors or leasees only receive a certain income rather than owning the achievements of the business operation according to the contracts (agreements), the Individual Income Tax shall be paid on wages and salaries.

When computing the income tax payable, the balance of the total income of the tax year after deducting necessary expenses (the allowable amount is 800yuan every month at the present) shall be the taxable income. The tax payable shall be computed in accordance with “schedule 2: Individual Income Tax Rates”.

Example:

One contractor Mr. Huang has derived 50000yuan from contracted operation. The deductible expenses allowed are 9600yuan (800yuan*12 =9600yuan). The income tax payable shall be computed as follows:

Annual taxable income = 50000yuan-9600yuan=40400yuan

Annual income tax payable = 40400yuan*30%-4250yuan = 7670yuan

The individuals receiving income from contracted operation from more than one place should aggregate the income derived from all sources for computation and payment of Individual Income Tax.

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