

➤ **Q: What are the main exemptions for Individual Income Tax?**

A: The exemptions for Individual Income Tax are mainly the followings:

- a. Awards for achievements in science, education, technology, culture, public health, physical culture and environmental protection granted by the Provincial People's Governments, Ministries and Commissions under the State Council, the People's Liberation Army Units at army level and above and foreign or international organizations.
- b. Interest income on special saving deposits and on bonds as ruled by the State.
- c. Special Government allowances paid in accordance with the State Council regulations, and the allowances and subsidies specified as being exempt from Individual Income Tax by the State Council (such as the academician allowances paid to the academicians of China Science Academy and China Engineering Academy and the allowances paid to the senior academicians)
- d. Welfare benefits (refers to the allowances for life poverty paid out of the union funds or welfare reserves drawn by enterprises, institutions, governmental organs and social organizations according to relevant rules of the State), survivors pensions and relief payments (refer to the allowances for life poverty paid by the civil department to individuals).
- e. Insurance indemnities.
- f. Military severance payment and demobilization payment received by members of the armed forces.
- g. Settlement payment, severance payment, retirement payment and retirement living allowances received by public servants and workers under State uniform provisions.
- h. Income earned by the diplomatic agents (including ambassadors, ministers, charged affaires, and other staff of embassy with diplomatic title) and consular officers and other personnel in the embassies and consulates in China, who are exempt from tax under the provisions of the relevant laws of China.
- i. Income exempt from tax as stipulated in the international conventions to which the Chinese Government is a party and in the agreements it has entered into.
- j. The house reserves, health insurance and basic aged pensions drawn within the percentage specified by the State or local governments and paid to the designated financial institutions by enterprises and individuals. The portions in excess of the percentage should be included in the wages and salaries of the current period and subject to income tax. The above items drawn shall be exempt from Individual Income Tax also when individuals receive these payments.
- k. The income derived by individuals from transfer of the sole residence used by the individuals themselves for more than five years. To encourage acquisition or exchange of residence, for those who sell residence of their own and plan to buy residence at market price within one year after sale of their residence, all or part of the buying price may be exempt from individual Income Tax.

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The following items are provisionally exempt from individual Income Tax:

- a. Income from the transfer of stock and securities investment funds.
- b. The prizes in form of share rights like shares or investment percentage awarded to individuals by science research institutes and universities for transforming science and technological achievements.
- c. The prize of less than 10000 yuan won for one time by individuals from buying social welfare lottery tickets.
- d. Income from transfer of the sole house self-used for more than five years by individuals.
- e. The award received by individuals for disclosing and assisting various violations and offences.
- f. The commissions received by individuals for withholding taxes
- g. The wages and salaries earned by the experts and scholars during the extension of retirement limits, who are old enough to retire but remain to work for work need and who enjoy the government special allowances.
- h. The wages and salaries earned by foreign experts which are exempt from tax in accordance with the regulations of the State (such as the workers directly dispatched to China by assisting countries for the assistance program, the experts coming to work in China but paid by foreign sources).

In addition, certain tax exemption may be given on the lump sum settlement payment for the employees of the enterprises announced bankrupt, the lump sum payment of compensation received by individuals for termination of work contract with the employers and the business income and the remuneration from personal services earned by lay-off workers engaged in community services.

According to the Compensation Law of the State, the compensation received by the victims due to infringement of the legal rights and interest of citizens by governmental organs and their employees who mis-use their power shall be exempt from Individual Income Tax.

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