

The mode, time limit and place for individual income tax payment

The income paying units or individuals shall be the withholding agents for withholding the Individual Income Tax. The withholding agents should fully withhold the tax and report the tax according to the rules of the State, that is to report to the tax office the basic information of income payment, amount of income, tax withheld and total and other tax relevant information.

In withholding the tax, the withholding agents should issue to the taxpayers the tax withholding certificates that are printed uniformly by the tax department. Regarding wages and salaries income and interest, dividend and bonus income for which it is not convenient to issue the tax withholding certificates for the reason of massive number of taxpayers, the tax withholding agents may, upon approval by the competent tax department, not issue the above certificates, but they should notify in certain way the taxpayers of the income tax withheld.

Where taxpayers are employed by enterprises and other economic organizations in China or government and dispatched to work abroad, the dispatching units in China shall be the withholding agents for them if their income is paid or borne by the dispatching units in China, or the dispatching units in China may be entrusted to withhold their Individual Income Tax if their income is paid or borne by the Chinese establishments abroad.

In one of the following cases, the taxpayers should go to the tax office for tax report:

- 1) Annual income is over 120000yuan.
- 2) Receive wages or salaries from two or more payers.
- 3) Receive income from abroad.
- 4) Have no withholding agents.
- 5) Other cases ruled by the State Council.

Among them, the taxpayers with annual income over 120000 yuan should go to the tax office within 3 months after the end of the year. In general, The taxpayers receiving income from abroad or from two sources or more in China may choose one place for reporting and payment of Individual Income Tax. Any change of place for tax reporting and payment should be approved by the previous competent tax offices.

The foreigners temporarily coming to China to work or providing services in several places should follow the time specified by the tax laws for tax reporting and report and pay the tax locally at the place when the time is the reporting time. The taxpayers may also fix one place for tax reporting and paying.

When taxpayers file tax returns by themselves, the tax already withheld in China may be deducted from the tax payable in accordance with relevant regulations.

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The tax withheld by the withholding agents on monthly basis, and the tax paid by the self-reporting individuals, should be paid to the State Treasury within the first seven days of the following month, and submit tax returns to the local competent tax offices at the same time.

The Individual Income Tax on wages and salaries is computed and paid on monthly basis. The withholding agents or the taxpayers should remit the tax to the treasury within the first 7 days of the following month and hand over the tax return to the local tax offices.

The wages and salaries income tax payable for some specific industries (refers to the industries with monthly wages and salaries up and down due to production volume or seasonal reasons, such as the digging industry, ocean-going shipment industry or ocean-going fishery industry) may be computed on annual basis and pre-paid in monthly installments in accordance with the relevant regulations of the State. The tax shall be settled at the end of the year with the excess rebated or the deficiency made up.

The Individual Income Tax payable on the production and business operation income of the individual industrial and commercial households with sound scouting records shall be computed on annual basis and pre-paid by the taxpayers on monthly basis within the first 7 days of the following month. A final settlement shall be made within 3 months after the end of the tax year with the excess refunded and the deficiency made up.

The individual industrial and commercial households under self-reporting collection mode may, upon approval by the competent tax authorities, lodge tax returns by mail, and the seal date of the post office in the sending place shall be the date of the report.

The Individual Income Tax payable by the individual industrial and commercial households without complete accounting records shall be paid by the approaches determined by the local competent tax offices according to tax law (at present, the approach of presumptive tax on regular basis is popular).

The Individual Income Tax payable on the income of enterprises and institutions from contracted or leased operation shall be computed on annual basis and paid to the State Treasury within thirty days after the end of each tax year, together with the tax returns filed with the local competent tax offices.

For the income received in several payments during one year for contracting or leasing operation, the Individual Income Tax should be pre-paid within 7 days after receipt of each payment. A final settlement at year end shall be made with the excess refunded and the deficiency made good within three months after the end of the year.

The Individual Income Tax payable by the single proprietorship and partnership enterprises is computed on an annual basis and pre-paid on monthly or quarterly basis. The investors should pre-pay the tax within 7 days at the end of the month or quarter. The tax shall be settled finally with the excess

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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 partnerships 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:

1) 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 formulas are:

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 enterprise

Example:

One citizen opened A and B individual single proprietorship enterprises in Beijing and Shanghai. The taxable income of A and B of the current year were respectively 20000 yuan and 40000 yuan on which he had prepaid the income of 4500 yuan and 9000 yuan respectively to the local tax departments. At the year end when he reported the income tax to the two tax offices, he should first consolidate the taxable income of A and B and then compute the tax payable on total business income. And then he should compute the tax payable of A and B and the tax to be made up based on the proportion of income to the total income. The computation is as follows:

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Total taxable income = 20000yuan + 40000yuan = 60000 yuan
Total tax payable = 60000 yuan *35% - 6750 yuan =14250yuan
Tax payable by A = 14250yuan * 20000yuan / 60000yuan =4750yuan
Tax payable by B= 14250 yuan *40000yuan / 60000yuan =9500yuan
Tax to be made up by A = 4750yuan- 4500yuan = 250yuan
Tax to be made up by B= 9500yuan – 9000yuan =500yuan

2) In case that the some enterprises are of partnership nature, the incest or 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 b the investor as the location for final settlement that will not change within five ears.

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 accounting statements.

Within 30 days 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 note 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.

Taxpayers receiving income from both sources inside and outside China should separately report and pa their Individual Income Tax.

The taxpayers who derive income outside China an dare obliged to report and pay tax by themselves should report and pay the Individual Income Tax to the competent tax department of China within thirty days after the end for each tax year. In case that it is hard to follow the above rules for the reason that the income source country has different tax year from that in China, the taxpayers may, upon approval by the competent tax department of China, report and pay the tax to the competent tax department of China within 30 days after the end of the tax year of the income source country and settlement of tax in the income source country.

Where taxpayers are unable to report and pay Individual Income Tax within the time limit, they should entrust other people for tax report and payment or file return and pay tax by mail.

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