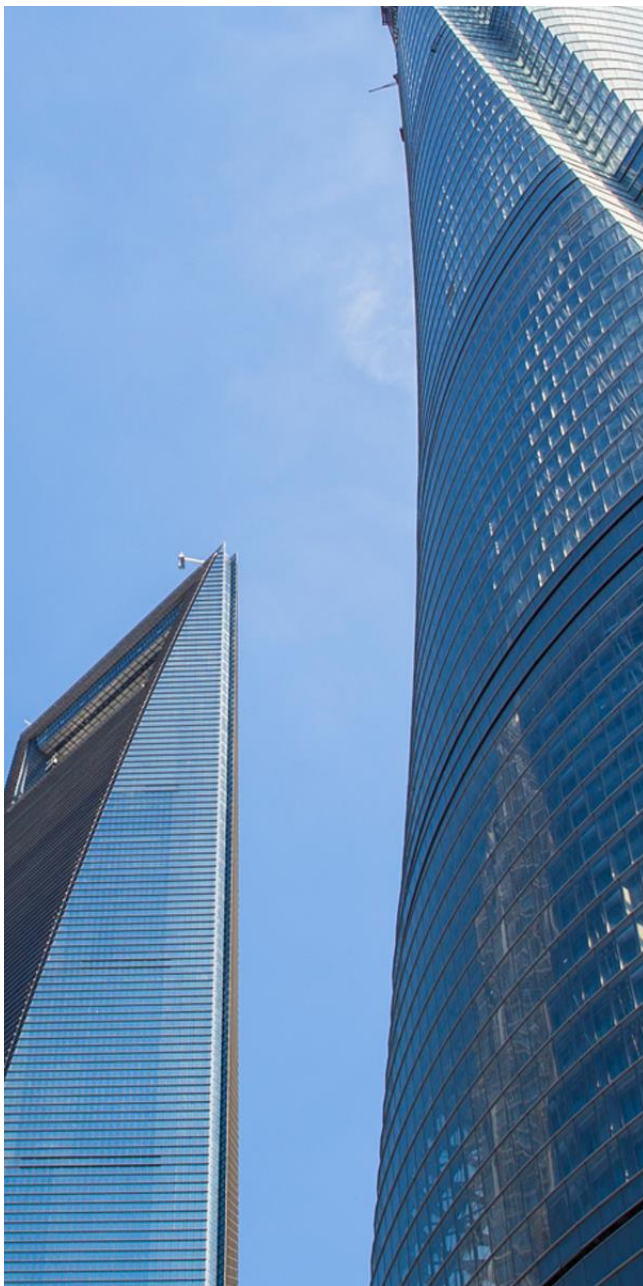

China offices

Legal flash

September 2023



Introduction

The State Taxation Administration published several announcements in August 2023 to extend key individual income tax (“IIT”) preferential policies for another four years, to December 31, 2027, including the preferential tax treatment for the annual bonus and policy on tax-exempt benefits for expatriates.



Several key IIT preferential policies extended

In August 2023, the Ministry of Finance and the State Taxation Administration jointly released Announcement [2023] No. 25, Announcement [2023] No. 29, Announcement [2023] No. 30 and Announcement [2023] No. 32 confirming that, to lessen individuals' tax burden, they are extending the following key IIT preferential policies for another four years. These policies were scheduled to be abolished at the end of 2023, but have been extended to **December 31, 2027**:

(a) Policy on tax-exempt benefits for expatriates

Expatriates who are tax residents in China may continue to choose the tax-exempt benefits like before, instead of applying the special additional deductions like Chinese nationals.

(b) Preferential tax treatment for the annual bonus

Resident taxpayers can continue choosing not to add the annual bonus to the current monthly salary and calculate IIT independently, by applying the current preferential tax treatment (i.e., the annual bonus is divided by 12 for the applicable tax rate in the converted monthly progressive tax rates applicable to comprehensive income).

(c) Preferential tax treatment for qualifying equity-based incentives

Resident taxpayers can continue calculating IIT independently on the qualifying equity-based incentives by applying the progressive tax rates applicable to comprehensive income.

(d) Tax-exempt policy for situations (i) where resident taxpayers' annual comprehensive income is up to RMB 120,000, with the additional tax to be paid through the annual self-declaration; and (ii) where the additional tax to be paid through the annual self-declaration is up to RMB 400



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