

To get more information and assistance, please visit:



The website of the Guangzhou Municipal Tax Bureau, State Taxation Administration via

http://www.gd-n-tax.gov.cn/gdsw/gzsw/gzsw_index.shtml



Or call the hotline of taxation services at 12366

Or scan the below QR codes for more guidance and information



Guangzhou Taxation



IIT Reform Column



Official Mobile IIT APP

3. How to Obtain IIT Refundable / Settle IIT Payable?



Taxpayers whose annual comprehensive income is no more than RMB60,000 and have paid the IIT through withholding would get the IIT refund faster.



IIT Payable Settlement Process

Taxpayers can use any one of the following options to settle the IIT payable when performing Annual IIT Reconciliation



Kind reminder: To ensure security in tax refund process, you are recommended to fill out the personal bank card (Type I bank account opened in China or bank card opened at bank counter) or passbook information in "Personal Profile" of "Individual Income Tax" APP, in order to facilitate account verification in advance.

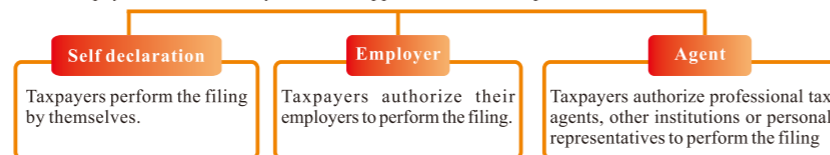
4. When to perform the Annual IIT Reconciliation?

Resident individuals should calculate their IIT liability on comprehensive income in China on an annual basis. If they meet the criteria of Annual IIT Reconciliation, they are required to file 2019 Annual IIT Reconciliation between 1st March to 30th June 2020 to settle the IIT payable or apply the IIT refund.

Non-domiciled resident individuals who depart China before the Annual IIT Reconciliation period can perform the Annual IIT Reconciliation before departing China. A taxpayer who plans to emigrate should perform the Annual IIT Reconciliation for tax clearance before de-registering his/her Chinese household registration.

5. How to perform the Annual IIT Reconciliation?

Tax payers can choose any one of the approaches below to perform the annual reconciliation

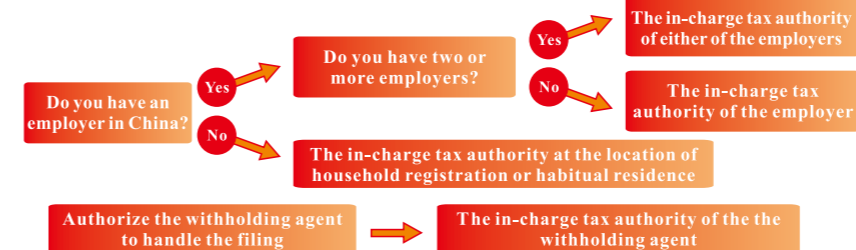


For the convenience of the taxpayers, the tax authorities will provide efficient and speedy e-tax filing channels and offer pre-filled service in the tax returns according to specific rules.



tax returns pre-filing
E-tax filing is recommended

6. Where to perform the Annual IIT Reconciliation?

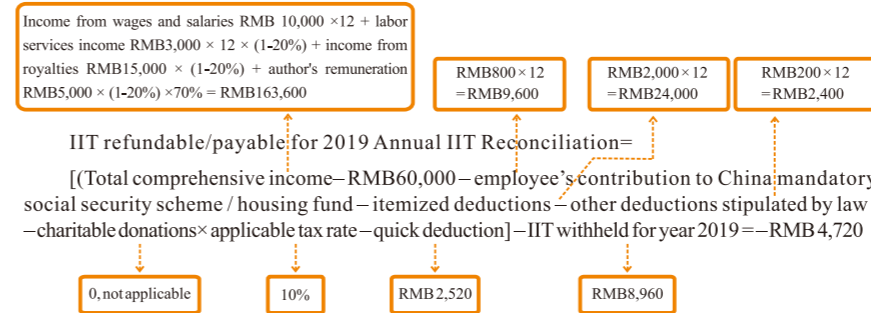


An example to illustrate how to calculate the IIT refundable/payable for 2019:

[EXAMPLE] During year 2019, Mr Zhang received monthly salary amounting to RMB 10,000/month, his monthly deductions include:

- employee's contribution to China mandatory social security scheme / housing fund RMB 800/month
- itemized deductions RMB 2,000/month
- other deductions stipulated by law RMB 200/month

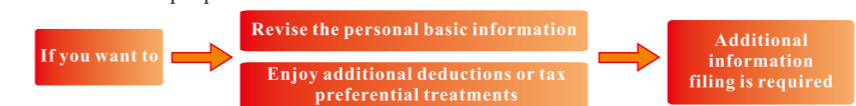
The employer has withheld and paid the IIT of RMB 720 for his monthly salary in 2019. In addition, Mr Zhang acted as a teacher of Company B and received labor services income of RMB 3,000/month. Company B has withheld and paid the related IIT of RMB 5,280. In May 2019, he derived author's remuneration of RMB 5,000 with related IIT of RMB 560 withheld and paid. In October 2019, he earned income from royalties of RMB 15,000 and paid the related IIT of RMB 2,400. In this regard, his total IIT withheld and paid for 2019 was RMB 8,960. Then what is Mr Zhang's IIT refundable/payable for 2019?



Mr Zhang will obtain an IIT refund of RMB 4,720 from performing 2019 Annual IIT Reconciliation.

7. Requirement on filing information

In general, filling out the annual tax return is sufficient for Annual IIT Reconciliation purpose.



Kind reminder: From 1st January 2020 onwards, please use the updated version of the IIT filing forms according to the Public Notice [2019] No.46 issued by State Taxation Administration - The Notice of Revising Certain China IIT Filing Forms.

2019 Annual Individual Income Tax Reconciliation Filing for resident individuals

Resident individuals

1. An individual who is domiciled in China
2. A non-China domiciled individual who has resided in China for 183 days or more during the year



Non-resident individuals

1. An individual who is neither domiciled nor residing in China
2. A non-China domiciled individual who has resided in China for less than 183 days during the year



Individual Income Tax ("IIT") is a type of tax which is imposed on taxable income received by individuals (including sole proprietor, owner of individual's wholly owned enterprise, individual partner in partnership, individual contractor, etc.)

I. What type of income is subject to IIT?

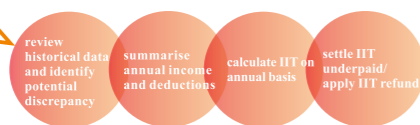
- | | |
|---|---|
| <ul style="list-style-type: none"> 1. Income from wages and salaries 2. Labor services income 3. Author's remuneration 4. Income from royalties 5. Business operation income | <ul style="list-style-type: none"> 6. Interest, dividends and bonuses 7. Income from lease of property 8. Income from transfer of property 9. Contingent income |
|---|---|

Resident individuals who receive income items 1-4 above should combine such income items as comprehensive income and calculate the China IIT liability on an annual basis. If they meet the criteria of annual IIT reconciliation filing, they are required to perform 2019 annual IIT reconciliation filing ("Annual IIT Reconciliation").

II. Hassle free for Annual IIT Reconciliation with one diagram

What is Annual IIT Reconciliation?

The year 2019 marks the beginning of the full implementation of the new IIT law in China, which unveils a new IIT regime mixing aggregate and schedular taxation systems. Pursuant to the new IIT law, resident shall aggregate his/her annual comprehensive income to calculate the IIT payable and perform annual reconciliation filing if specific conditions are met.

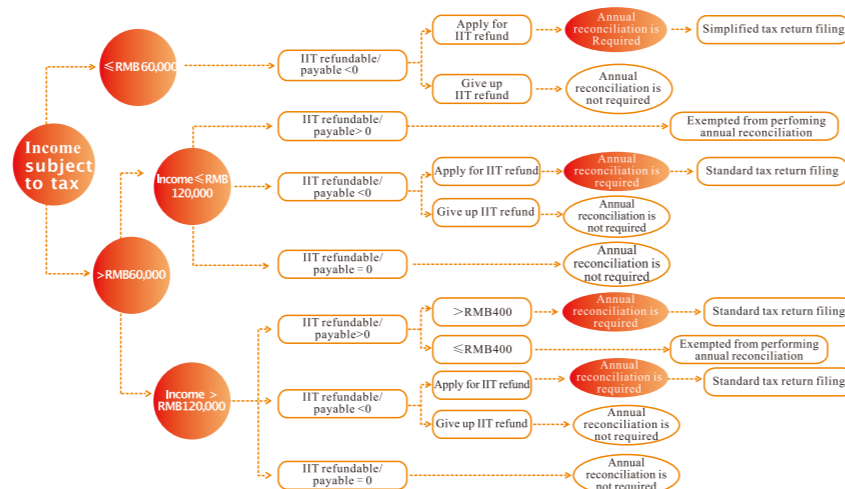


IIT derived from the following types of income cannot be reconciled through annual reconciliation

- Business operation income
- Interest, dividends and bonuses; income derived from transfer of property; income from lease of property; contingent income
- Annual lump sum bonus which the taxpayer does not choose to combine to comprehensive income to calculate the IIT
- Payment derived from termination of employment contract, early retirement, internal retirement

Do I need to perform Annual IIT Reconciliation?

In order to facilitate the self-assessment of Annual IIT Reconciliation requirement, we have prepared the flowchart below with which you can compare and determine your filing requirement.



Let's learn more!

1. Income

(1) The concept of "annual" income

The 2019 Annual IIT Reconciliation is intended to reconcile comprehensive income received from the period from 1st January 2019 to 31st December 2019 and settle any IIT underpaid/refund for the year. Any income received in year(s) prior to or after 2019 is not considered in the 2019 Annual IIT Reconciliation.

(2) Income subject to tax

- Income from wages and salaries = Total income from wages and salaries (before tax)
- Labor services income = Total labor services income (before tax) × (1-20%)
- Income from royalties = Total income from royalties (before tax) × (1-20%)
- Author's remuneration = Total author's remuneration (before tax) × (1-20%) × 70%

2. Calculation of IIT refundable / payable

IIT refundable/payable for year 2019 Annual IIT Reconciliation = [(Total comprehensive income – RMB 60,000 – special deductions such as employee's contribution to China mandatory social security scheme/ housing fund, etc. – itemized deductions such as children's education, etc. – other deductions stipulated by law – charitable donations) × applicable tax rate quick deduction] – IIT withheld for year 2019

(1) Special deductions

China social security Employee's contribution to basic pension, basic medical and unemployment insurance

Housing fund

(2) Itemized deductions

Children's education	RMB1,000/child/month Pre-school education (from age 3) to post graduate	
Continuing education	Diploma education: RMB400/month (maximum claim for the same diploma: 48 months) Vocational education: annual claim of RMB3,600 in the year of obtaining the certificate/ qualification	
Mortgage interest	RMB1,000/month (maximum claim: 240 months)	Deduction of rental expense and mortgage interest cannot be claimed concurrently in the same year by the taxpayer and his/her spouse.
Rental expense	State administered, provincial, planned municipal cities & other cities designated by the State Council: RMB1,500/month Cities with household registration population over 1 million: RMB1,100/month Cities with household registration population of 1 million or less: RMB800/month	
Elderly care	RMB2,000/month for single child For non-single child, the RMB2,000 deduction can be split by taxpayer & siblings (but not over RMB1,000/month/child)	
Medical expenses for serious illnesses	Self-paid portion above RMB15,000 of the actual medical expenses (shall be recorded in the social medical insurance system) is deductible, subject to an annual cap of RMB80,000	

Note: Itemized deduction on medical expenses for serious illnesses can only be claimed through Annual IIT Reconciliation. As for other itemized deductions, taxpayer can choose to claim the deduction through either monthly IIT withholding filing or Annual IIT Reconciliation. If the taxpayer have not claimed any itemized deductions or the amounts claimed are lesser than the actual qualified expenses under the statutory threshold, he/ she can claim the itemized deductions (or the qualified balance) through Annual IIT Reconciliation.

It should be noted that the eight qualified allowances received by foreign individuals including housing allowance, language training expenses and children's education expenses, etc. cannot be deducted in the form of additional itemized deductions if they have been exempted from taxable income during the tax year before January 1st, 2022.

(3) Other deductions stipulated by law

These deductions include corporate annuity, occupational annuity, qualified commercial health-insurance and other deductions designated by the State Council.

(4) Charitable donations

In general, if the taxpayer has made charitable donations to education or poverty relief, the relevant donation is deductible for IIT purpose (capped at 30% of the individual's taxable income). Certain charitable donations specified by the State Council can be fully deductible. If you would like to learn more about the relevant requirements, you may refer to "The Public Notice Jointly Issued by the Ministry of Finance and State Taxation Administration Regarding the Individual Income Tax Treatment for Public Welfare Donation" (Public Notice [2019] No. 99).

IIT Calculation on Annual lump sum bonus

From 1st Jan 2019 to 31st Dec 2021

Resident individuals who receive annual lump sum bonus can choose to either combine it to their comprehensive income to calculate the IIT; or calculate the IIT on annual lump sum bonus separately.

For annual lump sum bonus which is taxed separately from comprehensive income, taxpayer shall compare the amount of "annual lump sum bonus/12" to the monthly tax rate table to determine the applicable tax rate and quick deduction.

The IIT payable on annual lump sum bonus is then calculated as annual lump sum bonus × applicable tax rate – applicable quick deduction.

Supplementary guidance: If the withholding agent adopted separate calculation on annual lump sum bonus in withholding return, the taxpayer could choose to combine annual lump sum bonus with comprehensive income in calculating IIT payable in the Annual IIT Reconciliation.

Note: If you are a non-PRC-domiciled individual who makes a preliminary assessment that you should be a non-resident at the beginning of the year but turn out to be resident at the end of the year, you can choose to apply the preferential treatment for the annual lump sum bonus to the bonus received. In that case, your bonus will be taxed separately from your comprehensive income of the year.

From 1st Jan 2022 onwards

Annual lump sum bonus received by resident individuals shall be combined with the individuals' comprehensive income to calculate the IIT.

Let's check out the enquiry treasure!

- Contact the withholding agent** According to the IIT law and regulations, withholding agent shall provide taxpayer with information on the income paid out and IIT withheld
- Self-filing (though APP)** Taxpayer can obtain his/her income breakdown for year 2019 through the "Individual Income Tax" APP or the "enquiry of income filing breakdown" in web-based "e-tax" platform.
- Pre-filled service of tax authority** To facilitate the 2019 Annual IIT Reconciliation, tax authority has pre-filled certain income information for taxpayers through the "Individual Income Tax" APP and the web-based "e-tax" platform.

Individual Income Tax Rate Table

(Applicable to comprehensive income received by resident individuals)

Band	Annual Taxable Income (RMB)	Tax Rate (%)	Annual Quick Deduction (RMB)
1	Not over 36,000	3	0
2	Over 36,000 to 144,000	10	2,520
3	Over 144,000 to 300,000	20	16,920
4	Over 300,000 to 420,000	25	31,920
5	Over 420,000 to 660,000	30	52,920
6	Over 660,000 to 960,000	35	85,920
7	Over 960,000	45	181,920