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CELEBRATING

## IIT Clarity for Expats in China:

**Benefits Extension and Accessing the GBA IIT Subsidies in 2023**

Sep 21, 2023





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**Amber Liu**

Senior Manager, Corporate Accounting Services



Shenzhen



[amber.liu@dezshira.com](mailto:amber.liu@dezshira.com)



**Karen Liu**

Senior Associate, Corporate Accounting Services



Guangzhou



[Karen.liu@dezshira.com](mailto:Karen.liu@dezshira.com)



**Guilherme Campos**

Manager, International Business Advisory



Shenzhen



[Guilherme.campos@dezshira.com](mailto:Guilherme.campos@dezshira.com)





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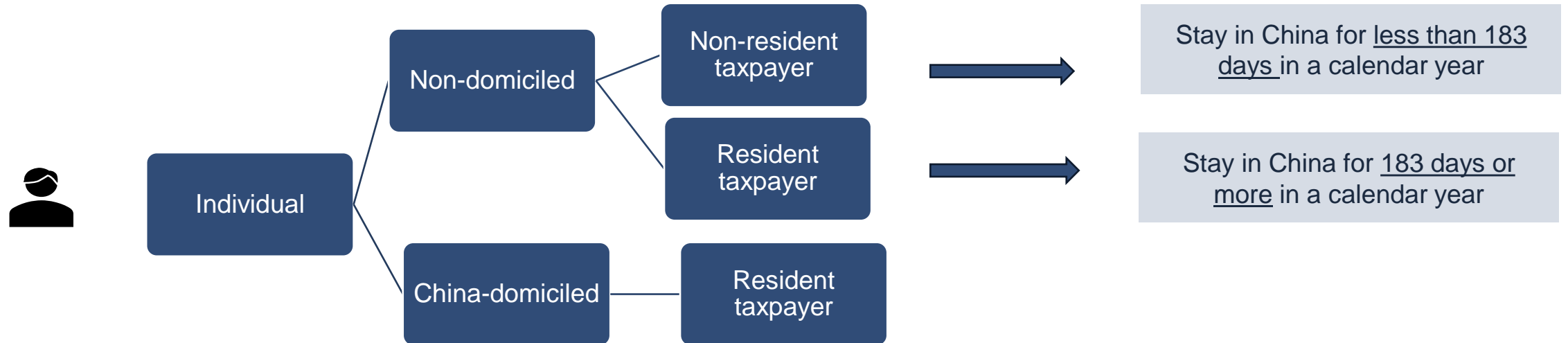
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# Overview for PRC Individual Income Tax ("IIT") for Foreigners



# Taxpayer Status



The concept of domicile under People's Republic of China:

*“A domiciled individual is defined as one who, by reason of the individual’s household registration, family, and/or economic interests, habitually resides in China.”*

*An individual who resides outside of the territory of China for reasons of study, work, family visit or as a tourist, but must return to the territory of China after the reason for being absent no longer applies, then he/she is deemed as habitually resides in China, and vice versa.*

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# Tax Liabilities



Resident taxpayer



Global Income is taxed in China.



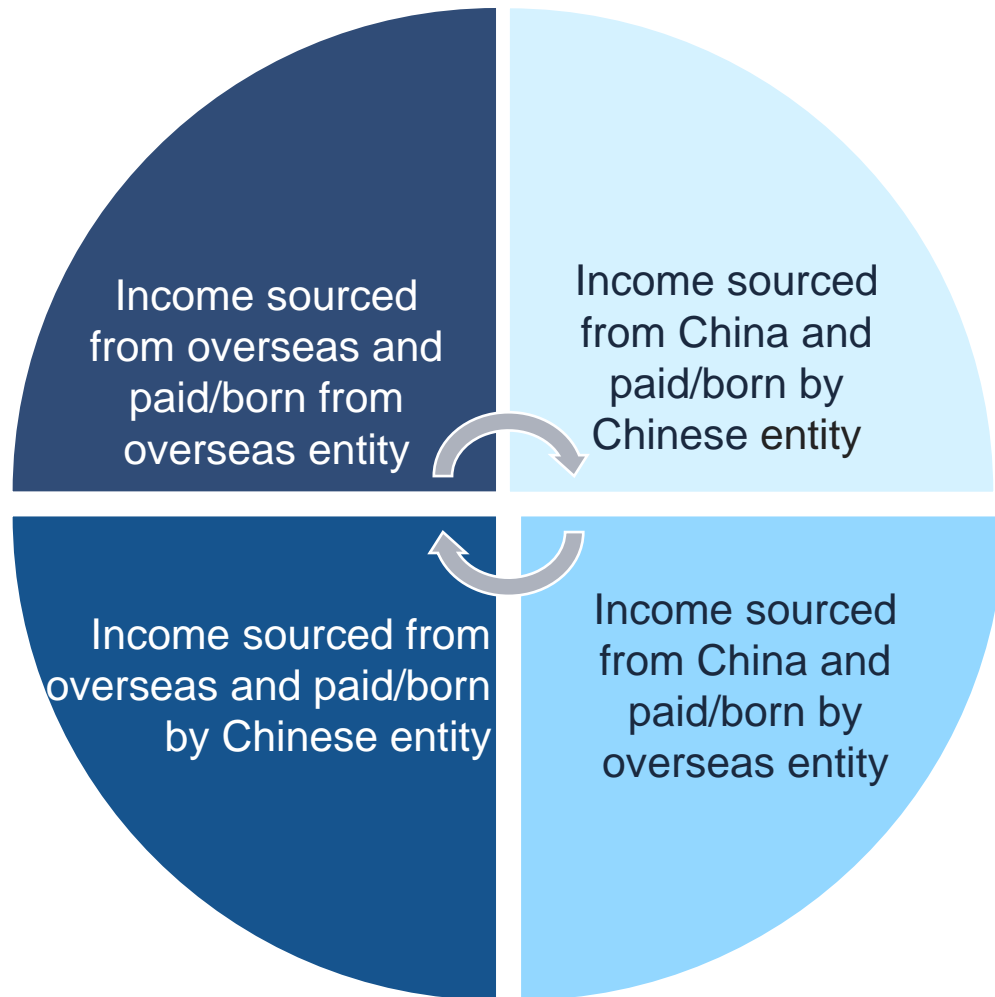
Non-resident taxpayer



Income sourced from China is taxed in China

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# Tax Liabilities- Salaries and Wages



## Basic rule:

Whether the income is sourced inside or outside of China is determined by the place where the labour service is provided. Income from wages and salaries derived by an individual, which is attributed to working period in China shall be income from wages and salaries sourced within China.

## Tax Liabilities- Salaries and Wages

Period in China	China Sourced Income		Overseas sourced Income	
	Paid or borne by Chinese entities	Paid or borne by foreign entities	Paid or borne by Chinese entities	Paid or borne by foreign entities
no more than 90 days	pay	Exempted	Not taxed	Not taxed
more than 90 days but less than 183 days	pay	pay	Not taxed	Not taxed
183 days or more, but no more than 6 years	pay	pay	pay	Exempted
183 days or more in current tax year and previous 6 years (“six-year rule”)	pay	pay	pay	pay
China-domiciled individuals	pay	pay	pay	pay

**NOTE:**

- 1 This form is applicable for individuals who do not hold senior executive positions (such as directors, general manager) ;
- 2 Double Taxation Agreement between China and other jurisdiction is not taken into consideration.

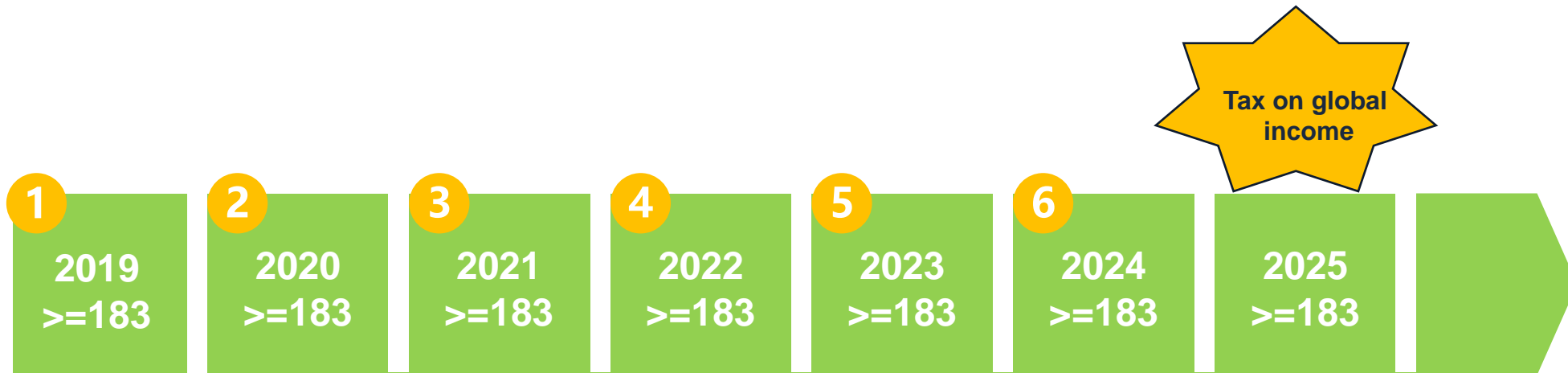


# Six-Year Rule

Meeting both criteria below is considered as 6 years:

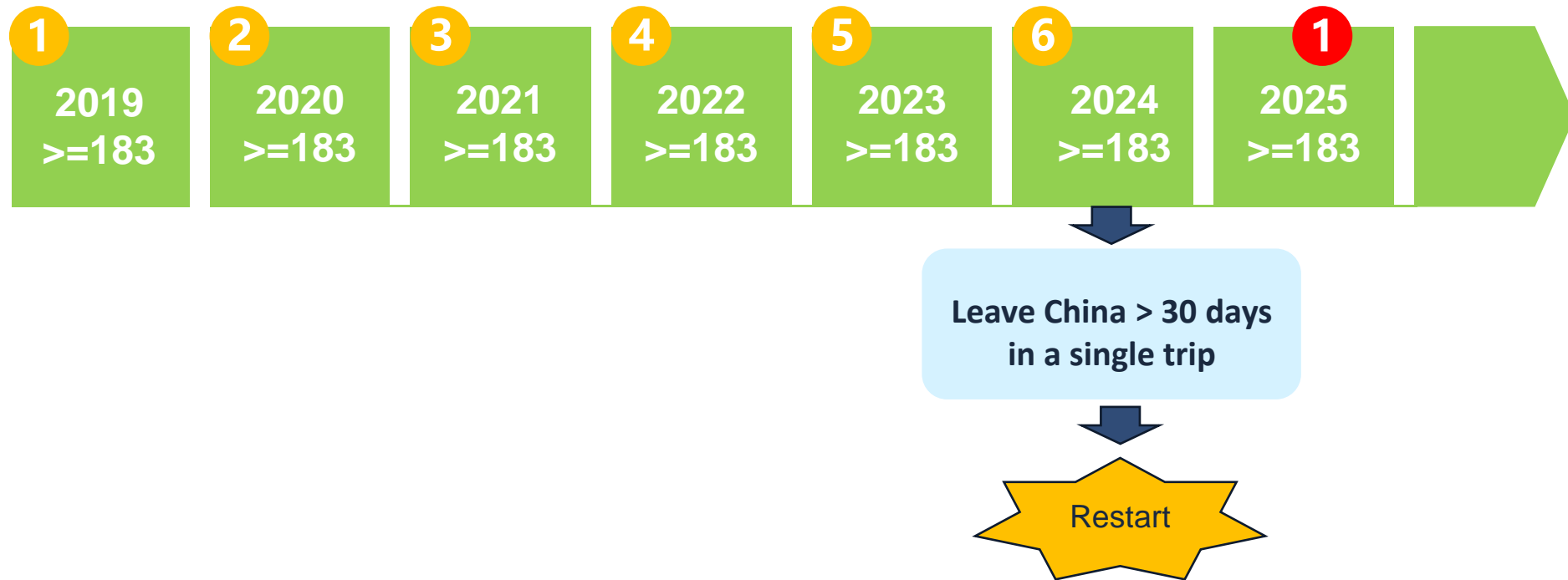
- Staying in China for 183 days or more in each year in six successive years; and
- Not leaving China for more than 30 days for a single trip in any year of this 6 years.

The six-year rule counts starting from Jan 1, 2019, i.e. the number of years before 2019 won't be included into the count of the 6 years.



# Six-Year Rule

The six-year clock is interrupted and restarts from zero when the expatriate stays outside China for more than 30 days in a single trip in a calendar year in which the individual stays in China for 183 days or more.







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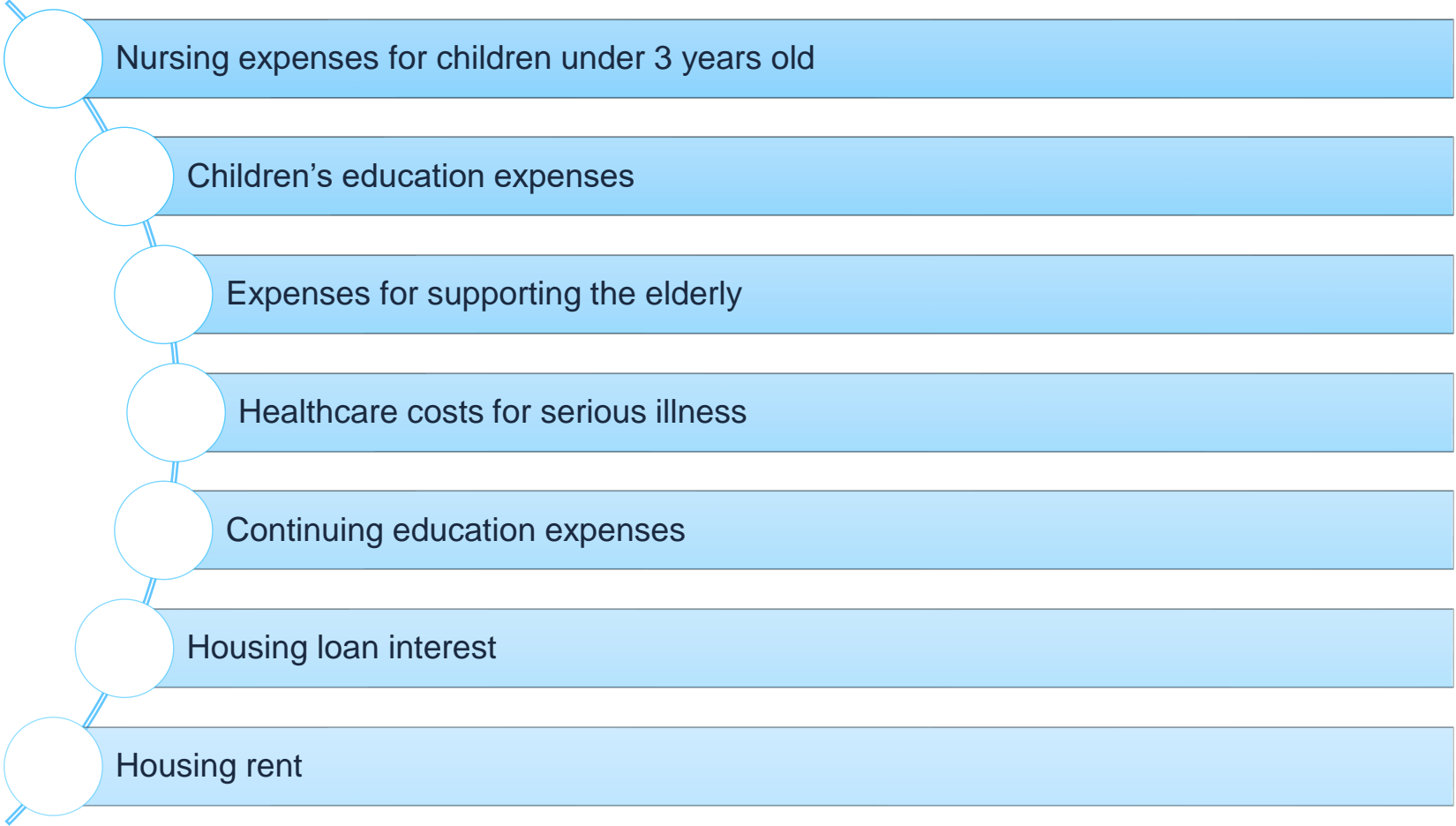
## Updates on China's Extended Preferential IIT Policies

# Updates on China's Extended Preferential IIT Policies

- 1 Increase of Special Additional Deductions standard
- 2 Extension of Tax Exemption Benefits Policy
- 3 Extension of Preferential Tax Treatment For Annual Bonus



# Special Additional Deductions



# Special Additional Deductions

	Old	New (effective from Jan 1, 2023)
Nursing expenses for children under 3 years old	RMB 1,000/month for each child	RMB 2,000/month for each child
Children's education expenses	RMB 1,000/month for each child	RMB 2,000/month for each child
Expenses for supporting the elderly	2000 per month	3000 per month



# Special Additional Deductions

## IIT Special Additional Deductions in China (updated as of August 31, 2023)

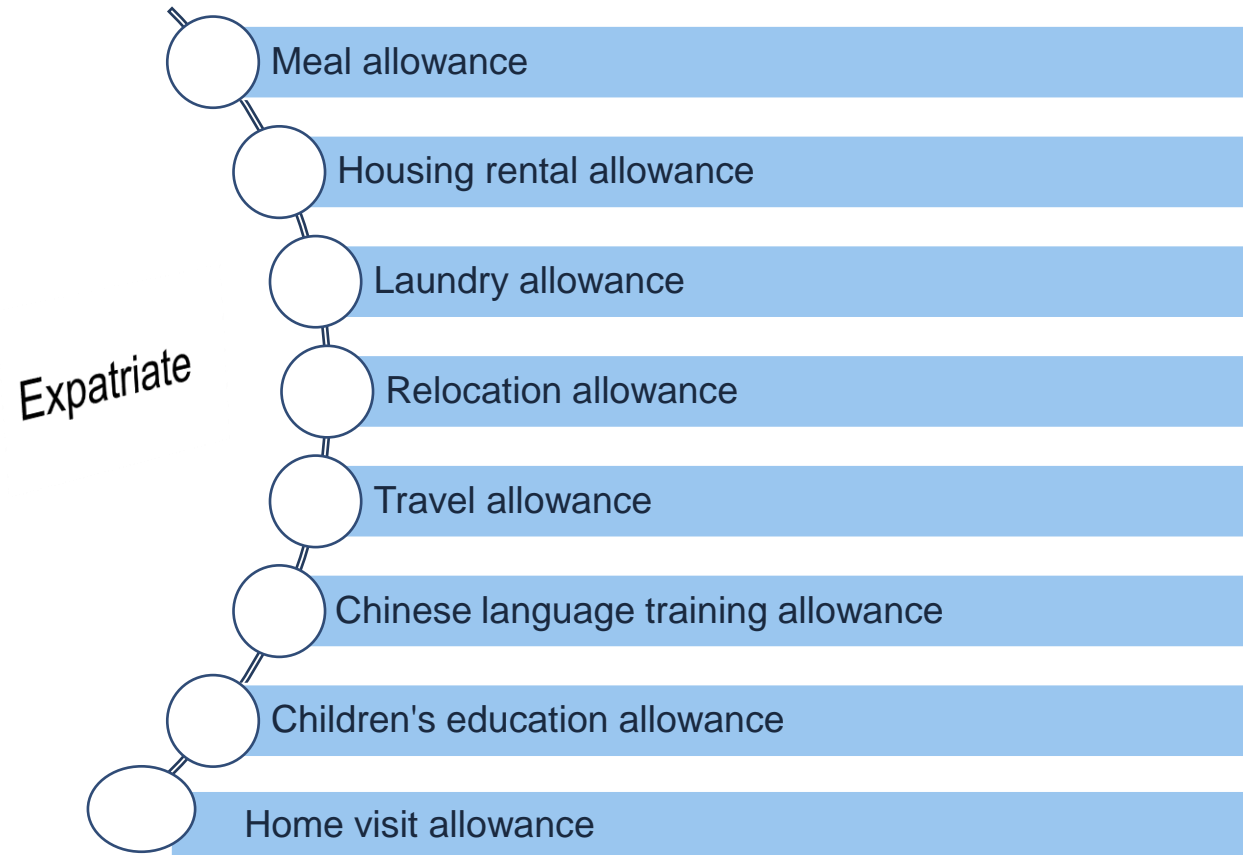
Item	Applicable scope	Deduction amount	Deduction method
Nursing expenses for children under 3 years old	Nursing expenses	RMB 2,000/month for each child (or RMB 24,000/year for each child)	<ul style="list-style-type: none"> <li>Standard deduction for each kid</li> <li>50/50 split between parents (guardian), or 100% deducted by one parent (guardian)</li> </ul>
Children's education expenses	<ul style="list-style-type: none"> <li>Pre-school education</li> <li>Diploma education</li> </ul>	RMB 2,000/month for each child (or RMB 24,000/year for each child)	<ul style="list-style-type: none"> <li>Standard deduction for each kid</li> <li>50/50 split between parents (guardian), or 100% deducted by one parent (guardian)</li> </ul>
Expenses for supporting the elderly	<ul style="list-style-type: none"> <li>Parents over 60 years old</li> <li>Other legal dependent</li> </ul>	RMB 3,000/month (or RMB 36,000/year)	<ul style="list-style-type: none"> <li>Standard deduction in total, regardless of the actual number of the elderly</li> <li>Could share among siblings, but each one can deduct no more than RMB 1,500/ month (or RMB 18,000/year)</li> </ul>
Continuing education expenses	Diploma education	RMB 400/month, up to 48 months (or RMB 4,800/year, up to four years)	<ul style="list-style-type: none"> <li>Standard deduction</li> <li>Parent could choose to claim such expenses for their child if it's for diploma education</li> </ul>
	Professional qualification	RMB 3,600 in the year when the related certificate issued	

# Special Additional Deductions

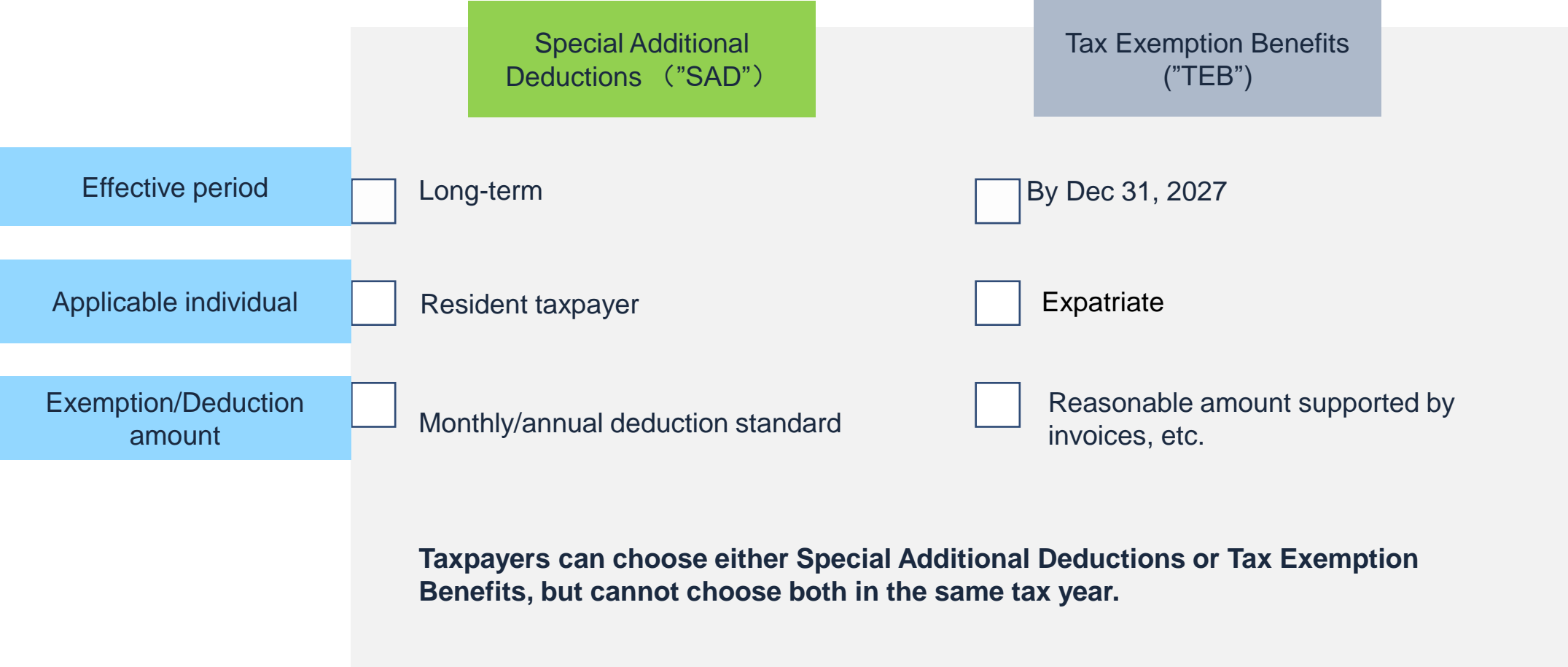
## IIT Special Additional Deductions in China (updated as of August 31, 2023)

Item	Applicable scope	Deduction amount	Deduction method
Healthcare costs for serious illness	Expenses recorded in the social medical insurance management system	Maximum RMB 80,000 based on actual basis	<ul style="list-style-type: none"> <li>• Deduction on actual expenses</li> <li>• Can only deduct the medical cost that is over RMB 15,000 and borne by the individuals</li> <li>• Could claim for the spouse and the underaged children</li> </ul>
Housing loan interest	First housing loan under taxpayer or spouse's name	RMB 1,000/month up to 240 months (or RMB 12,000/year, up to 20 years)	<ul style="list-style-type: none"> <li>• Standard deduction</li> <li>• Could be 50/50 split between the couple, or 100% deducted by one of them.</li> </ul>
Housing rent	<ul style="list-style-type: none"> <li>• Taxpayer and spouse do not have a house in the city where they work</li> </ul>	Three applicable deduction amounts based on working locations: <ul style="list-style-type: none"> <li>• RMB 1,500/month (or RMB 18,000/year)</li> <li>• RMB 1,100/month (or RMB 13,200/year)</li> <li>• RMB 800/month (or RMB 9,600/year)</li> </ul>	<ul style="list-style-type: none"> <li>• Standard deduction</li> <li>• Shall be 100% deducted by one of the couples if they live in the same city</li> <li>• The couple can claim this deduction separately if they live in different cities and have no house in both cities</li> </ul>

# Tax Exemption Benefits (extended to Dec 31, 2027)



# Special Additional Deductions Vs. Tax Exemption Benefits





## Special Additional Deductions Vs. Tax Exemption Benefits

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 tax-free allowance include: RMB 60,000 for rental, RMB 20,000 for meal, RMB 20,000 for Chinese language training. Total annual income is RMB 600,000. Annual social insurance is RMB 35,000.

	Item	TEB	SAD
A	Salaries	500,000.00	600,000.00
B	Tax Exemption Benefits	100,000.00	-
C= A+B	Total Income	600,000.00	600,000.00
D	Standard Deductions	60,000.00	60,000.00
E	Social Insurance	35,000.00	35,000.00
F	Specific Additional Deductions		30000 (1500*12) (rental)
	Taxable Income	405,000.00	475,000.00
H	Individual Income Tax	69,330	89,580
	Tax Difference		20,250

# Preferential Tax Treatment For Annual Bonus

*Resident  
Taxpayer*

Taxpayer could choose either of below two methods for one-time annual performance bonus:

- 1 Tax separately using a calculation method which allows the bonus is divided by 12 to determine applicable tax rate.

## **Calculation formula:**

Annual bonus (one-off lump sum) X applicable tax rate – applicable quick deduction

Note: This method can only be used once in a tax year.

- 2 Included in annual comprehensive income

## Preferential Tax Treatment For 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 tax-free allowance include: RMB 60,000 for rental, RMB 20,000 for meal, RMB 20,000 for Chinese language training. Total annual income is RMB 600,000. Annual social insurance is RMB 35,000.

Item		Preferential policy	Comprehensive income
Salaries		500,000.00	500,000.00
Annual Bonus		100,000.00	100,000.00
Total Income		600,000.00	600,000.00
Standard Deductions		60,000.00	60,000.00
Social Insurance		35,000.00	35,000.00
Individual Income Tax	Bonus	9,790	0
	Salary	69,330	98,580
	Total	79,120	98,580



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## **GBA IIT Subsidies for Overseas Talents**



# GBA IIT Subsidy

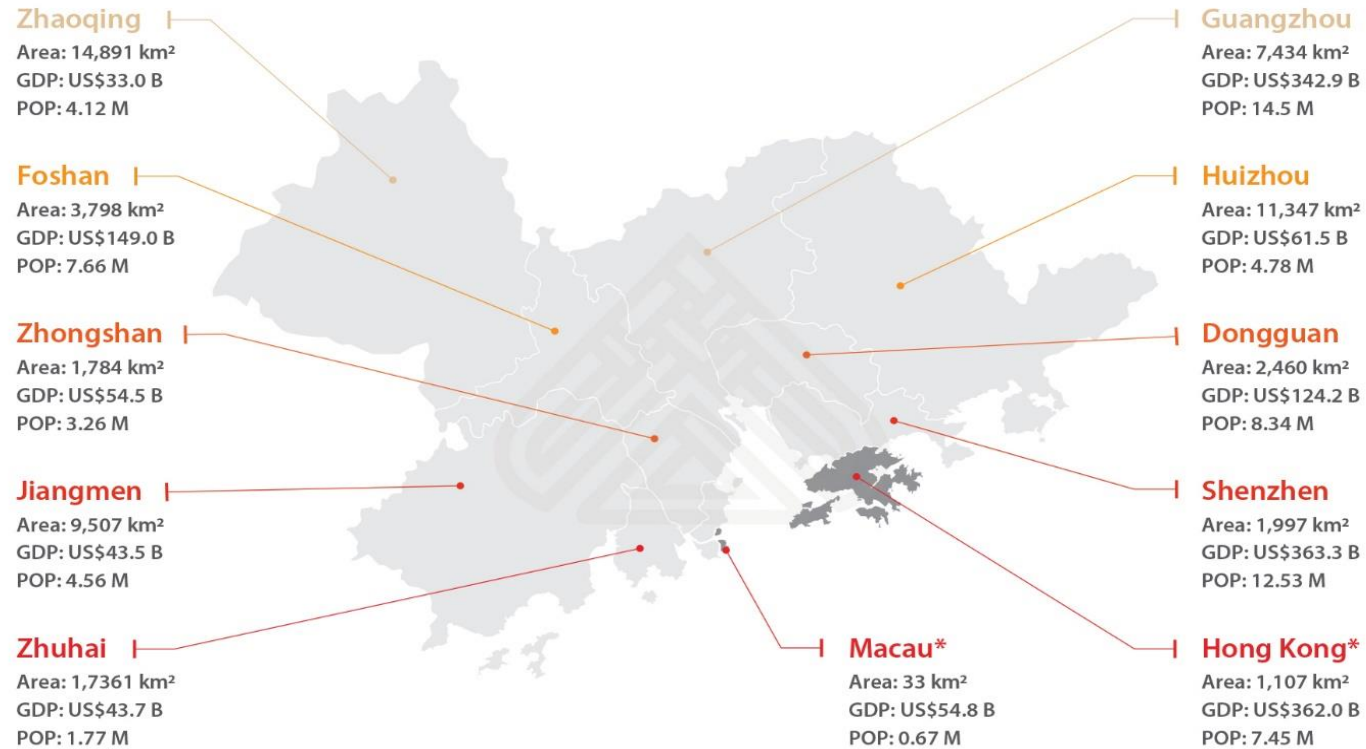
## Yue Cai Shui [2023] No. 21

Notice on Further Implementation of Individual Income Tax Incentives for Guangdong-Hong Kong-Macau Greater Bay Area

For overseas high-end talent and urgently-needed talents working in Guangdong-Hong Kong-Macau Greater Bay Area ("GBA"), the portion of individual income tax amount already paid by them in nine cities in Pearl River Delta which exceeds 15% of their taxable income amount will be subsidized by the People's Governments of nine cities in the Pearl River Delta, and the said subsidies are exempted from individual income tax. The maximum individual income tax subsidies for each taxpayer per tax year will not exceed 5 million yuan.

# IIT Subsidy for Guangdong-Hong Kong-Macao Greater Bay Area (GBA)

## Pearl River Delta Greater Bay Area



*\*Hong Kong and Macau are Special Administration Regions of China  
Note: Statistics are as of 2018*

Graphic© Asia Briefing Ltd.



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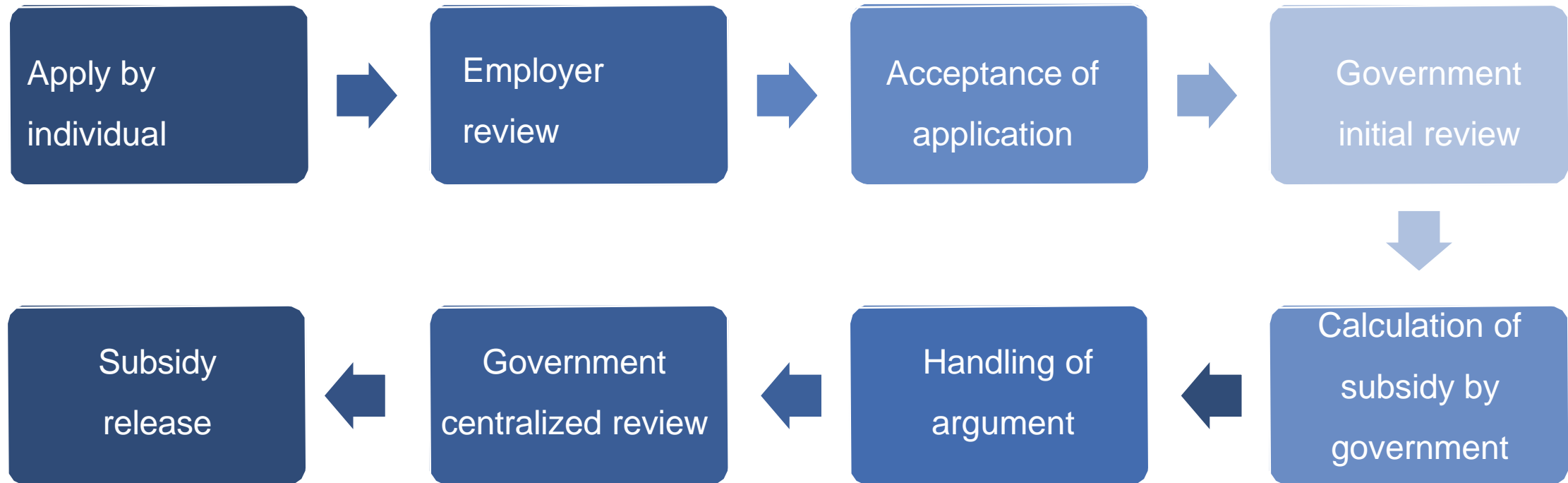
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## IIT subsidy policy in Shenzhen for 2021 and 2022

# IIT subsidy policy in Shenzhen for 2021 and 2022

- Application and approval procedures (for employed overseas talent)





# IIT subsidy policy in Shenzhen for 2021 and 2022

## ▪ Application and approval procedures (for employed overseas talent)



### Apply by individual

- from 1<sup>st</sup> Sep 2023 to 30<sup>th</sup> Sep 2023



### Employer review

- from 1<sup>st</sup> Sep 2023 to 30<sup>th</sup> Sep 2023



### Acceptance of application

- make acceptance or rejection decision within 5 working days after receiving the application



### Government initial review

- give initial review opinion within 30 days after the acceptance, could extend for another 30 days for complicate case

# IIT subsidy policy in Shenzhen for 2021 and 2022

## ▪ Application and approval procedures (for employed overseas talent)



### Calculation of subsidy

- Calculate subsidy, inform the applicant if the amount is different with application



### Handling of argument

- file a complaint within 7 days after notice of initial review opinion
- submit an application for re-calculating subsidy amount within 15 days after notice



### Government centralized review

- re-review the initial review opinion and the application data, finalize the talent list for subsidy



### Subsidy release

- direct payment to the bank account of applicant

# IIT subsidy policy in Shenzhen for 2021 and 2022

## ▪ Calculation method

IIT subsidy amount

=IIT paid for 2021 (or 2022) in SZ - taxable income of 2021 (or 2022)\*15%

*The IIT payment data is required to be authorized by the applicant to forward to the application system via individual e-tax bureau*

*Precondition:*

- *Registered at the individual e-tax bureau*
- *Ensure the IIT filing and payment for the application year is correct*

# IIT subsidy policy in Shenzhen for 2021 and 2022

## Qualified Industries





# IIT subsidy policy in Shenzhen for 2021 and 2022

## common problems

*The identity registered in application system isn't consistent with what used for IIT filing, bank account opening etc.*

*The applicant hasn't registered at the IIT e-tax bureau*

*The applicant has used several identities to file and pay the IIT*

*The IIT filing of the applicant is not completely complying with the related regulations*

*The applicant or the employer don't know the exact industry (agreed by the government) that the company belongs to*

# IIT subsidy policy in Shenzhen for 2021 and 2022

## ▪ REMINDER ! ! !



The subsidy application is declared under credit commitment.  
The applicant and the employer are responsible for the authenticity, accuracy and completeness of the submitted information.  
The government has the right to conduct credit supervision and post-audit of the written commitment made by the applicant and the employer.



If it is found that the applicant has committed fraud, their application qualification will be canceled, and they are not allowed to apply for IIT subsidy for 5 years from the date of cancellation;  
For those who have obtained IIT subsidy by fraud, the subsidy and interest will be recovered by enforcement;  
Where a crime is suspected, it will be transferred to the judicial department for handling in accordance with law.  
Where the employer commits fraud, it shall be handled with reference to the above methods.



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## GBA IIT Subsidies

- Guangzhou (GZ)
- Dongguan (DG)
- Foshan (FS)

# Who can apply

## Working requirement

	SZ	GZ	FS	DG
Work in the city for > 90 days (accumulatively)	√	√	√	√
<u>Employed by enterprises and other institutions registered in the city</u>	√	√	√	√
<u>Provide independent personal services in the city</u>	√	√	√	√
Dispatched by an overseas employer	√	√	Pending	Pending
<u>Engaged in production and business activities in in the city</u>	X	√	√	√



# Who can apply

## High-end Talent

Work in any of below 3 area

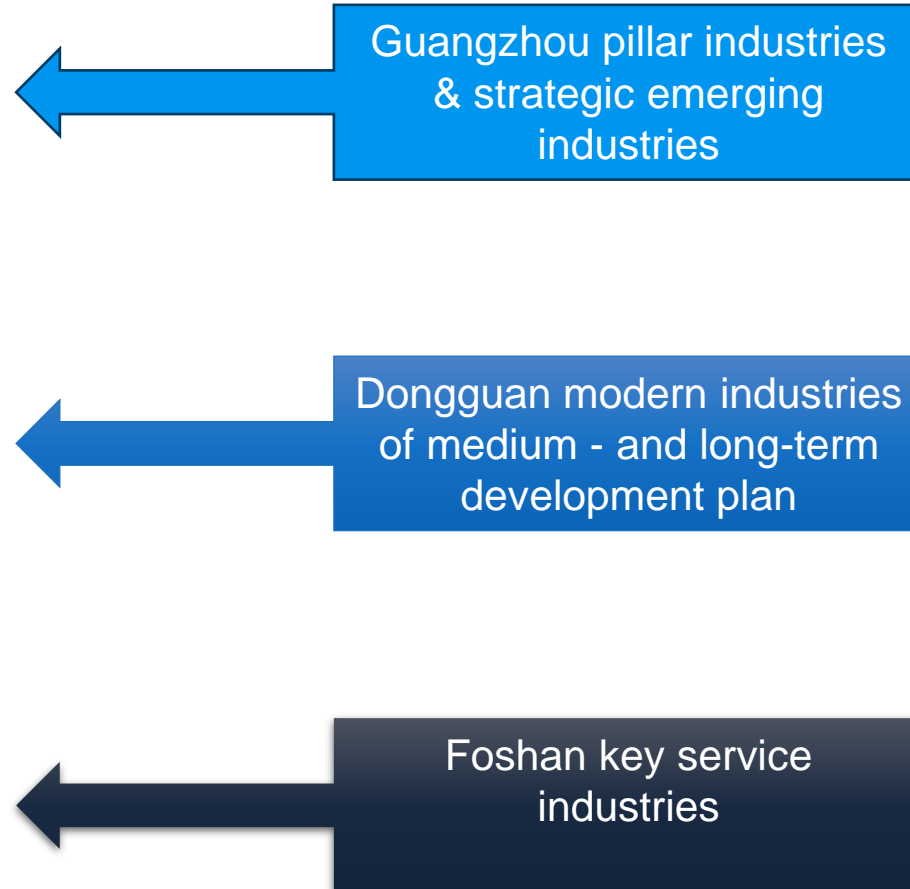
1. Scientific and technological innovation field
2. Philosophy and social sciences
3. Key development Industry

SZ	GZ	DG	FS
Type A working permit	Type A working permit	Type A working permit	Type A working permit
(exclude those using "6 times the average social income of Shenzhen " application to obtain A)			
Overseas <u>high-level talents</u> recognized by the state, provinces and municipalities			
National, provincial and municipal major <u>talent project candidates</u>			
<u>Confirmation letter for foreign high-end talents</u>			
<ol style="list-style-type: none"> <li>1. "Guangdong Talent Card"</li> <li>2. Shenzhen "Peng Cheng Talent Card"</li> </ol>	"Confirmation Letter of Foreign/Hong Kong, Macao and Taiwan High-level Talents in 9 Cities of the Pearl River Delta Independent Innovation Demonstration Zone and Jie yang China-German Metal Eco-City"		<ol style="list-style-type: none"> <li>1. Leader and main core member of Foshan science and technology innovation team/projects</li> <li>2. Engaged in scientific research talents</li> </ol>

# Who can apply

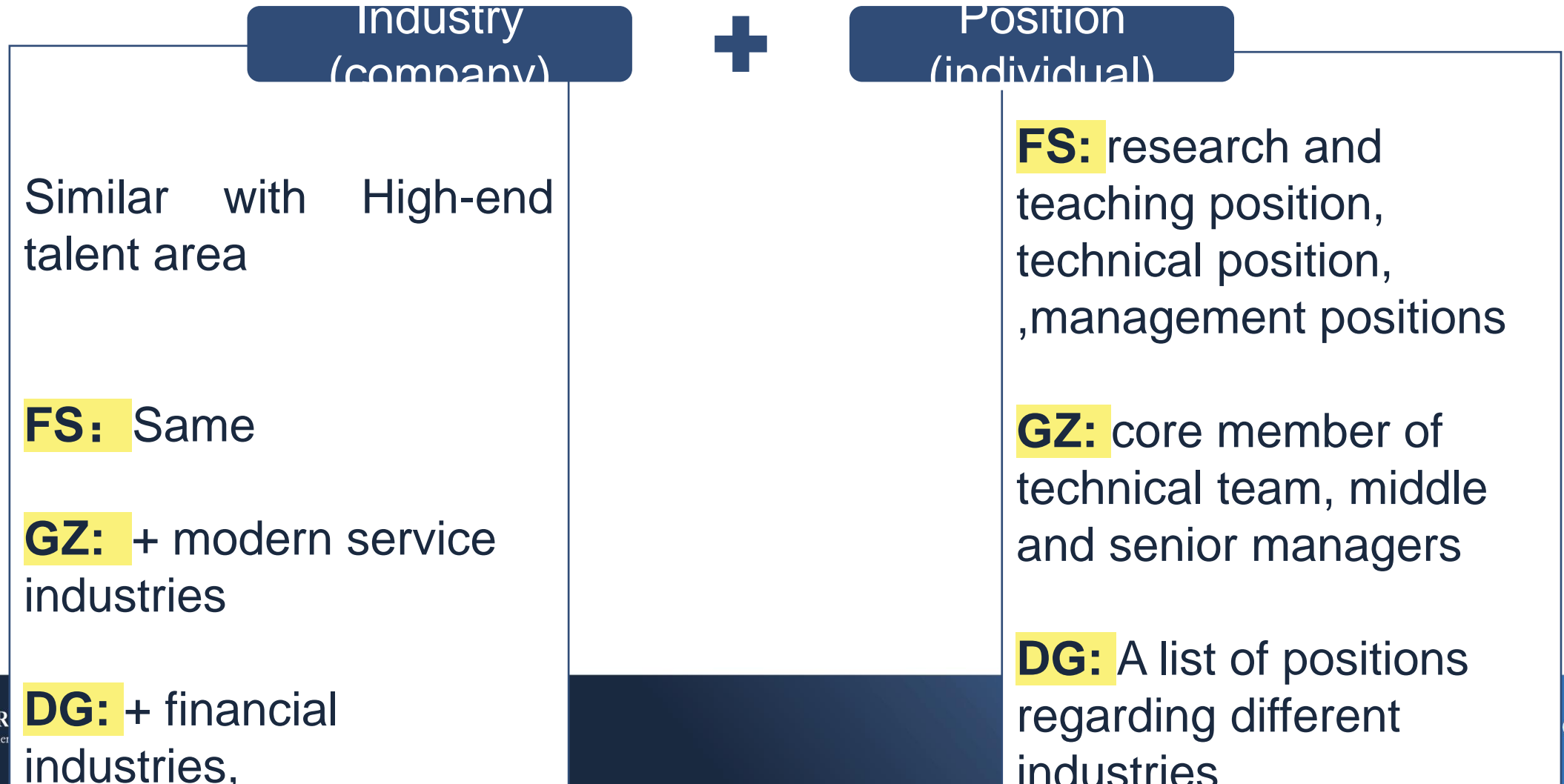
## High-end Talent

- Common**
1. New generation of electronic information
  2. Green petrified
  3. Smart appliances
  4. Car
  5. Advanced materials
  6. Modern light industry textile
  7. Software & Information Services
  8. Ultra HD video display
  9. Biomedicine and Health
  10. Modern agriculture and food
  11. Semiconductors and integrated circuits
  12. High-end equipment manufacturing
  13. Intelligent robot
  14. Blockchain and quantum information
  15. Cutting-edge new materials
  16. New energy
  17. Lasers and additive manufacturing
  18. Digital creativity
  19. Safety emergency and environmental protection
  20. Precision instruments and equipment

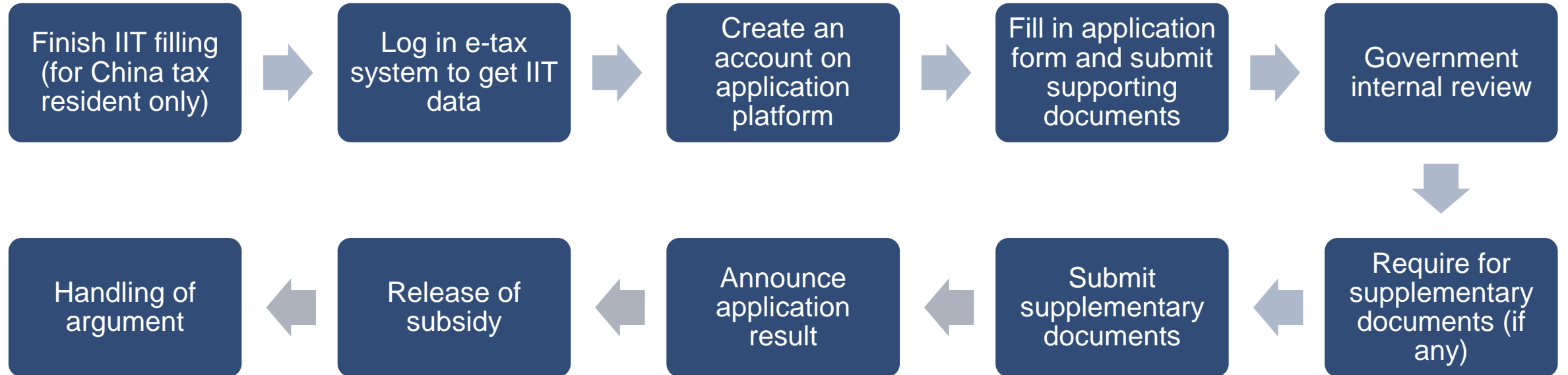


# Who can apply

## Urgently-needed Talent

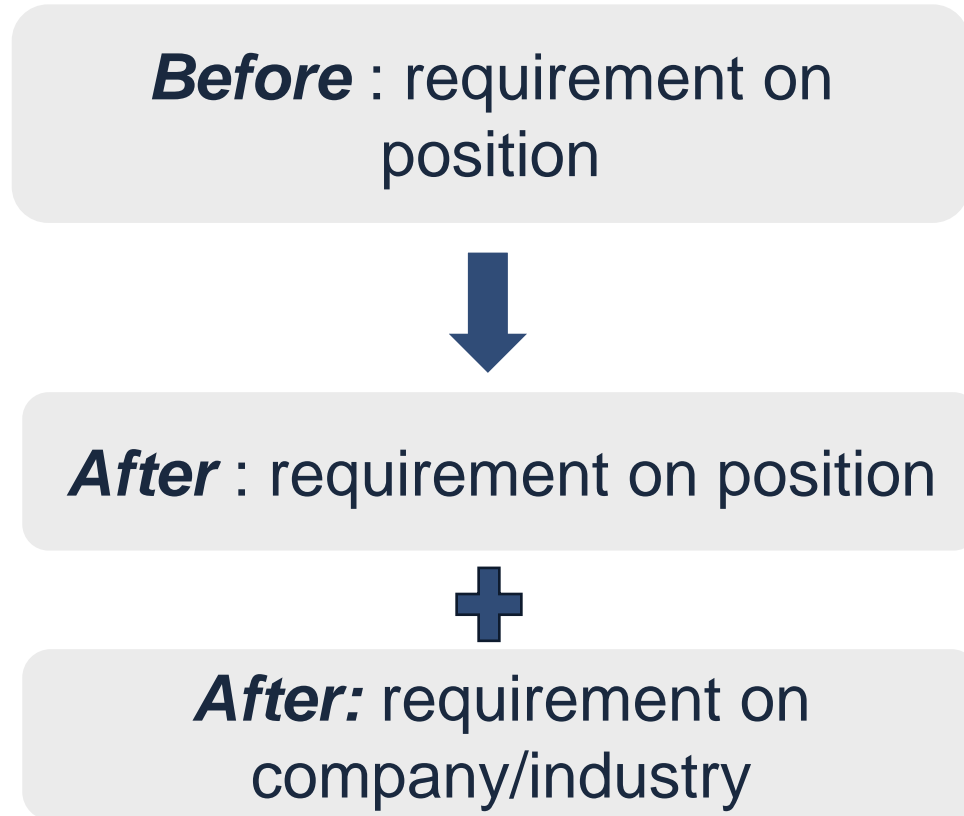


# How to apply

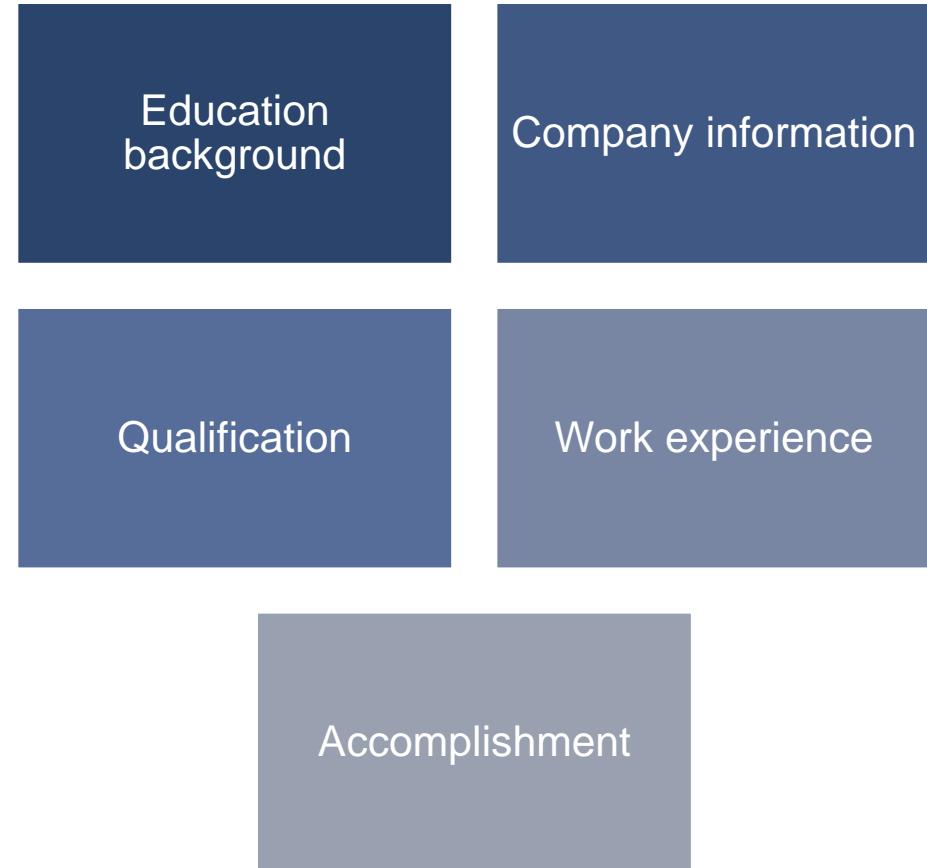


# What's new

## More requirements



## More information





# What's new

## Subsidy Amount

**Before** :no limit



**After** : maximum 5 million CNY

## Application Rule

2020 IIT subsidy

2021 IIT subsidy

2022 IIT subsidy



Follow 2023  
policy



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## Q & A

# DSA Service Suite



Pre-Investment and Entry Strategy Advisory



Accounting, Payroll, and Treasury



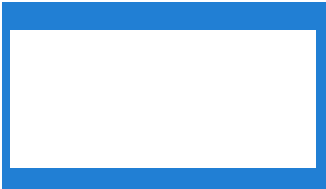
Corporate and Tax Structuring



Tax and Compliance



Cross-border Transactional Support



Employment law and HR



Audit Financial Review, Due Diligence



ERP and Financial System Advisory



# Global Offices



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

## CHINA

**Beijing**  
beijing@dezshira.com

**Guangzhou**  
guangzhou@dezshira.com

**Qingdao**  
qingdao@dezshira.com

**Suzhou**  
suzhou@dezshira.com

## VIETNAM

**Hanoi**  
hanoi@dezshira.com

## INDIA

**Delhi**  
delhi@dezshira.com

## INDONESIA

**Jakarta**  
indonesia@dezshira.com

## SINGAPORE

singapore@dezshira.com

## DEZAN SHIRA ASIAN ALLIANCE MEMBERS

**Malaysia**  
malaysia@dezshira.com

**Bangladesh**  
bangladesh@dezshira.com

**South Korea**  
southkorea@dezshira.com

## DEZAN SHIRA LIAISON OFFICES

**Germany**  
germandesk@dezshira.com

**United Kingdom · Ireland**  
uk.ireland@dezshira.com

**Dalian**  
dalian@dezshira.com

**Hangzhou**  
hangzhou@dezshira.com

**Shanghai**  
shanghai@dezshira.com

**Tianjin**  
tianjin@dezshira.com

**Ho Chi Minh City**  
hcmc@dezshira.com

**Mumbai**  
mumbai@dezshira.com

**HONG KONG SAR**  
hongkong@dezshira.com

**DUBAI UAE**  
dubai@dezshira.com

**The Philippines**  
philippines@dezshira.com

**Japan**  
japan@dezshira.com

**Nepal**  
nepal@dezshira.com

**Italy**  
italiandesk@dezshira.com

**South America**  
southamerica@dezshira.com

**Dongguan**  
dongguan@dezshira.com

**Ningbo**  
ningbo@dezshira.com

**Shenzhen**  
shenzhen@dezshira.com

**Zhongshan**  
zhongshan@dezshira.com

**Danang**  
danang@dezshira.com

**Bengaluru**  
bengaluru@dezshira.com

**MONGOLIA**  
mongolia@dezshira.com

**Thailand**  
thailand@dezshira.com

**Sri Lanka**  
srilanka@dezshira.com

**Turkiye**  
turkiye@dezshira.com

**United States**  
usa@dezshira.com

**Haikou**  
hainan@dezshira.com

**Australia**  
australia@dezshira.com

