



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

**EXPLAINING THE MONTHLY PAYROLL WORK IN CHINA:
WHAT DOES YOUR PAYROLL MANAGER DO?**

Presented by David Niu

Senior Manager - Human Resources and Payroll Service,
Beijing Office

About Dezan Shira & Associates



- We are a specialist foreign direct investment practice, providing corporate establishment, business advisory, tax advisory and compliance, accounting, payroll, due diligence and financial review services to multinational companies investing in Asia.
- Since 1992, the firm has grown into one of Asia's most versatile full-service consultancies with operational offices across Asia.
- The firm has won several prestigious international awards for innovation and best practice and currently employs over 180 legal, tax, accounting and audit professionals servicing multinational retained clients from some 80 different countries.

Our Global Presence



- Offices across China, Hong Kong, India, Singapore, and Vietnam.
- Liaison offices in Germany, Italy, and the United States.
- Dezan Shira Asian Alliance offices in Indonesia, Malaysia, the Philippines, and Thailand



➤ **Some concerns related to the payroll work in China**

- How does monthly payroll operate in China?
- What exactly does the HR manager do every month?
- Without clear concept of how monthly payroll plays a role in HR system, it might slow down operation efficiency for your company.

Agenda



- I. General Introduction on Monthly Payroll Work, and the initial Setup on Company's Payroll Function**
- II. Payroll Work Procedure, and the Sample of Payroll Report or other Outputs**
- III. A Sample Timeframe for Monthly Payroll Processing**
- IV. Annual Compliance Work**



Introduction on Monthly Payroll Work, & Payroll Function Initial Setup



- **Basic elements to build up the payroll function**
 - HR files creation
 - Labor Contract (劳动合同)
 - Employee Handbook ([员工手册](#))
 - Register of Employees (职工名册)
 - Others (其他)
 - [Company account opening from social insurance and housing funds bureaus](#)
 - Salary payment function setup, e.g., wire transfer, cash
 - Additional Medical Insurance
 - Service vendor selection (when outsourcing some functions, e.g, social insurance or buying additional medical insurance)
- **Decide the appropriate form of employment ([用工形式](#))**



Labor Contract Law of the People's Republic of China Effective Date: 2013.07.01

Article 7

- An employer shall be deemed to have established a Labor relationship with a worker with effect from the date of employment. Employers shall **establish a register of employees** (职工名册) for inspection purpose.

Article 10

- A written Labor contract shall be concluded for the establishment of a Labor relationship.
- Where a written Labor contract is not concluded simultaneously with the establishment of a Labor relationship, a written Labor contract shall be concluded **within one month from the date of employment**.
- Where an employer and a worker have concluded a Labor contract prior to employment, the Labor relationship shall be deemed established on the date of employment.

Article 14

- Where an employer fails to conclude a written contract with a worker **after one year has lapsed since the date of employment**, the employer and the worker shall be deemed to have concluded a non-fixed-term labor contract.

Article 82

- Where an employer fails to conclude a Labor contract with a worker **within the period of more than one month but less than one year** from the date of employment, the employer shall pay the worker **double wages each month**. Where an employer violates the provisions of this Law in failing to conclude a non-fixed-term Labor contract with a worker, the employer shall pay the worker double wages each month with effect from the date of conclusion of non-fixed-term Labor contract.

Sample – Employee Handbook (basic content)



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Sample – Employee Handbook (Standards of Employment)



1. 聘用原则

Standards of Employment

1.1. 公司聘用员工本着面向社会、公开招聘、择优录取的原则。

We are a non-discriminating employer, and we select our employees on a competitive basis.

1.2. 应聘员工如有以下情况之一的，公司不予录取；如果被录取后，公司发现员工有隐瞒以下情况之一的，公司有权立即予以解聘并不承担任何赔偿责任：

A job applicant shall not be employed if he or she is in any of the following situations, and the company has the right to dismiss the job applicant without paying any severance pay if the job applicant is found to have concealed any of the following facts after being employed:

a. 未与原单位依法解除劳动合同的；

Has not legally terminated his/her employment contract with his/her previous employer.

b. 未满 16 周岁的未成年人；

Is a minor under the age of 16 years.

c. 与原单位签有竞业禁止协议并会影响其在工作，入职时未声明的；

Has not disclosed to the company that he/she has signed non-competition agreement with his/her previous employer that will affect his/her work for the company;

d. 应聘时，提供虚假个人材料的；或

The personal materials submitted for the job application are false; or

Payroll Function Set-up

Sample – HR Files (1/3)



No.	Name	Relevant Policy	Content
1	Labor Contract	Labor Contract Law of the People's Republic of China	In addition to the 17th clause of a Labor Contract stipulated in the preceding paragraph, an employer and a worker may agree on the probationary period, training, confidentiality, supplementary insurance and welfare and incentives etc.
2	Position Notification	《Labor Contract》 the 8th Clause. In the practice, the employer tend to ignore the initiative to inform obligation, causing a "fraud" and led to a labor contract is invalid and pay employee legal risk of loss.	Job duties, working conditions, work premises, occupational hazards, work safety and health conditions, Labor remuneration etc.
3	Register of Employees	《Labor Contract》 the 7th Clause: Employers shall establish a register of employees for inspection purpose. 《Implementation Regulations》 the 33rd Clause were also added.	The employee's name, gender, ID number, address, contact information, employment forms, the term of the employment contract etc.
4	Labor Contract Signing Receipt	《Labor Contract》 the 81st Clause: where the template of a Labor contract provided by an employer does not contain the essential clauses of a Labor contract stipulated in this Law or where an employer fails to provide a worker with a copy of the Labor contract, the Labor administrative authorities shall order the employer to make correction; where the worker suffers damages thereto, the employer shall bear compensation liability. The employer only signed a labor contract without delivery to employees, will also face the risk of unnecessary damages.	Labor contract number, name of the employee, ID number, Department, specific job and duty time, the term of the contract, signing time, the labor contract time of receipt, receipt of employees, notes, etc.

Sample – HR Files (2/3)



No.	Name	Relevant Policy	Content
5	Employee Information Record	《Labor Contract》 the 8th Clause: Employer shall have the right to ask about basic information of the worker in direct relation to the Labor contract, the worker shall answer truthfully.If the employee at the time of entry is not real or fraud, will become the future important evidence of the employer terminate the labor contract.	The termination of Labor contract with the former employer, non-competition agreement , health, education, vocational qualifications, knowledge and skills, work experience, family address, family members constitute.
6	The notice of labor contract signed	《Implementation Regulations》 the 5th Clause. In reality, some employees because various reasons would not sign labor contract with the company, at this time to sign labor contract with a written notice is particularly important.	Sign labor contract notice main contents should include: employee name, entry date, date of notification, signing labor way and so on.
7	Work overtime application form	《Labor Contract》 the 31st Clause\85th Clause.	Employee name, date of application to work overtime, work overtime, overtime estimated time, head of confirmation, the personnel supervisor, etc.

Sample – HR Files (3/3)



No.	Name	Relevant Policy	Content
8	The notice of rescinded or terminated labor contracts	Rescind and terminate the labor contract is the only way to end the relation between employee and employer, rescind and terminate the labor contract of the specific time is the important basis of calculate salaries, overtime pay and the amount of economic compensation.	Employee name, the reason of rescind or terminate the labor contract, rescind or terminate the labor contract, the hand-over procedures and time limit, company seal, employee receipt, etc.
9	The certificate of rescinded or terminated labor contracts	《Labor Contract》 the 50th Clause\89th Clause.	The certificate of rescinded or terminated Labor contract, issued by the labor contract shall be indicated the date of the deadline, rescind or terminate the labor contract, position, work in this company of fixed number of year, etc.
10	Letter of intent for labor contract renewal	《Labor Contract》 the 46th Clause: except where an employer proposes to renew a Labor contract by maintaining or raising the provisions of the Labor contract and the worker is not agreeable to the renewal, a fixed-term Labor contract shall be terminated pursuant to the provisions of item (1) of Clause 44, the employer shall make economic damages to the worker.	Employee name, the original labor contract expiration time, the difference between renew the labor contract and the original labor contract, reply deadline, ect.

HR files creation

Relevant Policies – Social Security (Chinese Employee)



Social Security Law of the People's Republic of China

Effective Date: 2011.07.01

Article 2

- *The State shall establish social security systems such as basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, family planning insurance, etc, to protect the rights of citizens for obtaining material assistance from the State and the society pursuant to the law in the circumstances of old age, illness, work injury, unemployment, family planning, etc.*

Article 27

- *Where an individual participating in employees' basic medical insurance has made cumulative contributions for the period stipulated by the State when he/she attains statutory retirement age, he/she shall not be required to contribute basic medical insurance premiums upon retirement, and shall be entitled to basic medical insurance benefits pursuant to the provisions of the State; where an individual has not made cumulative contributions for the period stipulated by the State when he/she attains statutory retirement age, he/she may continue to make contributions up to the period stipulated by the State.*

Article 58

- *An employer shall complete social security registration with the social security agency for its employee within 30 days from the date of recruitment. Where an employer does not complete social security registration, the social security agency shall assess the social security premiums payable by the employer. ❌*

Payroll Function Set-up

Relevant Policies – Social Security (Expatriate > 3 months)



Interim Measures for the Participation in Social Insurance of Foreigners Employed in China

Ministry of Human Resources and Social Security

Effective Date: 2011.10.15

Article 3

- *A foreigner concluding an employment contract with a foreign employer and dispatched to its branch and representative office registered in China (hereinafter "Chinese working unit) shall participate in basic **pension** insurance for employees, basic **medical** insurance for employees, **work injury** insurance, **unemployment** insurance and **maternity** insurance. The insurance premiums shall be paid by the Chinese working unit and the employee him/herself pursuant to relevant provisions.*

Article 5

- *An employer employing foreigners shall conduct social insurance registration **within 30 days** after obtaining the Employment Permit*

Other Regulation

- *upon termination of the China employment/assignment and before retirement, a foreigner who has participated in the PRC Social Security System is able to apply for withdrawal or preservation of the remaining balance cumulated **in his personal account under pension insurance** before he leaves China.*



Regulations on Management of Housing Provident Fund

Effective Date: 2002.03.24

Article 20

- A unit shall pay and **deposit housing provident fund on schedule and in full**, and may not be overdue in the payment and deposit or underpay the housing provident fund.
- For a unit which really has difficulty in paying and depositing the housing provident fund, the payment and deposit rate may, **upon discussion and approval by the staff and workers congress or the trade union of the unit**, be lowered or the payment be deferred upon verification by the housing provident fund management center and approval by the housing provident fund management committee; the payment and deposit rate shall be raised or payment of arrears be made up when the economic efficiency of the unit has improved.

Local Requirement in Beijing

- When employee applying the housing provident fund loans (公积金贷款), it is required to keep paying the housing funds **for continuously 12 months** ❖



➤ Additional Medical Insurance

- As a supplement, it will fully reimburse employee's in-patient or out-patient expenses (in public hospitals)
- Not a statutory requirement (in most cities)
- Required by Beijing government ✂
 - ✓ 京劳社医发(2001) 52号 -52 circular
 - ✓ 京劳社医发(2001) 16号 -16 circular
 - ✓ 京政办发 [2001] 94号 -94 circular

➤ **Employee Personal File Custodial, i.e., Dang An (档案管理)**

- This is a common practice in China. In past decades, the company is responsible to custody the Chinese employee's personal file. At present, it becomes a non-statutory requirement.
- Some companies still engage the certified HR agency to custody its employee's personal file, or only reimburse the custody fee to employee.

Common Additional Medical Insurances (for reference only)



- ✓ Individual accident Insurance
 - worldwide insurance up to RMB200,000; insurance for disease and death in Mainland China up to RMB100,000
- ✓ In-out patient insurance
 - 100% reimbursement on out-patient and emergency expenses and in-patient hospital fees
- ✓ Hospitalization subsidy
 - RMB 100 per day for a maximum of 180 days in one calendar year with 3-day-franchise
- ✓ Medical insurance for employees' children
 - Employees are entitled to 50% reimbursement for the outpatient, emergency, and inpatient services for their children (under the age of 18)

Additional Medical Insurance

Payroll Function Setup – Contract & Enrolling



➤ **Standardize the Employment Contract**

- Signing the contract based on the proper forms of employment
- Fulfil the enrolling procedure

➤ **Enrolling Procedure**

- The Letter of Intent (e.g., offer letter)
- Employment contract (note: collect the “Signing Receipt”)
- Registration in social insurance and housing bureau/tax
- Registration in labor bureau
- Employee Information Record—(note: collect the separation letter with former employer, be aware of the prohibition of business strife 竞业限制)
- Employee personal file custodial – Dang An custodial

➤ **Processing the monthly payroll**



➤ Payroll Report Preparation & Approval

- [Payroll information collection \(from HR files\)](#)
- Cross check and verify information
- Running the Payroll Report
- Submit the payroll report for review and approval

➤ Implementation (after receiving the approval)

- Release the net salary to employee
- Deliver the payslips
- Pay the social insurance, housing funds to the bureau's pool account
- Other payment (e.g., vendor service fee)
- Tax filing



Payroll Work Procedure & Sample of Payroll Reports

Payroll Procedure – setup



➤ Set up the Timing Point on the monthly payroll work

- Cut off Day – the deadline of collecting the monthly payroll information
- Report Day – the day reporting the payroll to the managers
- Payroll Day – the day to release the payment (or tax filing day, insurance pay day)
- Create a 12 months payroll work calendar (in Dec)

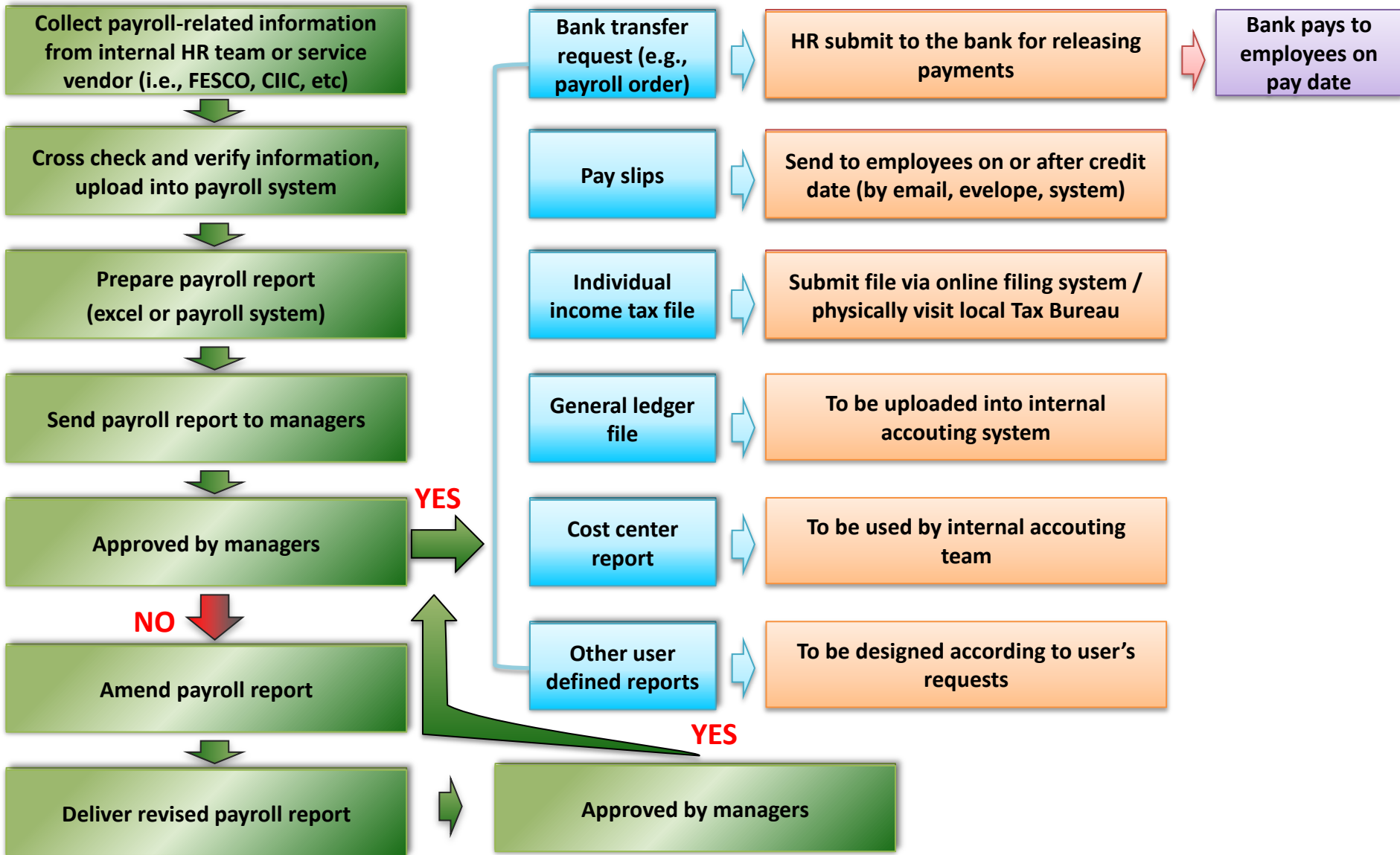
➤ Standardize the HR & Payroll Files

- Employee Information Collection 员工信息采集表 – bank info. for receiving the salary, ID info. for tax filing, etc.
- OT Record,
- Payroll Reports
- Pay Slips

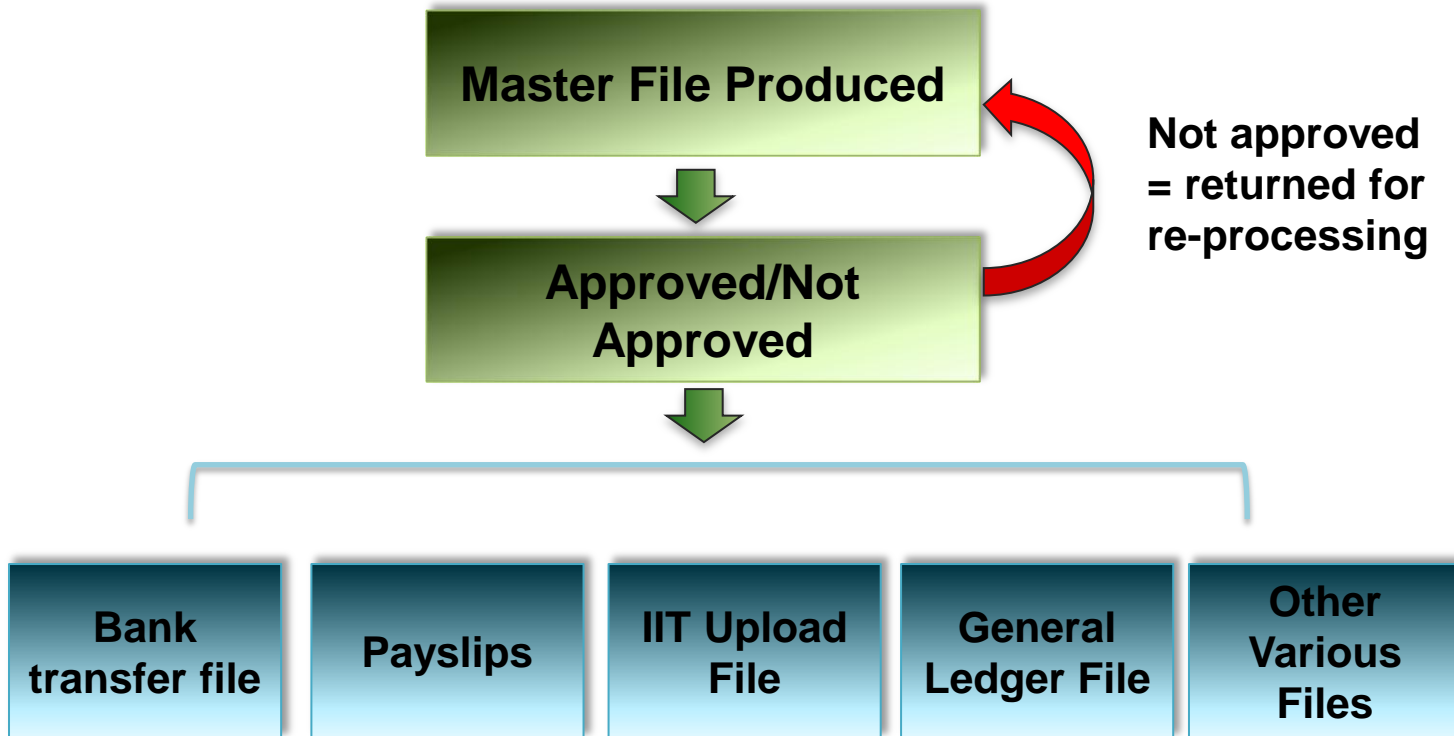
➤ Streamline the Payroll Work Procedure

- Specify the approval procedure, salary releasing, and tax filing procedure
- Streamline the work to avoid the potential risks/oversights

Monthly Payroll Procedure



Approval Process



Payroll Information Collection



➤ Information Taken from HR Files

- For instance - Employee Information Collection 员工信息采集表 , Leave Application Form 年/病假申请表, etc.
- **Make sure filled out and signed by employee**
- Make sure disclaimer is also signed allowing reference check
- Entered Into Standardized Form for Upload (when required by payroll system/software)

➤ **Payroll Information Collection**

- Update the base pay for new joiner, leaver, long term sick-leave or maternity leave
- Overtime Record
- Leave Application Record (e.g., sick leave and annual leave)
- Statutory Social insurance and housing funds
- Subsidy or Special payment (e.g. bonus, stock options, severance, etc.)

Base Salary & its adjustment



➤ Update the Base Salary

- a. New joiner
 - Remuneration package initial inputting
 - Base pay & social insurance
 - Benefits, bonus, etc
 - Base pay calculation based on Time Apportionment Method
 - 21.75 days in a calendar month
- b. Leaver
 - Resigned (i.e., no severance)
 - Layoff with severance or other compensation
- c. Special case
 - Long term sick leave
 - Maternity leave

Overtime & Annual Leave



- **Overtime information downloaded from attendance machine**
 - No. of OT worked in workdays, weekends and public holidays (broken down by machine or provided by internal HR team)
 - a. Workdays: 150% of base
 - b. Weekends: 200% of base
 - c. Public Holidays: 300% of base

- **For untaken annual leave, the employer shall pay 300% of base**
 - Regulations on Paid Annual Leave of Employees (职工带薪年休假条例)
 - Differentiate the **Statutory Annual Leave** and **Benefit Annual Leave** (in labor contract or [employee handbook](#))



Regulations on Paid Annual Leave of Employees State Council of the People's Republic of China Order No. 514 14 December 2007

Article 3

- *Employees, who have worked with their employer for more than one year but less than 10 years cumulatively, shall be entitled to **5 days** of annual leave; employees, who have worked with their employer for more than 10 years but less than 20 years cumulatively, shall be entitled to **10 days** of annual leave; employees, who have worked with their employer for more than 20 years cumulatively, shall be entitled to **15 days** of annual leave.*

Article 5

- *Annual leave may be taken within a year in one or several slots but annual leave **shall generally not be carried forward to the following year**. Where there is a genuine need for employers to arrange for their employees to carry forward their annual leave to the following year due to production or work status, such annual leave **may be taken in the following year**.*
- *Where there is a genuine need that employers are unable to arrange for their employees to take annual leave due to work requirements, **upon the consent by the employees**, the employers may not arrange for their employees to take annual leave, but pay the wage remuneration in lieu of annual leave entitlement **at the rate of 300%** of the daily wage income of the employees for such annual leave period to which he/she is entitled.*

Special Payments



➤ Annual Bonus – special tax preference

The annual bonus can be treated as a separate month salary and divided by twelve to derive the tax rate for payment of IIT. In most of cases, the applicable tax rate will be reduced. **The critical factor is that this method can only be used once in a calendar year.** Other bonus should be added onto the monthly salary as an aggregated amount of taxable salary for IIT computation.

➤ Retention Bonus – *taxed along with monthly salary*

➤ Personal Service Income – *tax rate from 20% to 40% (with tax deduction)*

➤ Non-taxable Allowance for expatriate employee

➤ Severance Pay – *non-competition pay*

➤ Contingent Income – *20% tax rate*

[Payroll Information Collection](#)

Relevant Policies – Severance



Circular – Guoshuifa [1999] 178

- a method of averaging the one-off severance payment over the number of years of employment, subject to a **maximum number of 12 years**, to calculate tax liabilities.
- Housing funds, medical insurance, pension, and unemployment insurance payments are all deductible for the purpose of calculating individual income tax liabilities on severance payment.

Circular – Caishui [2001] 157

- an amount of **up to three times the average remuneration for the previous year is exempt from tax**. Payment in excess of this amount is subject to tax in accordance with the method in the preceding paragraph.
- Some of the local tax bureaus have concluded that the 2001 exemption guidelines **do not apply to foreigners** since the original circular stipulating them was intended to apply to severance pay due to employees of State Owned Enterprises.

[Payroll Information Collection](#)

Tax Incentives for Expatriate (1/2)



- ✓ **Several tax incentives identified for expatriates working in China under the China tax law, for instance:**
- Housing, meal and laundry allowances received in a non-cash form or on a reimbursement basis.
 - Reimbursement of relocation expenses upon commencement or cessation of the expatriate's China assignment.
 - Reasonable traveling allowance for business travel inside or outside China.
 - Reasonable personal trip allowance for home visit, a maximum of two trips per year.
 - Reasonable language training and children tuition allowance.

Tax Incentives for Expatriate (2/2)



✓ To ascertain the non-taxability of such items, certain requirements must be fulfilled:

- Supporting documents such as rental agreements, rent payment official tax invoices, travel expense official tax invoices, and other expense invoices should be submitted to the authorized tax bureau to obtain approval for the amount to be non-taxable.
- So as to be reasonable, the total amount of allowances shall **not exceed 20%-30% of one's basic salary.**
- Such allowances should be paid on a non-cash or on reimbursement basis, e.g., housing allowances are tax exempt only in one of the following situations:
 1. Paid directly by the employer;
 2. Paid by the expatriate and gets reimbursement from the employer
- Such allowances and payment modes (reimbursement basis) shall be explicitly stated in the employment contract of the expatriate. Fixed amounts of allowance stated in the employment contract shall be taxable.



➤ Content of Payroll Reports

- Master file
- Social welfare breakdown (insurance, housing, additional insurance, vendor service fee, etc.)
- Individual Income Tax report (i.e., summary of tax due categorized by tax rate)
- Finance report (i.e., general ledger for bookkeeping purpose)
- Other customized reports

[Payroll Report \(excel\)](#)

Output File – Master File



Dezan Shira Associates 协力管理咨询(深圳)有限公司北京分公司

Employee Payroll Breakdown - 薪酬明细

2015 February

Currency - RMB

Basic Information 基本信息		Income Information 收入明细						Individual Income Tax (IIT) Calculation 个税计算					Net Pay 税后收入			
英文姓名 English Name	中文姓名 Chinese Name	Monthly Taxable Salary			劳务报酬 Personal Service Income	年终奖金 Annual Bonus	收入合计 Total Income	Monthly Salary		年终奖金 个税 IIT for Annual Bonus	劳务报酬 个税 IIT for Personal Service Income	个税合计 Total IIT Amount	税后收入 Net Pay	税后收入 (调整) Net Pay (adj)	免税补贴 Non-taxable Allowance	实发收入 (当期) Payment to Staff
		基本工资 Contract Salary	工资调整 Salary Adj	工资合计 Current Month Salary				税前工资 Monthly Gross Salary	工资个税 IIT for Salary							
Yizhe Zhang	张三	50,000.00		50,000.00			58,400.00	50,400.00	10,723.50			10,723.50	39,004.82	-	8,000.00	47,004.82
John Li	李四	12,000.00		12,000.00		20,000.00	32,400.00	12,400.00	1,002.40	1,895.00		2,897.40	28,389.60	-	-	28,389.60
Wenhao Wang	王五	15,000.00		15,000.00			16,000.00	16,000.00	1,730.75			1,730.75	12,712.25	-	-	12,712.25
Cynthia Yao	姚六	20,000.00		20,000.00			21,000.00	21,000.00	2,869.75			2,869.75	16,129.25	-	-	16,129.25
Chuyu Tan	谭七	12,000.00		12,000.00			13,000.00	13,000.00	367.00			367.00	7,743.00	-	-	7,743.00
Stefanie Zhou	周八	20,000.00		20,000.00			21,000.00	21,000.00	2,647.75			2,647.75	15,463.25	-	-	15,463.25
Wang Ying	汪九	22,000.00	(2,022.99)	19,977.01			20,977.01	20,977.01	2,531.00			2,531.00	15,113.01	-	-	15,113.01
Patricia Zhao	赵十			-	10,000.00		10,000.00	-	-		1,600.00	1,600.00	8,400.00	-	-	8,400.00
Total		151,000.00	(2,022.99)	148,977.01	10,000.00	20,000.00	192,777.01	154,777.01	21,872.15	1,895.00	1,600.00	25,367.15	142,955.18	-	8,000.00	150,955.18

Output File – Master File



Dezan Shira Associates 协力管理咨询（深圳）有限公司北京分公司

Employee Social Welfare Breakdown - 社会保险和公积金明细

Currency - RMB

Basic Information 基本信息					Employer Portion 企业部分							Employee Portion 个人部分					Total Social Welfare	HR Agency Fees
English Name	Chinese Name	Location/Category	Social Insurance Base	Housing Fund Base	Employer-Pension	Employer-Un-employ	Employer-Injury	Employer-Maternity	Employer-Medical	Employer-Housing	Total Employer's Portion	Employee-Pension	Employee-Un-employ	Employee-Medical	Employee-Housing	Total Employee's Portion		
Yizhe Zhang	张三	Beijing	3,000.00	3,000.00	600.00	30.00	15.67	25.07	313.40	360.00	1,344.14	240.00	6.00	65.68	360.00	671.68	2,015.82	100.00
John Li	李四	Beijing	5,000.00	5,000.00	1,000.00	50.00	25.00	40.00	500.00	600.00	2,215.00	400.00	10.00	103.00	600.00	1,113.00	3,328.00	100.00
Wenhao Wang	王五	Beijing	7,000.00	7,000.00	1,400.00	70.00	35.00	56.00	700.00	840.00	3,101.00	560.00	14.00	143.00	840.00	1,557.00	4,658.00	100.00
Cynthia Yao	姚六	Beijing	9,000.00	9,000.00	1,800.00	90.00	45.00	72.00	900.00	1,080.00	3,987.00	720.00	18.00	183.00	1,080.00	2,001.00	5,988.00	100.00
Chuyu Tan	谭七	Beijing	11,000.00	11,000.00	2,200.00	110.00	55.00	88.00	1,100.00	1,320.00	9,746.00	880.00	22.00	223.00	1,320.00	4,890.00	14,636.00	100.00
Stefanie Zhou	周八	Beijing	13,000.00	13,000.00	2,600.00	130.00	65.00	104.00	1,300.00	1,560.00	5,759.00	1,040.00	26.00	263.00	1,560.00	2,889.00	8,648.00	100.00
Wang Ying	汪九	Beijing	15,000.00	15,000.00	3,000.00	150.00	75.00	120.00	1,500.00	1,800.00	6,645.00	1,200.00	30.00	303.00	1,800.00	3,333.00	9,978.00	100.00
Patricia Zhao	赵十	Beijing																
Total					12,600.00	630.00	315.67	505.07	6,313.40	7,560.00	32,797.14	5,040.00	126.00	1,283.68	7,560.00	16,454.68	49,251.82	700.00

Dezan Shira Associates 协力管理咨询（深圳）有限公司北京分公司

Finance Report

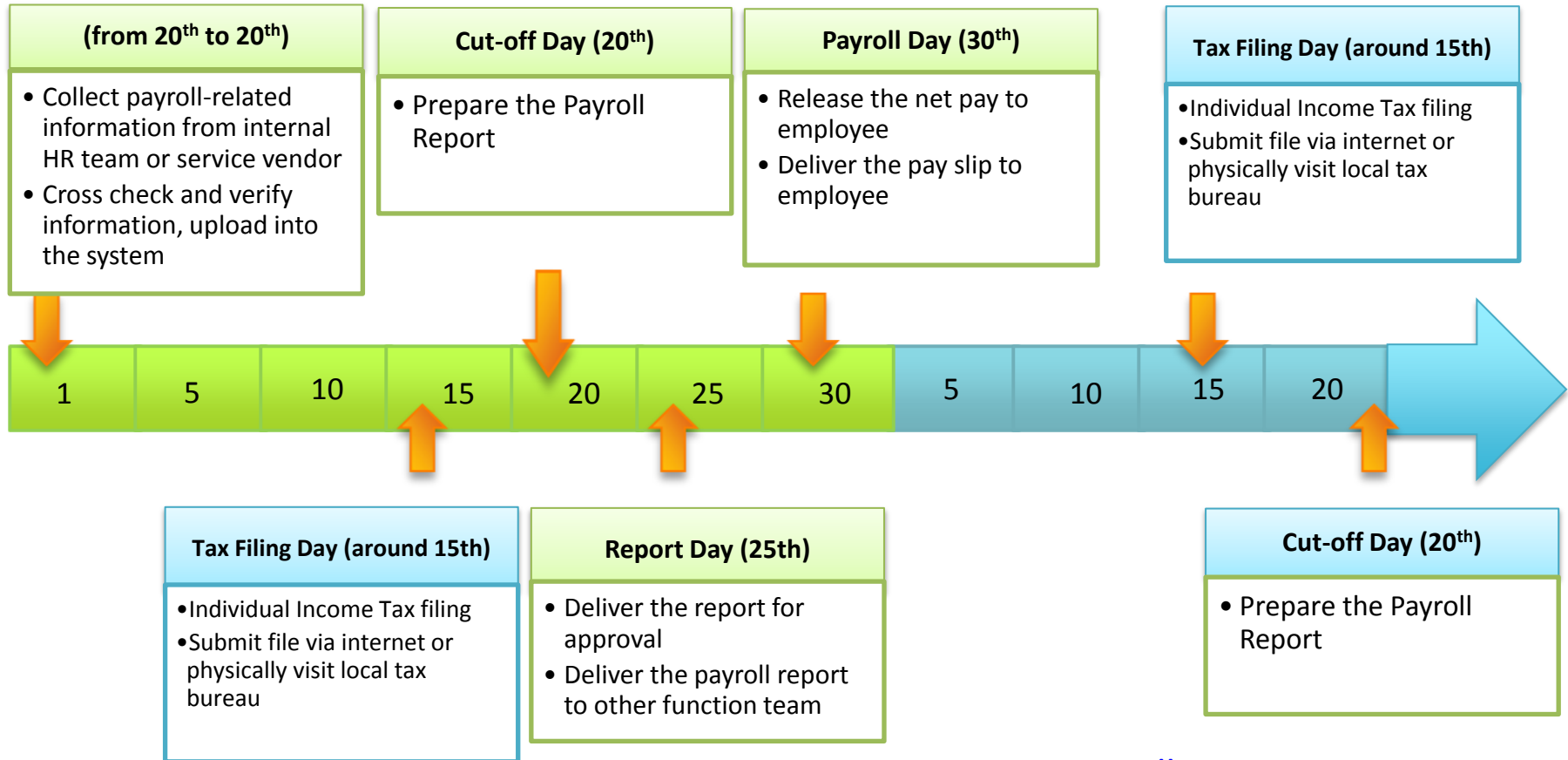
Currency - RMB

	Sum of Current Month Salary	Sum of OT Subsidy	Sum of Travel Subsidy	Sum of Total Non-taxable Allowance	Sum of Spot Bonus	Sum of Comm	Sum of Personal Service Income	Sum of Annual Bonus	Sum of Social Welfare-Employer Portion	Sum of HR Agency Fees	Sum of Total Employment Costs	Sum of Social Welfare-Employee Portion	Sum of IIT for Salary	Sum of IIT for Personal Service Income	Sum of IIT for Annual Bonus	Sum of Payment to Staff
Beijing	148,977.01	500.00	1,000.00	8,000.00	1,500.00	2,800.00	10,000.00	20,000.00	32,797.14	700.00	226,274.15	16,454.68	21,872.15	1,600.00	1,895.00	150,955.18
02	82,000.00	200.00	400.00	8,000.00	600.00	1,200.00			16,849.14	300.00	109,549.14	8,450.68	13,738.25	-	-	70,211.07
01	47,000.00	200.00	400.00	-	600.00	1,200.00		20,000.00	9,303.00	300.00	79,003.00	4,671.00	5,602.90	-	1,895.00	57,231.10
03	19,977.01	100.00	200.00	-	300.00	400.00	10,000.00		6,645.00	100.00	37,722.01	3,333.00	2,531.00	1,600.00	-	23,513.01
Grand Total	148,977.01	500.00	1,000.00	8,000.00	1,500.00	2,800.00	10,000.00	20,000.00	32,797.14	700.00	226,274.15	16,454.68	21,872.15	1,600.00	1,895.00	150,955.18



Timeframe for Monthly Payroll Processing (sample)

Monthly Payroll Process Timeline



[Payroll Function Set-up](#)

Sample of Payroll Calendar



Red = National Holidays
Green = Weekends

Pink = Monthly Individual Income Tax Filing Deadline
Blue = Payroll cut-off day
Red = Payroll report submission deadline

Light Green = Payroll Pay Day
Cyan = Upload Ebank payroll information day

2014 Payroll Calendar

January						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

February						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

March						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

April						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

May						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

June						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

July						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

August						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

September						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

October						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

November						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

December						
Sun	Mon	Tue	Wed	Thur	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			



Annual Compliance Work (mandatory required)

Annual Compliance work



- RMB 120K Reporting (to local tax bureau)
- Base Adjustment (Social Insurance and Housing Funds Bureau)
- Statistic Report (to Statistic Bureau)
- IIT Inspection, e.g., self-exam (to local tax bureau)



➤ **High Earning Income Reporting (exceeding RMB 120K)**

- According to China IIT Regulation, individuals with annual gross income exceeding RMB120,000 shall complete annual IIT self-reporting online, this requirement excludes expatriates stay in China less than 1 calendar year (namely out of China more than 90 days accumulatively or 30 days one time in the calendar year).

➤ **Base Adjustment (Social Insurance and Housing funds)**

- The base amount for the calculation of social insurance is the average monthly salary (**basic salary before tax, overtime pay and allowance**) of each employee in the preceding year.
- The adjustment will be made once a year
 - In Beijing (social insurance in April, and housing in July)
 - In Tianjin (social insurance in January, and housing in July)

High Earning Income Reporting



- ✓ Strictly speaking, this is a requirement for the employee, not the employer
- ✓ However the employer should at least provide the employees with accurate information about their salary so that they can fill out the document and make the submission
- ✓ Many companies will engage an outside provider to help their foreign employees fill out the form and make the submission
- ✓ For expatriate staying in China less than 275 days in a year, it is required to submit the Explanation to the local tax bureau (requirement in Beijing)
- ✓ Deadline for submission – 31st March each year

High Earning Income Reporting



个人所得税纳税申报表 INDIVIDUAL INCOME TAX RETURN

(适用于年所得12万元以上的纳税人申报)

INDIVIDUAL INCOME TAX RETURN
(For individuals with an annual income of over 120,000 Yuan)

所得年份: 2013年

填表日期:

2014年03月03日

金额单位: 人民币元(列至角分)

Year of income incurred:

Date of filing:

Amount in RMB Yuan:

纳税人姓名 Tax payer's name		国籍(地区) Nationality/region	国	身份证号类型 ID Type	护照	身份证号号码 ID number					
任职、受雇单位 Employer		任职受雇单位税务代码 Employer's Tax ID Code		任职受雇单位所属行业 Industry of Employer		职务 Title		职业 Profession	企业管理人员		
在华天数 Days of stay in China	332	境内有效联系地址 Address in China	北京市朝阳区			境内有效联系地址邮编 Post code	100 3	联系电话 Tel number	138		
此行由取得经营所得的纳税人填写 This line is to be filled by taxpayers with business income		经营单位纳税人识别号 Tax ID Code of the business				经营单位纳税人名称 Name of the business					
所得项目 Categories of income	年所得额 Annual Income			应纳税所得额 Taxable income	应纳税额 Tax payable	已缴(扣)税额 Tax pre-paid and withheld	抵扣税额 Tax credit	减免税额 Tax exempted or deducted	应补税额 Tax owed	应退税额 Tax refundable	备注 Notes
	境内 Income from within China	境外 Income from outside China	合计 Total								
1、工资、薪金所得 Wages and salaries		0.00					0.00	0.00	0.00	0.00	
2、个体工商户的生产、经营所得 Income from production or business operation conducted by self-employed industrial and commercial households											
3、对企事业单位的承包经营、承租经营所得 Income from contracted or leased operation of enterprises or social service providers partly or wholly											

Social Welfare - Beijing



Basic social insurance / Housing provident fund payment standard for Beijing

No.	Items	Base number		Paid by Employer		Paid by individuals		The amount of payment RMB/person/month (Excluding business tax)
				Percentage of payment	Amount of payment	Percentage of payment	Amount of payment	
1	Endowment insurance	17,379.00	Employee's average monthly salary in pervious year	20.00%	3,475.80	8.00%	1,390.32	4866.12
2		17,379.00		1.00%	173.79	0.20%	34.76	208.55
3	Medical insurance	17,379.00		9.00%	1,564.11	2.00%	347.58	1911.69
		17,379.00		1.00%	173.79	0.00%	3.00	176.79
4	Injury insurance	17,379.00		0.30%	52.14	0.00%	-	52.14
5	Maternity insurance	17,379.00		0.80%	139.03	0.00%	-	139.03
6	Housing provident fund	17,379.00	Employee's average monthly salary in pervious year	12.00%	2,085.00	12.00%	2,085.00	4170.00
Monthly payment subtotal of employee's social insurance/housing provident fund				44.10%	7,663.66	22.20%	3,860.66	<u>11,524.32</u>

Social Welfare - Tianjin



Basic social insurance / Housing provident fund payment standard for Tianjin

No.	Items	Base number		Paid by Employer		Paid by individuals		The amount of payment RMB/person/month (Excluding business tax)
				Percentage of payment	Amount of payment	Percentage of payment	Amount of payment	
1	Endowment insurance	14,058.00	Employee's average monthly salary in pervious year	20.00%	2,811.60	8.00%	1,124.64	3,936.24
2		14,058.00		2.00%	281.16	1.00%	140.58	421.74
3	Medical insurance	14,058.00		9.00%	1,265.22	2.00%	281.16	1,546.38
		14,058.00		1.00%	140.58			140.58
4	Injury insurance	14,058.00		0.50%	70.29		-	70.29
5	Maternity insurance	14,058.00		0.80%	112.46		-	112.46
6	Housing provident fund	18,180.00	Employee's average monthly salary in pervious year	11.00%	2,000.00	11.00%	2,000.00	4,000.00
Monthly payment subtotal of employee's social insurance/housing provident fund				44.30%	6,681.31	22.00%	3,546.38	<u>10,227.69</u>



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Presenter: David Niu
Contact: david.niu@dezshira.com