

➤ **Q: How do the investors of the single proprietorship and partnership enterprises report and pay their income tax on production and business income?**

A: The individual Income Tax payable by the single proprietorship and partnership enterprises is computed on an annual basis and prepaid on monthly or quarterly basis. The investors should prepay the tax within 7 days at the end of the month or quarter. The tax shall be settled finally with the excess refunded or the deficiency made up within 3 months at the end of the year.

In case of merging, split-up or termination of individual single proprietorships and partnership in middle of the year, the investors should complete the final settlement of the tax to the competent tax authorities within 60 days after termination of production or business operation.

The investors of single proprietorships and partnerships should report and pay Individual Income Tax to the local competent tax authorities in the location of their actual management. For the production and business income received by the investors from the partnerships, the partnerships should report and pay the Individual Income Tax payable by the investors to the local competent tax authorities in the location of their actual management and copy the Individual Income Tax return to the investors.

The investors investing in two or more enterprises should respectively report and pay Individual Income Tax to the local competent tax authorities. The final settlement at year end shall be handled in consideration of different circumstances as follows:

- a) Where the enterprises are all individual single proprietorships, the investors should respectively report and pay tax to the local competent tax authorities. The applicable tax rate shall be determined on basis of the total income of all enterprises, and the Individual Income Tax payable shall be computed and the final settlement shall be made on the basis of the business income of this enterprise. The specific computation method is: first consolidate the business income of all enterprises of the investor as the taxable income for determining the applicable tax rate and compute the tax payable on all the business income; and then respectively compute the tax payable and the tax to be made up for each enterprise according to the percentages of the business income of each enterprise in the total business income. The formula is:

Taxable income = Total business income of all enterprises

Tax payable = Taxable income \* tax rate - Quick deduction

Tax payable by this enterprise = All tax payable \* business income of this enterprise / Total business income of all enterprises

Tax to be made up by this enterprise = Tax payable by this enterprise - Tax prepaid by this

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enterprise

- b) In case that the some enterprises are of partnership nature, the investor should report and pay the tax and make final settlement to the local competent tax authorities at his frequent residence. Where the location of frequent residence is not consistent with the location of management of the enterprises, the investors should choose the location of one partnership participated by the investor as the location for final settlement that will not change within five years. In need of change after five years, it is required to be approved by the previous competent tax authorities.

When prepaying the Individual Income Tax, the investors should submit to the competent tax authorities the Return for Individual Income Tax on Individual Single Proprietorships and Partnerships enclosed with the annual final accounting statements.

Within 30days at year end, the investors should submit to the competent tax authorities the Return for Individual Income Tax on Individual Single Proprietorships and Partnerships enclosed with the annual final accounting statements and the prepayment certificates of the Individual Income Tax.

When reporting and paying Individual Income Tax to the local competent tax authorities of their location of actual management, the investors investing in two or more enterprises should not down the annual taxable income received from other enterprises. For enterprises of partnership nature, the investors should submit the Consolidated Return of Individual Income Tax for Investors of Partnerships that consolidates the income earned from all enterprises and enclose at the same time all the annual final accounting statements of the enterprises and the tax payment certificates of the year.

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