

➤ **Q: How are interest, dividends, bonuses, contingent income and/or other income assessed for Individual Income Tax?**

A: The income of interest (including interest on saving deposits loans and bonds), dividends and bonuses refers to the interest, dividends and bonuses derived due to ownership of credits and share rights.

Contingent income refers to prizes awarded to individuals, prizes won by individuals, lotteries won by individuals and other income obtained by accident.

Other income refers to the income specified by the financial department of the State Council as taxable other than those listed as taxable in the Individual Income Tax Law. For example, the State Administration of Taxation rules that the income earned by individuals from the payment in cash, in kind and/or in securities made by some units due to year-end work report, various celebrations, business exchange and other activities should be taken as other income and subject to individual Income Tax, and the tax shall be withheld by the paying units. The awarded income received by individuals for whom their employers have paid the insurance premium and to whom no indemnity has ever paid and the discount income and commission rebate income received from security companies shall also be subject to individual Income Tax as other income.

For interest, dividends, bonuses, contingent income and other income specified as taxable by the financial department of the State Council, the taxable income may be the full amount received in each payment and the tax payable shall be computed by the tax rate of 20%.

The formula for computing the income tax payable is the following:

Income tax payable = Full amount in each payment \*20%

Example 1:

Mr. Gu receives dividends of 3000yuan in one payment. The income tax payable is calculated as follows:

Income tax payable = 3000yuan\*20% = 600yuan

Example2:

Mr. Cai won 100000yuan from social welfare lottery. The income tax payable by him is:

Tax payable = 100000yuan\*20% = 20000yuan

Example 3:

The accountant of a company Mr. Li was evaluated as model for tax payment matters by tax department at year end and received 5000yuan as prize. His income tax payable is:

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Tax payable = 5000 yuan\*20% = 1000yuan

In case of payment of dividends by the joint equity enterprises in shares, the face value of the shares should be use in computing the Individual Income Tax.

Whether to levy Individual Income Tax on the interest from the grassroots supply houses , countryside credit enterprises (excluding the interest on saving deposits in the countryside credit enterprises), dividends and bonus earned by individuals shall be decided by the People's Government at provincial level in consideration of the local conditions.



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