

➤ **Q: How to compute and pay the income tax on the wages and salaries earned on annual basis?**

A: The individual Income Tax payable on the wages and salaries earned on annual basis may be computed on annual basis and pre-paid by monthly installments. That is, when taking the monthly basic income, the taxpayers should compute and pre-pay the tax payable on the basis of the income after deduction of 800yuan and by applying the applicable tax rate. At the end of the year after getting the efficiency income, the taxpayers should sum up their income earned during the year and average the total income by 12 months. The tax payable should be computed on the basis of the average income for each month. Then the taxpayers shall make up the balance of tax payable for the whole year.

Example:

Manager Zhao earns monthly basic income of 2000yuan. He obtains an efficiency income 96000 yuan. He obtains an efficiency income of 96000 yuan at year-end. The Individual Income Tax payable by him is computed as:

- a. The tax pre-paid each month: $(2000\text{yuan} - 800\text{yuan}) * 10\% - 25 = 95\text{yuan}$
- b. The total tax pre-paid in whole year: $95\text{yuan} * 12 = 1140\text{yuan}$
- c. Total income of the year: $2000\text{yuan} * 12 + 96000\text{yuan} = 120000\text{yuan}$
- d. The average monthly income: $120000\text{yuan} / 12 = 10000\text{yuan}$
- e. The monthly tax payable: $(10000\text{yuan} - 800\text{yuan}) * 20\% - 375 = 1465\text{yuan}$
- f. The total tax payable for the whole year: $1465\text{yuan} * 12 = 17580\text{yuan}$
- g. The tax to make up at end of the year: $17580\text{yuan} - 1140\text{yuan} = 16440\text{yuan}$

The tax payable for the whole year may be computed by the following formula:

Tax payable of the year = [(The sum up of total basic income of the year and the efficiency income/12-Standard deduction) *Applicable tax rate-Quick Deduction]*12

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