

## Individual Income Tax Law of the People's Republic of China

Updated: 2023-09-12 Source: NPC

### Individual Income Tax Law of the People's Republic of China

*(Adopted at the Third Session of the Fifth National People's Congress on September 10, 1980; amended for the first time in accordance with the Decision on Revising the Individual Income Tax Law of the People's Republic of China adopted at the 4th Meeting of the Standing Committee of the Eighth National People's Congress on October 31, 1993; amended for the second time in accordance with the Decision on Revising the Individual Income Tax Law of the People's Republic of China adopted at the 11th Meeting of the Standing Committee of the Ninth National People's Congress on August 30, 1999; amended for the third time in accordance with the Decision on Revising the Individual Income Tax Law of the People's Republic of China adopted at the 18th Meeting of the Standing Committee of the Tenth National People's Congress on October 27, 2005; amended for the fourth time in accordance with the Decision on Revising the Individual Income Tax Law of the People's Republic of China adopted at the 28th Meeting of the Standing Committee of the Tenth National People's Congress on June 29, 2007; amended for the fifth time in accordance with the Decision on Revising the Individual Income Tax Law of the People's Republic of China adopted at the 31st Meeting of the Standing Committee of the Tenth National People's Congress on December 29, 2007; amended for the sixth time in accordance with the Decision on Revising the Individual Income Tax Law of the People's Republic of China adopted at the 21st Meeting of the Standing Committee of the Eleventh National People's Congress on June 30, 2011; and amended for the seventh time in accordance with the Decision on Revising the Individual Income Tax Law of the People's Republic of China adopted at the 5th Meeting of the Standing Committee of the Thirteenth National People's Congress on August 31, 2018)*

**Article 1** An individual who is domiciled in China, or an individual who is not domiciled in China but has resided in China for an aggregate of 183 days or more within a tax year, shall be regarded as a resident individual. Income received by a resident individual from within China or overseas shall be subject to individual income tax pursuant to the provisions of this Law.

An individual who is not domiciled in China and does not reside in China, or an individual who is not domiciled in China but has resided in China for less than an accumulated 183 days within a tax year, shall be regarded as a non-resident individual. Income received by a non-resident individual from within China shall be subject to individual income tax pursuant to the provisions of this Law.

A tax year shall start from January 1 and end on December 31 within a calendar year.

**Article 2** The following categories of individual income shall be subject to individual income tax:

- (1) Income from salary and wages;
- (2) Income from remuneration for personal services;

- (3) Income from author's remuneration;
- (4) Income from royalties;
- (5) Income from business operation;
- (6) Income from interest, dividends or bonuses;
- (7) Income from leasing of assets;
- (8) Income from transfer of assets; and
- (9) Incidental income.

For forms of income (1) through (4) in the preceding paragraph (hereinafter collectively referred to as "Comprehensive Income") earned by a resident individual, they shall be aggregated on a tax year basis to calculate the individual income tax payable while the same earned by a non-resident individual shall be calculated separately on a monthly or transaction basis. For forms of income (5) through (9) in the preceding paragraph, the individual income tax payable shall be calculated separately pursuant to the provisions of this Law.

**Article 3** Individual income tax rates:

- (1) For comprehensive income in excess of the specified amounts, progressive tax rates ranging from 3 percent to 45 percent shall apply (see schedule of tax rates attached);
- (2) For income from business operation in excess of the specified amounts, progressive tax rates ranging from 5 percent to 35 percent shall apply (see schedule of tax rates attached); and
- (3) For income from interest, dividends or bonuses, income from leasing of assets, income from transfer of assets, and incidental income, a flat tax rate of 20 percent shall apply.

**Article 4** The following categories of individual income shall be exempted from individual income tax:

- (1) Prize money for achievements in such fields as science, education, technology, culture, public health, sports and environmental protection, granted by at least people's governments at the provincial level, ministries and commissions under the State Council, or corps of the Chinese People's Liberation Army, or by foreign or international organizations;
- (2) Interest on the national debt or on financial bonds issued by the State;
- (3) Subsidies and allowances paid according to the uniform provisions issued by the State;
- (4) Welfare benefits, benefits for the family of the deceased or disabled, and relief payments;

- (5) Insurance compensation;
  - (6) Military severance pay, demobilization pay and gratuities for army personnel;
  - (7) Settlement pay, severance pay, basic pension or retirement pay, payments and living allowances for retired veteran cadres, that are paid to cadres and employees according to the uniform provisions issued by the State;
  - (8) Income of diplomatic representatives, consular officers and other personnel of foreign embassies and consulates to China, which, pursuant to provisions of relevant laws, shall be exempted from tax;
  - (9) Tax-exempt income stipulated under the international conventions to which the Chinese government is a member, or agreements which the Chinese government has signed; and
  - (10) Other tax-exempt income as stipulated by the State Council.
- Any tax exemption provisions aforementioned in item (10) of the preceding paragraph shall be submitted by the State Council to the Standing Committee of the National People's Congress for the record.

**Article 5** Individual income tax may be deduced in any of the following circumstances. The specific range and period of validity of the tax reduction shall be determined by the people's government of a province, autonomous region or municipality directly under the Central Government and be submitted to the Standing Committee of the People's Congress at the same level for the record:

- (1) Income received by disabled persons, elderly persons with no family, or the close family of martyrs; or
- (2) Individuals suffering heavy losses as a result of natural disasters;

The State Council may stipulate other circumstances for tax deduction, and the stipulation shall be submitted to the Standing Committee of the National People's Congress for the record.

**Article 6** The amount of taxable income shall be calculated as follows:

- (1) For comprehensive income received by a resident individual, the amount of taxable income shall be the balance after deduction of RMB 60,000 yuan, special deductions, itemized deductions for specific expenditures, and other deductible items determined pursuant to law, from the modified income in a tax year.
- (2) For income received from salary and wages by a non-resident individual, the amount of taxable income shall be the balance after deduction of RMB 5,000 yuan from his or her monthly income. For income from remuneration for personal services, author's remuneration or royalties, the taxable income shall be the amount received in a single payment.
- (3) For income from business operation, the amount of taxable income shall be the balance after deduction of costs, expenses and losses from the gross income in a tax year.

(4) For income from leasing of assets, the amount of taxable income shall be the balance after deduction of RMB 800 yuan from the amount received in a single payment not exceeding RMB 4,000 yuan; or after deduction of 20 percent from the amount for a single payment of RMB 4,000 yuan or more.

(5) For income from transfer of assets, the amount of taxable income shall be the balance after deduction of the original value of the asset and reasonable expenses, from the income gained from such transfer.

(6) For interest, dividends, bonuses, and incidental income, the amount of taxable income shall be the full amount received in each payment.

The modified income from remuneration for personal services, author's remuneration and royalties shall be the balance after deduction of 20 percent from the income received. Income from author's remuneration shall be further reduced and taken as 70 percent of the amount calculated from above.

Amounts donated out of individual income to education, poverty alleviation or other public welfare undertakings, may be deducted from the taxable income, so long as the donation does not exceed 30 percent of the declared taxable income. Where the State Council stipulates that the full amount of a donation made to public welfare undertakings is deducted from the taxable income, such provisions shall prevail.

Special deductions stipulated in Subparagraph (1) of the first paragraph of this Article shall include basic old-age insurance, basic medical insurance, unemployment insurance and other social insurance contributions, as well as housing provident fund contributions made by resident individuals in accordance with the scope and standards provided by the State; itemized deductions for specific expenditures shall include expenditure on children's education, his own continuing education, medical treatment for serious illness, housing loan interest or housing rent, and supporting the elderly, whose details in scope, standards and implementation steps shall be determined by the State Council, and then be submitted to the Standing Committee of National People's Congress for the record.

**Article 7** Where a resident individual obtains income from outside of China, individual income tax paid overseas can be credited against their tax payable in China; however, the tax credit may not exceed the individual income tax that would be payable on the foreign income if calculated in accordance with this Law.

**Article 8** In any of the following circumstances, the tax authorities have the power to make a tax adjustment by using reasonable methods:

(1) Where a transaction between an individual and his or her related party that is not in accordance with the arm's length principle has been completed, without good cause, and led to decreased tax payable for the individual or his/her related party;

(2) Where a resident individual, who by himself or jointly with a resident enterprise controls an enterprise that was established in a country (region) where the effective tax burden is distinctly low, does not distribute the profits attributable to the resident individual or reduces the distribution of those profits, without a reasonable cause of operation or management; or

(3) Where an individual enters into an arrangement without a reasonable commercial purpose, leading to inappropriate tax benefits.

Where additional tax payment is required after tax adjustment made by a tax authority under the preceding paragraph, the payment shall be made, with late payment surcharge levied according to law.

**Article 9** The taxpayer, for individual income tax purposes, shall be the person who receives the income. Organizations or individuals that make a payment of income shall be the withholding agents.

Where a taxpayer has the Chinese Citizens' Identity Number, his Identity Number shall be the taxpayer identification number; where a taxpayer has no Chinese Citizens' Identity Number, the tax authority shall issue a taxpayer identification number to the taxpayer. A taxpayer must provide his taxpayer identification number to the withholding agent when the latter withholds and pays the tax.

**Article 10** In any of the following circumstances, a taxpayer shall file a tax return in accordance with the law:

- (1) Where the taxpayer obtains comprehensive income for which the annual tax reconciliation return is required;
- (2) Where the taxpayer obtains taxable income but there is no withholding agent;
- (3) Where the taxpayer obtains taxable income but the withholding agents has failed to withhold and pay the tax;
- (4) Where the taxpayer obtains income from overseas;
- (5) Where the taxpayer emigrates to another country and cancels his Chinese household registration;
- (6) Where a non-resident individual obtains salary and wages from two or more sources within China; or
- (7) Any other circumstances stipulated by the State Council.

The withholding agent shall, in accordance with the national rules, withhold and pay tax in full for all its taxpayers, and furnish each individual taxpayer with information on his individual income and the tax withheld and paid, etc.

**Article 11** Where a resident individual obtains comprehensive income, his individual income tax shall be calculated on an annual basis. Where there is a withholding agent, the withholding agent shall withhold and prepay tax on a monthly basis or when the taxable income arises; where the annual tax reconciliation return is needed, it shall be filed within the period from March 1 to June 30 of the year following that in which the income was obtained. Regulation for withholding and prepayment shall be formulated by the department under the State Council responsible for tax administration.

Where a resident individual provides the withholding agent with information on his itemized deductions for specific expenditures, the withholding agent shall deduct relevant items from the resident individual's taxable income in

accordance with regulations when making the monthly withholding and prepayment, and may not refuse the deduction.

Where a non-resident individual obtains income from salary or wages, remuneration for personal services, author's remuneration or royalties and where there is a withholding agent, the withholding agent shall withhold

and pay tax on a monthly basis, or when taxable income arises. Annual tax reconciliation return shall not be required for that case.

**Article 12** Where a taxpayer obtains income from business operation, the individual income tax shall be calculated on an annual basis. The taxpayer shall file the tax return for such income with the tax authority and prepay the tax within 15 days after the end of each month or quarter. The annual tax reconciliation return shall be filed by March 31 of the following year after obtaining the income.

Where a taxpayer obtains income from interest, dividends and bonuses, leasing of assets, transfer of assets or incidental income, the individual income tax shall be calculated on a monthly basis or when the taxable income arises. Where there is a withholding agent, the withholding agent shall withhold and pay tax on a monthly basis or as and when the taxable income arises.

**Article 13** Where a taxpayer obtains taxable income but there is no withholding agent, the taxpayer shall file the tax return with the tax authority and pay tax by the 15th day of the month following that in which the income was obtained.

Where a taxpayer obtains taxable income and the withholding agent has failed to withhold and pay tax, the taxpayer shall pay the tax before June 30 of the year following that in which the income was obtained. Where a tax authority sets a time limit for the tax payment, the taxpayer shall pay within the allotted time.

Where a resident individual obtains income from overseas, he or she shall declare such income within the period from March 1 to June 30 of the year following that in which the income was obtained.

Where a non-resident individual obtains salary and wages from two or more sources within China, he shall declare such income by the 15th day of the month following that in which the income was obtained.

Where a taxpayer cancels the Chinese household registration as a result of emigration, he shall complete tax settlement and clearance before de-registration.

**Article 14** Where tax is withheld by a withholding agent, whether on a monthly or transaction basis, it shall be turned over to the state treasury by the 15th day of the month following that in which it was withheld. The tax return for individual income tax withheld shall also be filed with the tax authority.

Where a taxpayer files an annual tax reconciliation in order to obtain a tax refund or where a withholding agent does so for the taxpayer, the tax authority shall deal with the tax refund after review and confirmation in accordance with the relevant regulations on administration of the state treasury.

**Article 15** The public security authorities, the People's Bank of China, financial regulator and other relevant departments shall assist the tax authorities in verifying taxpayers' identities and information of their financial

accounts. Departments of education, health, medical security, civil affairs, human resources and social security, housing and urban-rural development, public security, the People's Bank of China, financial regulator and other

relevant departments shall provide tax authorities with information on itemized deductions for specific expenditures of taxpayers, including expenditures on their children's education, their own continuing education, medical treatment of a serious illness, housing loan interest or housing rent, and supporting the elderly.

For transfer of immovable property by individuals, the tax authorities shall verify the payable individual income tax based on relevant information such as the registration for the immovable property. Where a transfer of immovable property is being registered, the registration authority shall examine the certificate for payment of individual income tax on the transfer. Where a transfer of equity shares is being registered, the registration authority for market players shall examine the certificate for payment of individual income tax on the share transfer.

The relevant departments shall incorporate information on compliance with this Law by taxpayers and withholding agents into the credit information system in accordance with law, and implement joint incentives or sanctions.

**Article 16** All forms of income shall be calculated in RMB. Where an income is paid in a foreign currency other than RMB, it shall be taxed after being converted into RMB based on central parity rate.

**Article 17** A handling fee of 2 percent of the amount of tax withheld shall be paid to withholding agents.

**Article 18** The levy, reduction and cessation of levying individual income tax on interest from saving deposits, as well as specific measures thereof, shall be stipulated by the State Council, and be submitted to the Standing Committee of National People's Congress for the record.

**Article 19** Where a taxpayer, withholding agent or a tax authority or a staff member thereof, violates this Law, its legal liability shall be investigated in accordance with the Law of the People's Republic of China on the Administration of Tax Collection and other relevant provisions of laws and regulations.

**Article 20** The administration of the collection of individual income tax shall be subject to provisions of this Law and the Law of the People's Republic of China on the Administration of Tax Collection.

**Article 21** The State Council shall, pursuant to provisions of this Law, formulate regulations for its implementation.

**Article 22** This Law shall go into effect from the date of its promulgation.



## Individual Income Tax Rates

*(Applicable to Comprehensive Income)*

Grade	Annual Taxable Income	Tax Rate (%)
1	Income not in excess of RMB 36,000 yuan	3
2	That part of income in excess of RMB 36,000 yuan to RMB 144,000 yuan	10
3	That part of income in excess of RMB 144,000 yuan to RMB 300,000 yuan	20
4	That part of income in excess of RMB 300,000 yuan to RMB 420,000 yuan	25
5	That part of income in excess of RMB 420,000 yuan to RMB 660,000 yuan	30
6	That part of income in excess of RMB 660,000 yuan to RMB 960,000 yuan	35
7	That part of income in excess of RMB 960,000 yuan	45

(Note 1: Annual Taxable Income in this schedule refers to the amount of Comprehensive Income received by a resident individual in a tax year, after deduction of RMB 60,000 yuan, specific deductions, itemized deductions for specific expenditures and other deductible items determined by Law, in accordance with Article 6 of this Law.

Notes 2: For income received by a non-resident individual from salary and wages, remuneration for personal services, author's remuneration and royalties, the tax payable shall be calculated on a monthly basis as converted from this schedule.)



## Individual Income Tax Rates

*(Applicable to Income from Business operation)*

Grade	Annual Taxable Income	Tax Rates (%)
1	Income not in excess of RMB 30,000 yuan	5
2	That part of income in excess of RMB 30,000 yuan to RMB 90,000 yuan	10
3	That part of income in excess of RMB 90,000 yuan to RMB 300,000 yuan	20
4	That part of income in excess of RMB 300,000 yuan to RMB 500,000 yuan	30
5	That part of income in excess of RMB 500,000 yuan	35

(Note: Annual Taxable Income in this schedule refers to the amount of income after deduction of costs, expenses and losses in a tax year, in accordance with Article 6 of this Law.)