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China Taxation

Guidance on Annual Individual Income Tax Declaration 2019 in China

On December 31, 2019, China's top tax administration body, the State Administration of Taxation (thereafter 'SAT') issued the "Announcement of Annual Individual Income Tax Declaration for Comprehensive Individual Income for Fiscal Year of 2019", which provides detailed guidance for handling the annual individual income tax declaration for fiscal year of 2019. We have sorted out the main content of this announcement as following for your reference.

In accordance with the Individual Income Tax Law, by the end of fiscal year of 2019, individual residents are required need to aggregate four types of incomes, namely, "Wages and Salaries", "Labour Remuneration", "Author's Remuneration", and "Royalties" (hereinafter refer to as "Comprehensive Income") received during the period from January 1, 2019 to December, 2019, then deduct a standard allowance of RMB60,000 expense, and special deductions, special additional deductions and other deductions as allowed by the laws. Then, the remaining is multiplied by the applicable tax rates for comprehensive income and deduct the quick deduction (Annex 1: The Comprehensive Income Rates Table) to arrive at the final amount of annual tax payable. Finally, the total tax payable is deducted by the tax already paid to arrive at the amount of tax to be refunded or additional tax to be paid. If additional tax is to be paid, individual residents should pay the tax on 30 June 2020. Or if there is a tax refundable, taxpayers should apply for the refund on or before June 2020. The computation formula is as follows:

Calculation of amount refundable or additional tax payable, Year 2019

= [(Comprehensive income - RMB60,000 - Special deductions of social insurance and housing provident fund contributions - Children's education deduction and other special additional deductions - Other deductions determined by the laws) × Applicable tax rate - Quick deduction] - the annual tax prepaid for fiscal year of 2019

1. Annual Tax Declaration Not Required

Under the following circumstances, individual residents are not required to process annual tax declaration:

- (1) Additional tax is payable but annual comprehensive income does not exceed RMB 120,000 in Year 2019.
- (2) Additional tax is payable due does not exceed RMB 400 in Year 2019 or 2020.
- (3) There is no discrepancy between annual tax withheld and annual tax payable or taxpayer does not apply for tax refund.

[Recommendation of Kaizen]

Under the circumstance where a the taxpayer derives his wages and salaries from the one place in 2019, and he has uploaded all information related to the allowable deductions available to the taxpayer (please refer to point 5 below) to the IIT system before December 31, 2019, or has provided all the information to his withholding agent, in this case. So, there will not be any discrepancy between the 2019 annual tax withheld, and the actual annual tax payable, and the annual tax declaration is not required.

2. Annual Tax Declaration Required

In the case of any of the following situation, individual residents are required to process annual tax declaration:

- (1) Where the tax amount withheld is more than the amount of annual tax payable, and taxpayer seeks to apply for tax refund. This could arise from:
 - (a) The annual comprehensive income in year 2019 is less than RMB60,000, but certain amount of the individual income tax has already been withheld for the taxpayer.
 - (b) The rate at which tax is withheld on of income from labour remuneration, author's remuneration and royalties is higher than that charged at comprehensive income.
 - (c) At the time when tax is withheld to the allowable deductions, special deductions, special additional deductions and other deductions allowed determined by the laws, have not been fully deducted from the taxable income.
- (2) Where the annual comprehensive income in year 2019 more than RMB120,000 and additional tax payable is more than RMB400. This could result from:
 - (a) A taxpayer derives his comprehensive income from two or more places, and the applicable tax rate is increased after all income are combined.
 - (b) Due to error or omission, the tax amount withheld lower than the amount of actual tax payable for the whole year.

[Recommendation of Kaizen]

Where the taxpayers meet the above conditions for tax refund or payment of additional tax, Kaizen suggest that they should process their tax declaration within the prescribed deadline, otherwise they may suffer loss of refund or subject to tax supervision and punishment.

3. Annual Tax Declaration Filing Deadline

- (1) Taxpayers should complete their annual tax declarations for 2019 during the period from March 1, 2020 to June 30, 2020.
- (2) Taxpayers who are does not domiciled within the territory of China and will leave China during the period from March 1, 2020 to June 30, 2020 may process their annual declarations before departure.

4. Payment of Additional Tax or Application Refund/Repayment

- (1) Taxpayers shall provide the particulars of a bank account opened within the territory of China when applies for annual tax declaration. Once the verification process is completed, the tax authorities accepting the tax declaration will pay the tax refunded to the bank account provided.
- (2) The State Taxation Administration, through its official website (including IIT mobile app), provides those taxpayers whose comprehensive income in year 2019 is less than RMB 60,000 and have already prepaid their individual income tax with a handy and quick way to apply for tax refund. These taxpayers may apply for tax refund by filling out a simple declaration form therein during the period from March 1, 2020 to May 31, 2020.
- (3) In the case where additional tax is to be paid, taxpayers can make payment through online banking, POS machine credit card, bank counter, non-bank payment institutions and etc.

5. Allowable Deductions

Where a taxpayer has not yet deducted all or part of allowable deductions, as listed below, from his taxable income, he can do so while he is processing his annual tax declaration for year 2019:

- (1) Critical illness medical expenses incurred in 2019 by the taxpayer, his / her spouse and minor children under the age of 18.
- (2) The special additional deductions, including children's education, continuing education, housing mortgage interest or housing rent, elderly care as well as other special deductions and other deductions determined by laws which the taxpayers have not yet deducted or only partly deducted from their taxable income.
- (3) Public welfare donation incurred by the taxpayers in year 2019.

[Recommendation of Kaizen]

1. Those taxpayers who have any deductible items that meet the above conditions, but have not applied for the deduction yet, they are reminded to upload the relevant information in time when processing their annual individual income tax declarations. Or they should provide the detailed relevant information to Kaizen (in case that Kaizen is appointed to handle the annual individual income tax declaration).
2. The regulations on public welfare donation are as follows:
 - (1) Article 6 of the Individual Income Tax Law of the People's Republic of China:
Where an individual donates his/her income to public welfare and charitable causes such as education, poverty alleviation and relief, the donated amount can be deducted from his/her taxable income. The amount of deduction however should not exceed 30% of taxable income as declared by the taxpayer.
 - (2) Article 19 of the Regulations for the Implementation of the Individual IIT Law of the People's Republic of China:
Donations by individual towards education, poverty relief and other public welfare charities causes, refers to the donation made by individuals to education, poverty relief and other public welfare charities, through social organizations or government agencies within the territory of China.

6. Annual Tax Declaration Processing Methods

Taxpayers may choose the following methods for filing of their declaration:

- (1) Taxpayers can handle the annual tax declarations by themselves.
- (2) Taxpayers can authorize the withholding agents from whom they receive their wages and salaries or labour remuneration continuously to handle their annual tax declarations.

*Where the taxpayer requests the withholding agent to act on behalf of him, the withholding agent shall do so or shall train and assist the taxpayer to apply through State Taxation Administration website (including IIT mobile app). Where the withholding agent files the annual tax declaration for fiscal year of 2019 on behalf of the taxpayer, the taxpayer shall make the written confirmation with the withholding agent before April 30, 2020, and provide such additional information as taxpayer's comprehensive income, relevant deductions, tax preferences etc., other than the own unit, for the fiscal year of 2019 with all of the due diligence;

- (3) Taxpayers can appoint any professional tax services provider or other units or individuals (hereinafter referred to as "Authorized person") to handle the tax declaration. In this case, a written authorized letter shall be signed and kept in safe custody.
- (4) The withholding agents or authorized persons shall, in a timely manner, inform the taxpayers of the information declared after the annual tax declaration is completed. If a taxpayer notices error or omission in his return, he may request his withholding agent or the authorized person to amend it or he can request the tax authority to amend it.

7. Annual Tax Declaration Processing Channels

- (1) Taxpayers may process their annual tax declarations through the online platform operated by the State Taxation Administration website (including IIT mobile app). The tax authority will provide the pre - filled declaration forms for the taxpayers.
- (2) Taxpayer may post their declaration forms to the tax authorities in the places where the taxpayer' employment units are located (if a taxpayer does not have an employment unit, it should be the tax authority in the place where the household registration or habitual residence of that taxpayer is located). Taxpayers can also go to relevant tax service offices to file their declarations in person.

8. Reporting of Information and Record Keeping

In addition to the declaration form, if there is any modification of basic information or any new deductions or tax preferences which a taxpayer is entitled to enjoy, the taxpayer shall also provide the particulars while processing his annual tax declaration. The taxpayer should verify all information provided in the tax declaration and make sure that all information provided is true, correct and complete.

Taxpayers and the withholding agents who processed annual tax declaration for other taxpayers should keep the annual declaration form as well as such information as taxpayer's comprehensive income, relevant deductions, tax paid or tax preferences etc. for a period of 5 years after the annual declaration period is completed.

9. Tax Authorities Accepting Annual Tax Declaration

- (1) Where a taxpayer processes the annual tax declaration by himself or has appointed someone else to process it on his behalf, the declaration shall be filled with the competent tax authority in the locality where the employment unit of the taxpayer is located.
- (2) Where the annual tax declaration is to be processed by the withholding agent, the declaration shall be processed with the supervising tax authority of for the withholding agent.
- (3) Where a taxpayer who has two or more employment units, he can choose to process the tax declaration with the competent tax authority in the locality where any one of his employers is located; a taxpayer who does not have an employment unit shall file the tax declaration with the competent tax authority in the place where his the taxpayer's household registration or habitual residence is located.

In accordance with the Regulations for the Implementation of the Individual IIT Law of the People's Republic of China, the taxpayers can authorize their withholding agents or other units or individuals to handle the tax declaration for and on their behalf. Kaizen is committed to provide professional accounting and taxation services and can assist the taxpayers with the annual individual income tax declaration. Please feel free to contact us in case you have any doubts regarding the materials above or need further assistance.

Annex 1: Comprehensive Individual Income Tax Withholding Rates Schedule

Grade	Cumulative Taxable Income (RMB)	Tax Rate %	Quick Deduction
1	Less than 36,000	3%	-
2	More than 36,000 and less than 144,000	10%	2,520
3	More than 144,000 and less than 300,000	20%	16,920
4	More than 300,000 and less than 420,000	25%	31,920
5	More than 420,000 and less than 660,000	30%	52,920
6	More than 660,000 less than 960,000	35%	85,920
7	Over 960,000	45%	181,920

Reference Materials:

1. [Our China Taxation Services]

<https://www.kaizencpa.com/Services/info/id/49.html>

2. [Our China Book-keeping and Accounting Services]

<https://www.kaizencpa.com/Services/info/id/51.html>

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If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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