



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

How Overseas Talent in the GBA Can Optimize their 2020 Individual Income Tax (IIT)

Sep 29, 2020

Lynn Shenzhen,

Senior associate, Accounting, Audit and Tax Specialist, PRC
Tax

Amber Liu,

Senior Manager, Accounting, Audit and Tax Specialist, PRC
Tax



Agenda:

Section 1: An overview of the IIT subsidy policy

Section 2: Requirements for the IIT subsidy in Shenzhen

Section 3: Key reminders for subsidy application and IIT for foreigners

Section 4: Case Study

Section 5: How DSA can help you

Section 1:

An overview of the IIT subsidy policy



An overview of the IIT subsidy policy

Incentives

- Nine Cities in Guangdong-Hong Kong-Macao Greater Bay Area (GBA)
Guangzhou, Shenzhen, Dongguan, Zhuhai, Huizhou, Zhaoqing, Jiangmen, Foshan, Zhongshan
- Subsidy are granted to qualified overseas (including Hong Kong, Macau and Taiwan) talent who works in the nine cities in order to offset differences in the IIT burden between mainland China and HK.
- Detailed standards for oversea high-end and urgently-needed talents are determined by the government of each city.
- The subsidies will be exempt from IIT.
- The subsidies will be for a period of five years, ending December 31, 2023.

An overview of the IIT subsidy policy

Eligible Income

- – Income from wages and salaries;
 - Income from labor compensation;
 - Author's Remuneration income; and
 - Income from royalties;
- Operating income; and
- Subsidized income from selected talent programs or talent projects.

IIT subsidy policy in Shenzhen

Subsidy Amount

The general policy issued by Guangdong Province stipulates the portion of IIT that the talent paid in the nine cities which exceeds 15 percent of their taxable income could enjoy financial subsidy from the governments of the 9 cities in a calendar year.

The subsidy amount = the amount of IIT paid in 9 cities– taxable income × 15%

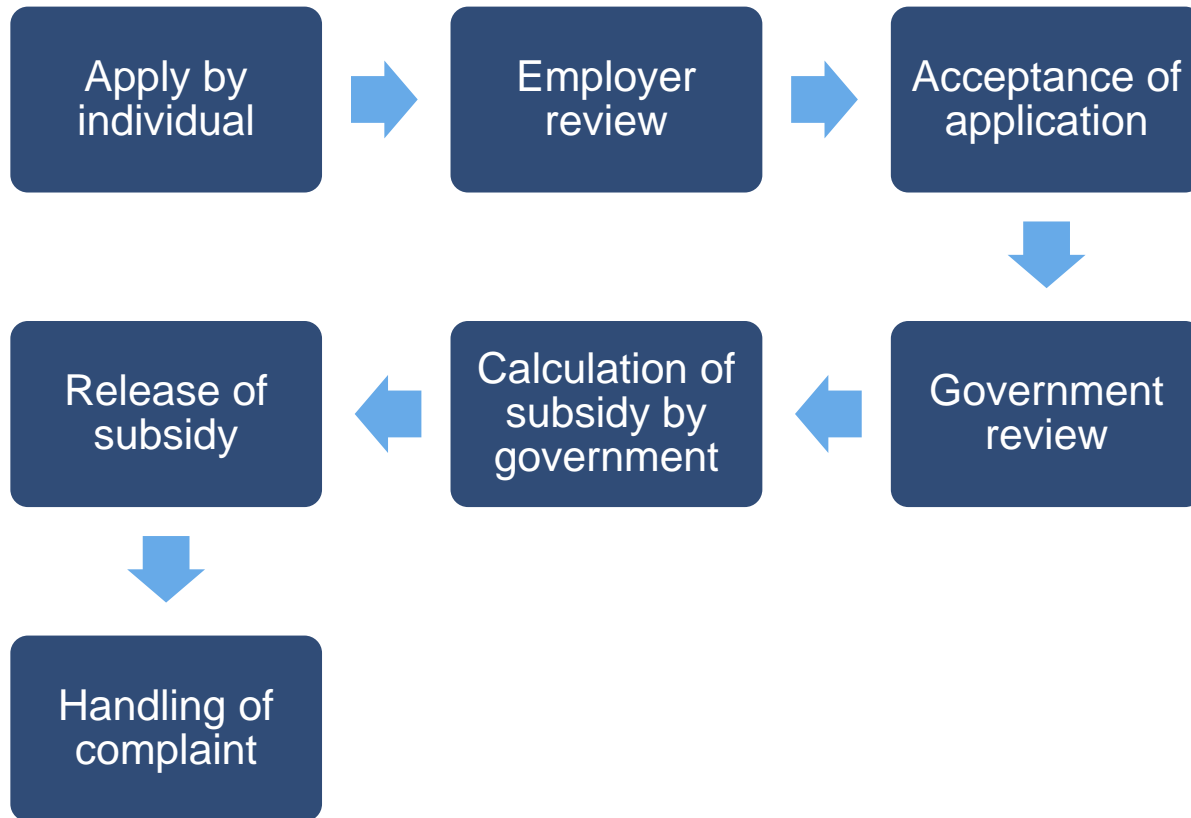
Section 2:

Requirements for the IIT subsidy in Shenzhen



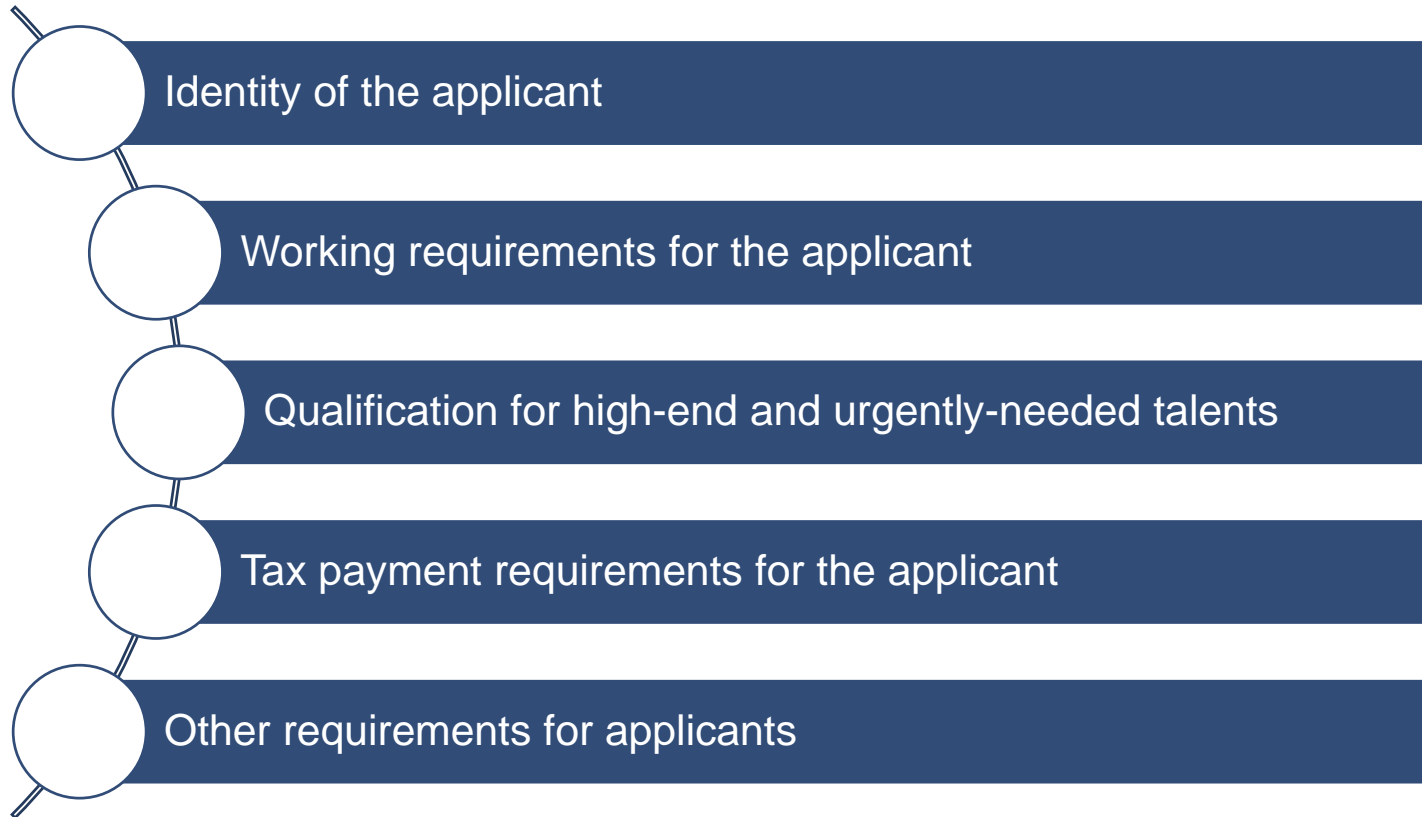
IIT subsidy policy in Shenzhen for 2019

Application and approval procedures (for employed overseas talent)



IIT subsidy policy in Shenzhen for 2019

A Requirements for applicant



B Requirements for employer

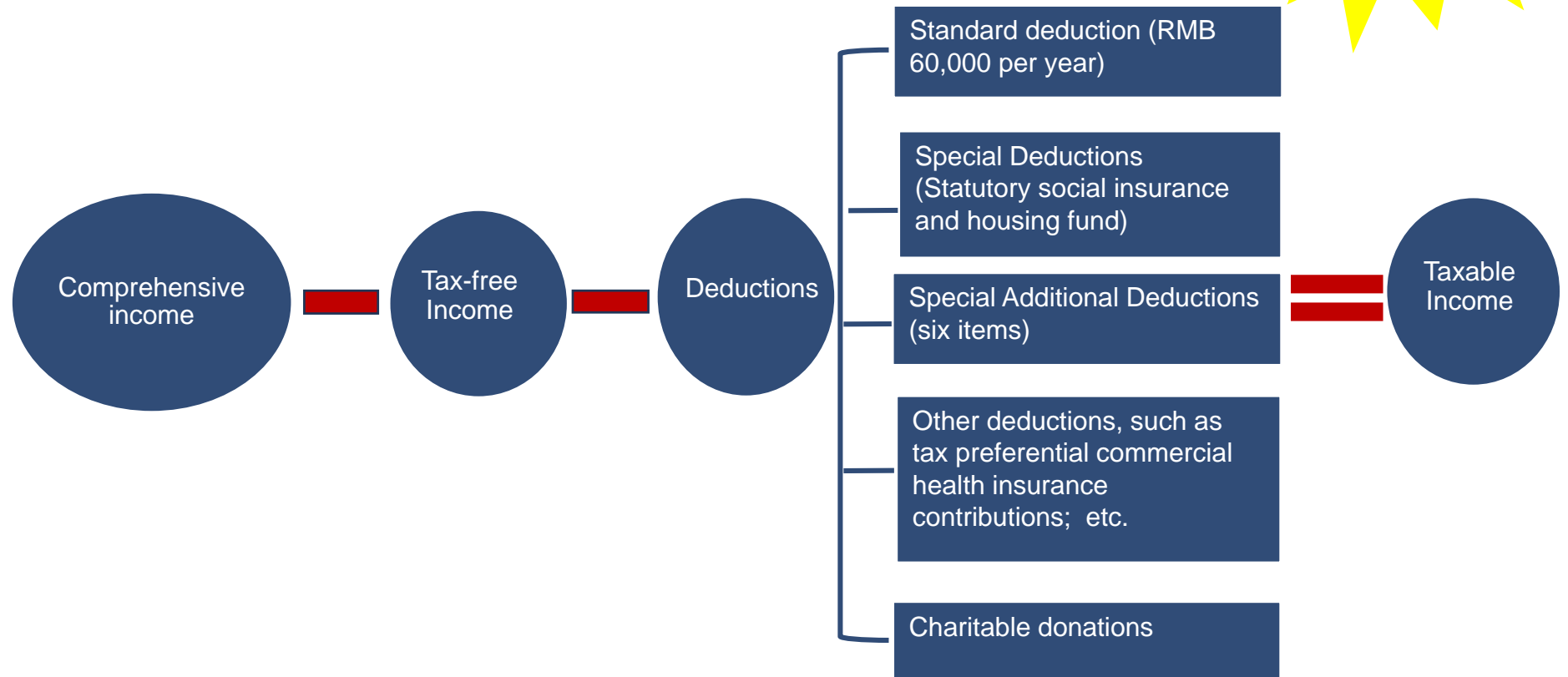
Requirements for applicant

Who can apply?----- Identity of the applicant

- Permanent residents of Hong Kong or Macao;
- Mainland residents who have settled down in Hong Kong or Macao and had cancelled their mainland hukou/household registration;
- Hong Kong residents who came to Hong Kong via the Hong Kong entry scheme for talents, professionals, and entrepreneurs;
- Residents of Taiwan;
- **Foreigners who earn no less than RMB 500,000 (US\$71,530) taxable income in a calendar year;**
- Overseas Chinese returnee who have obtained the right of long-term residence abroad.
- Overseas Chinese residing abroad.

Requirements for applicant

Taxable Income of comprehensive income



Notes:

Taxable income amount for IIT calculation may not equal to gross income.

- 1. When calculate the comprehensive income, The income of remuneration for services and royalties shall be 80% of the gross income, the income of author's remuneration shall be 56% of the gross income.*
- 2. The calculation of taxable income for Non-resident taxpayer is different from the above and has only Standard deduction (RMB 5,000 per month).**

Requirements for applicant

Working requirements for the applicant

- An applicant shall work in Shenzhen and meet anyone of below conditions:
 - 1) The applicant has concluded a labor (employment) contract with an employer in Shenzhen or
 - 2) If the applicant is dispatched by an overseas employer, the overseas employer of the applicant has concluded a dispatch contract with the accepting entity in Shenzhen.

And

- The applicant has worked in Shenzhen for 90 working days accumulatively in 2019.

Note:

If the applicant changed employer in 2019, the application shall be made through the employer which satisfies relevant conditions and the applicant has worked for such employer for 90 days in the tax year 2019, and such employer shall cooperate in the application.

Requirements for applicant

Qualification
for applicant

Qualification for high-end and urgently-needed talents

- The talent is a candidate of the state, provincial, or municipal major talent projects;
- The talent is overseas high-level talent recognized by the state, provincial, or municipal government;
- The talent is holding “Guangdong talent card” of Guangdong Province;
- Talent with permanent residency in China, work permit for foreigners working in China (Type A and Type B) or confirmation letter for foreign high-end talent.

Qualification
certificate or the
recognition
documents

Requirements for applicant

Qualification
for applicant
and employer

Qualification for high-end and urgently-needed talents

- Any member of a scientific research team or manager at or above the middle level of a national, provincial or municipal major innovation platform;
- Any member of a scientific research and technology team or manager above the middle level in an institution of higher learning, scientific research institute, hospital or any other relevant institution, or any member of a team undertaking a major vertical project under research at or above the municipal level, or any leader for a key discipline or key specialty at or above the municipal level;
- Managers above the middle level, scientific research team members, technical and skill backbones and excellent **young** talent of headquarters enterprises, top global 500 enterprises and their branches and high-tech enterprises, **large-scale key enterprises**, listed enterprises, and **enterprises including in the pool for cultivation**, and **innovation-oriented high growth sci-tech SMEs**;
- Managers above middle level, members of scientific research team, technical and skill backbones and excellent young talent who start business or are employed in **key industries and fields to be developed in Shenzhen**.

Written commitment

Requirements for applicant



Qualification
for employer

Terms

- The term "youth" shall refer to the young people at the age as defined by the UNESCO, that is, the age of 16-45;
- "Large-scale key enterprises" shall mean enterprises whose principal business income exceeds RMB10 billion annually and included in the list of large-scale key enterprises issued by Shenzhen government.
- "Enterprises Included in the pool for cultivation" shall refer to the enterprises listed in the High-tech Cultivation Projects determined by the Shenzhen government;
- "Innovation-oriented high growth sci-tech SMEs" shall refer to various small and medium-size enterprises ("SMEs") included in the directory of enterprises under the innovative high-growth enterprises cultivation pool by the Shenzhen industry and information authority.

Requirements for applicant

Qualification
for employer

Terms

- “Key industries and fields to be developed in Shenzhen” shall refer to the business institutions meeting any of the following conditions:
- 1) project development entities that have been supported by Shenzhen's special fund for the development of strategic emerging industries in the latest three years;
 - 2) headquarters of financial institutions and first-level branches;
 - 3) key logistics enterprises in Shenzhen;
 - 4) top 100 industrial enterprises in Shenzhen;
 - 5) top 100 enterprises in the cultural and creative industry in Shenzhen;
 - 6) top 20 venture capital enterprises in terms of tax payment and the top five venture capital fund of funds in terms of management scale;
 - 7) the enterprises in traditional industries with advantages in Shenzhen listed in Shen Fa Gai [2016] No.1154;
 - 8) Enterprises in modern service industries which is encouraged as set out in the "13th Five-year Plan" for Development of Service Industries in Shenzhen (Shen Fa Gai [2016] No. 1139)

List issued
by the
government

Requirements for applicant

Tax payment requirements of the applicant

- The applicant has paid IIT in Shenzhen according to the law and
paid IIT in 2019 > taxable income × 15%

And

- If the applicant is a foreigner, the taxable income is no less than RMB 500,000.

Requirements for applicant

Other requirements for applicant

- The applicant shall abide by laws and regulations, research ethics and research integrity, for instance, the applicant has not been blacklisted in Shenzhen public credit system, or has records of significant tax violations within five years till the date of acceptance of application, etc.

And

- The applicant has not enjoyed any one of below incentives/subsidies for talents in 2020:
 - 1) Shenzhen Talent Award for Industrial Development and Innovation;
 - 2) Special fund for guiding talent development and guidance in Shenzhen;
 - 3) Talent support funds for Shenzhen headquarters Enterprises.

And

- The applicant has a Class I (full-function) settlement bank account in mainland China

Requirements for employer

Requirements for employer

- The employer of the applicant is an entity registered in Shenzhen.

And

- The employer of the applicant shall abide by laws and regulations. By the date of acceptance of application, none of the following shall be allowed:
 - 1) Where the employer is included in the list of enterprises with abnormal operations;
 - 2) Where the employer has the record of being enforced, not lifted or not completed rectification administrative penalties on the Shenzhen credit platform;
 - 3) Where the employer is blacklisted for public credit in Shenzhen; and
 - 4) Where, within five years, the employer falls under the circumstance of failure to pay taxes in accordance with the law.

Section 3:

**Key reminders for subsidy
application and IIT for foreigners**



Key reminders for subsidy application and IIT for foreigners

Key reminders for subsidy application

- The identity information of an applicant shall be consistent with that used for filing IIT returns.
- If the applicant provides independent personal services in Shenzhen, the service contract in Shenzhen shall be required.
- Where an applicant who meets the conditions for subsidy fails to file an application within the prescribed time limit of the current year, he may file an application retroactively within the time limit for applying for subsidy of the next year. If he fails to make the application again within the time limit, the application shall not be accepted, and the subsidy shall not be granted.

Key reminders for subsidy application and IIT for foreigners

Key reminders for subsidy application

- As introduced, for IIT subsidy for year 2019 which just ended the application in this month, the Shenzhen government stipulated to use a simple formula to calculate the amount of the subsidy, which could be simplified as:

IIT subsidy amount=IIT paid in 2019- taxable income of 2019*15%

But for the subsidy for 2020 and the following years, per the regulation there will be 2 methods to compute the amount of the subsidy, including the simple formula used in 2019 IIT subsidy application and a more complicated one which could be simplified as:

IIT subsidy amount=IIT paid in 2020-IIT of 2020 calculated per HK tax policy

Key reminders for subsidy application and IIT for foreigners

Key reminders for IIT for foreigners

Foreign individuals

- With effect from 1 January 2022, foreign individuals shall cease to enjoy tax exemption for allowances such as housing allowance, language training allowance, children education allowance etc., and shall claim special additional deductions according to the law. (only resident individual can claim special additional deductions);
 - Meal allowance
 - Housing allowance
 - Laundry allowance
 - Relocation allowance
 - Travel allowance
 - Chinese language training allowance
 - Children's education allowance
 - Home visit allowance
- With effect from 1 January 2022, a resident individual who obtains annual one-time bonus shall include the annual one-off bonus into the comprehensive income for that year for computation and payment of individual income tax.

Resident taxpayer

Section 4:
Case Study



Case study

Mr. A (foreigner) stays in China for more than 183 days in 2020 (qualified as Chinese tax resident), he works for a Shenzhen company. His annual salary is RMB 800,000, no tax-free allowance (assume no social insurance, housing fund and other deductions like qualified commercial insurance for simple calculation purpose)

Item	2020 (RMB)
Total income (A)	800,000
Tax-free income (B)	0
Deductions (C)	60,000
Taxable income (D=A-B-C)	740,000
Individual Income Tax (E)	173,080
IIT subsidy (F)	$173,080 - 740,000 * 15\% = 62,080$
Final IIT cost (G=E-F)	111,000

Case study

Tax free allowance

Mr. A (foreigner) stays in China for more than 183 days in a calendar year (qualified as Chinese tax resident), he works for a Shenzhen company. His annual salary is RMB 500,000; annual qualified tax-free allowance include: RMB 120,000 for rental, RMB 40,000 for meal, RMB 40,000 for Chinese language training. Total annual income is RMB 700,000. (assume no social insurance, housing fund and other deductions for simple calculation purpose)

Item	2020 (RMB)	2022 (RMB)
Total income (A)	700,000	700,000
Tax-free income (B)	200,000	0
Deductions (C)	60,000	60,000+1500*12 (rental)
Taxable income (D=A-B-C)	440,000	622,000
Individual Income Tax (E)	79,080	133,680
Effect	Increase 54,600	
IIT subsidy (F)	0	133,680-622,000*0.15=40,380
Final IIT cost (G=E-F)	79,080	93,300

Case study

Annual bonus

Mr. A (foreigner) stays in China for more than 183 days in a calendar year (qualified as Chinese tax resident), he works for a Shenzhen company. His annual salary is RMB 500,000; annual bonus is RMB 200,000. Total annual income is RMB 700,000. (assume only RMB 60,000 basic deductions for simple calculation purpose)

Item	2020 (RMB)	2022 (RMB)
Total income (A)	700,000	700,000
Annual bonus (apply preferential tax policy) (B)	200,000	0
Individual Income Tax for annual bonus (C)	38,590	0
Comprehensive income (D)	500,000	700,000
Deductions (E)	60,000	60,000
Taxable income for comprehensive income (F=D-E)	440,000	640,000
Individual Income Tax for salary (G)	79,080	139,080
Total taxable income for subsidy (H=b+F)	640,000	640,000
Total IIT paid (I= C+G)	117,670	139,080
IIT subsidy (J)	$117,670 - 640,000 * 0.15 = 21,670$	$139,080 - 640,000 * 0.15 = 43,080$
Final IIT cost (K=I-J)	96,000	96,000

Section 5:

What DSA can help you



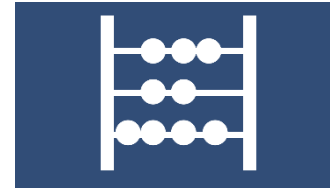
How DSA can help you

- **Process the application for IIT subsidy**
- **Tax advice for individuals and companies.**
- **Policy updates.**
- **Implementation guidance.**
- **Tax returns.**

DSA Service Suite



Pre-Investment and Entry
Strategy Advisory



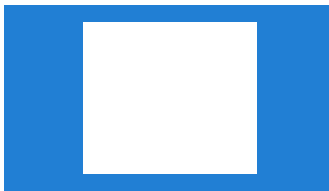
Accounting, Payroll, and
Treasury



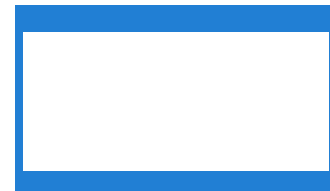
Corporate and Tax
Structuring



Tax and Compliance



Cross-border
Transactional Support



Employment law and HR



Audit Financial Review,
Due Diligence



ERP and Financial
System Advisory

ABOUT US

SERVICES

INDUSTRIES

LOCATIONS

INVESTOR RESOURCES

Type

All ▾

Language

- Any - ▾

Location

- Any - ▾

AsiaPedia

Asia Briefing

Services

- Individual Income Tax Advisory & PI ▾

Published Date

Keyword

Search Keyword

SEARCH

CLEAR

Work Hours, Annual Leaves, and Overtime in ASEAN

September 2018

<https://www.dezshira.com/library>

Q&A

What are the Key Challenges for Expatriates...

August 2018

FREE

ASEAN BRIEFING

magazine

Managing Contracts and Separation in ASEAN...

July 2018

FREE

infographic

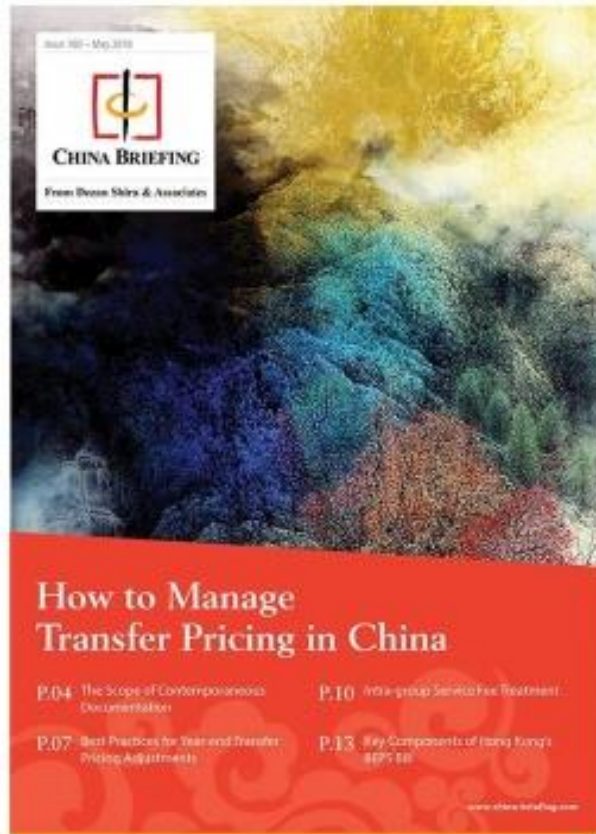
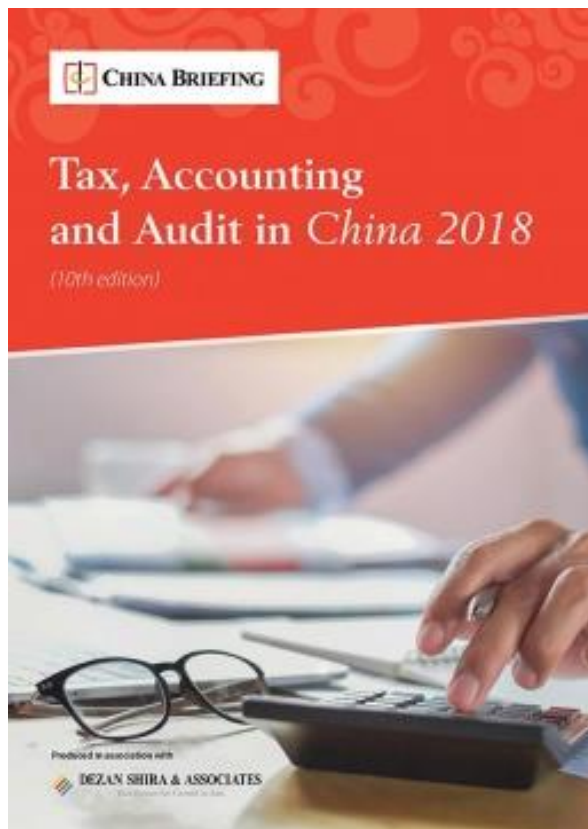
Individual Income Tax Liability of Foreigners...

June 2017

FREE

To learn more knowledge on doing business in Asia, Please visit **AsiaPedia**:
<https://www.dezshira.com/library>

Asia Briefing HR Publications



For more business publications, Please visit *Asia Briefing Bookstore*:
<http://www.asiabriefing.com/store/>



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

FOLLOW US

Scan the QR code to discover
a collection of resources
based on our on-the-ground experience.

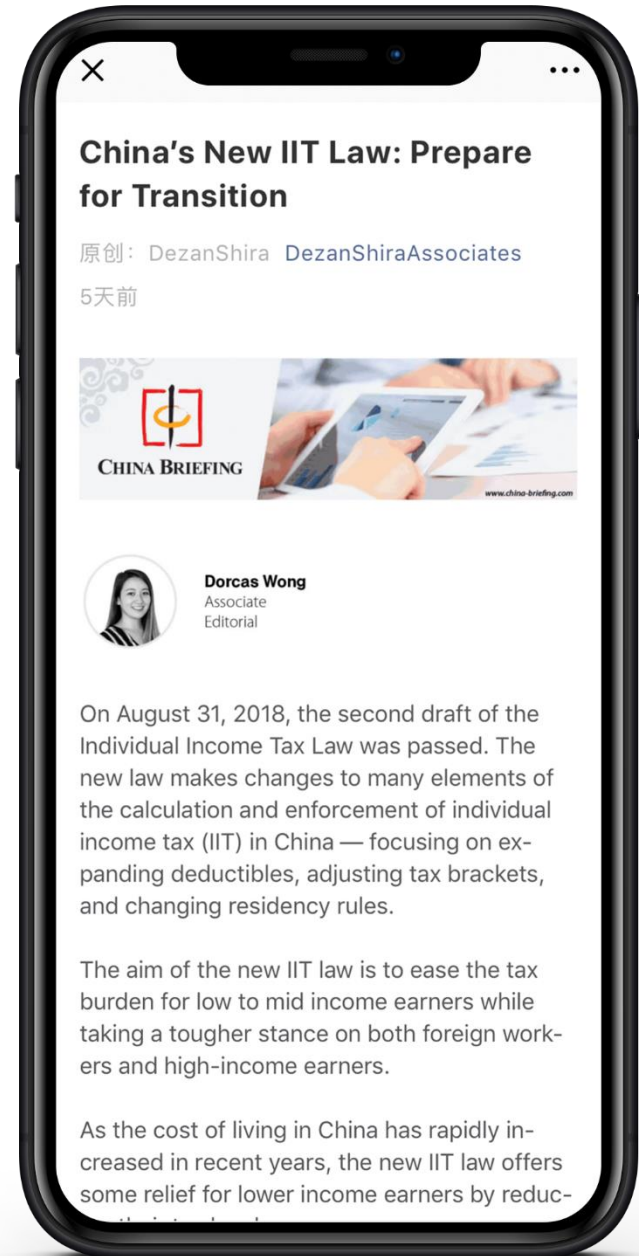


www.dezshira.com



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia



www.dezshira.com

33



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia



- Dezan Shira & Associates Offices
- Dezan Shira Asian Alliance Members

Global Offices

CHINA

Beijing
beijing@dezshira.com

Hangzhou
hangzhou@dezshira.com

Shenzhen
shenzhen@dezshira.com

Dalian
dalian@dezshira.com

Ningbo
ningbo@dezshira.com

Suzhou
suzhou@dezshira.com

Dongguan
dongguan@dezshira.com

Qingdao
qingdao@dezshira.com

Tianjin
tianjin@dezshira.com

Guangzhou
guangzhou@dezshira.com

Shanghai
shanghai@dezshira.com

Zhongshan
zhongshan@dezshira.com

HONG KONG

hongkong@dezshira.com

INDONESIA

indonesia@dezshira.com

SINGAPORE

singapore@dezshira.com

INDIA

Delhi
delhi@dezshira.com

Mumbai
mumbai@dezshira.com

VIETNAM

Hanoi
hanoi@dezshira.com

Ho Chi Minh City
hcmc@dezshira.com

DEZAN SHIRA ASIAN ALLIANCE MEMBERS

Malaysia
malaysia@dezshira.com

The Philippines
philippines@dezshira.com

Thailand
thailand@dezshira.com

DEZAN SHIRA LIAISON OFFICES

Germany
germandesk@dezshira.com

Italy
italiandesk@dezshira.com

United States
usa@dezshira.com



For more information, please visit www.dezshira.com



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

Amber Liu
Senior Manager, Tax & Accounting
amber.liu@dezshira.com

Marco Förster
International Business Advisory
marco.foerster@dezshira.com



Scan this QR code

Visit our mobile page and
get the latest updates investors
news and resources with us