

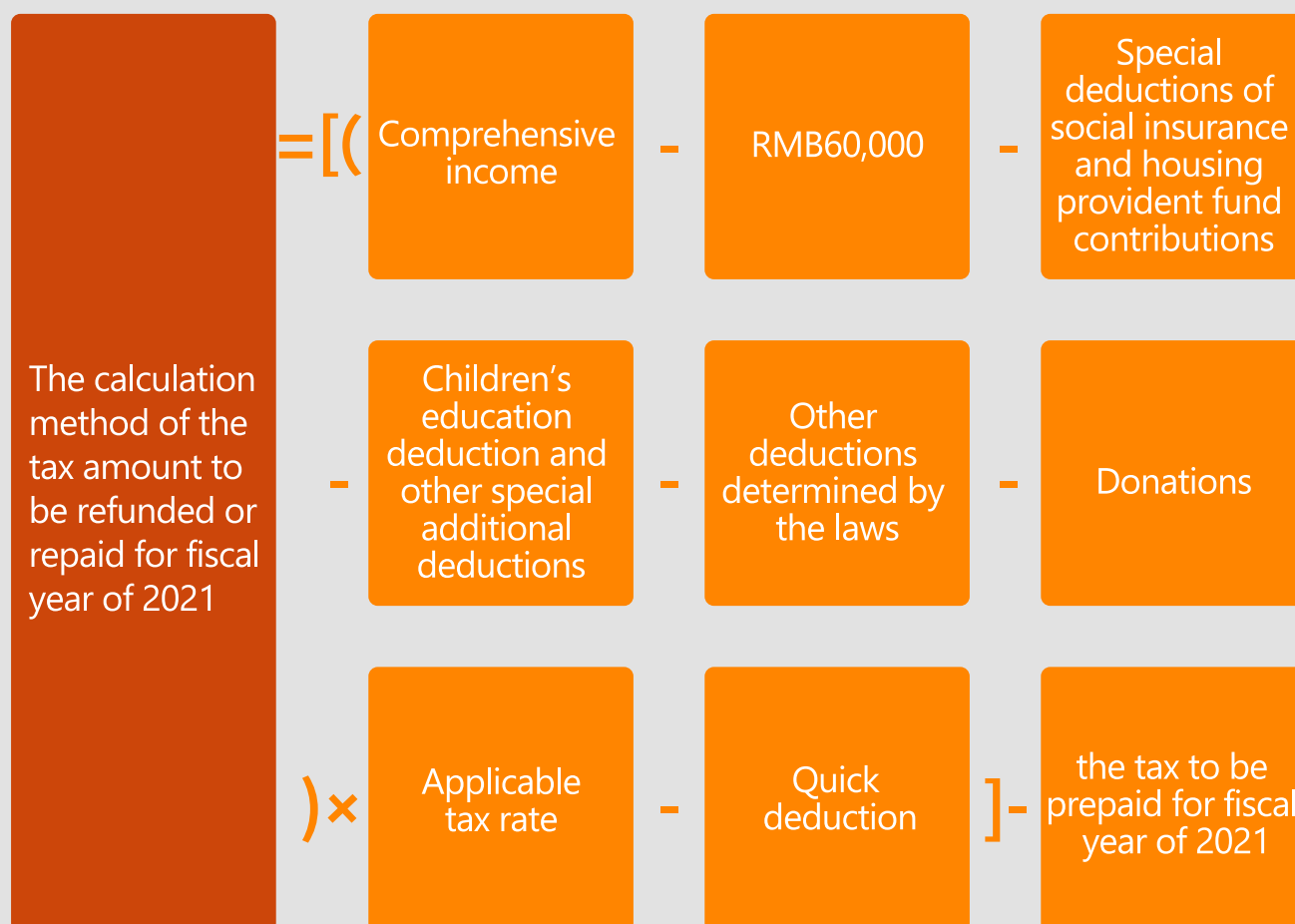


Guidance on Annual Individual Income Tax Declaration for Fiscal Year of 2021 in China



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- ▶ On February 8, 2022, 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 2021", which provides detailed guidance for handling the annual individual income tax declaration for fiscal year of 2021. 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 2021, 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, 2021 to 31 December, 2021, then deduct a standard allowance of RMB60,000 expense, and special deductions, special additional deductions and other deductions as allowed by the laws and eligible charitable donations. 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 within the period from 1 March 2022 to 30 June 2022. Or if there is a tax refundable, taxpayers should apply for the refund within the period from 1 March 2022 to 30 June 2022. The computation formula is as follows:



The annual tax declaration is not required if:

1

The taxpayer should repay the tax, but the annual comprehensive income does not exceed RMB120,000;

2

The taxpayer should repay the tax, but the amount of the repayment does not exceed RMB400;

3

There is no any discrepancy between the annual tax prepaid with the annual tax payable, or taxpayer does not apply for annual tax declaration for tax refund.

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If the taxpayer derives wages and salaries from the one place during fiscal year of 2021, and all information related to the pre - tax deduction available to the taxpayer (please refer to point 5 below) has been duly uploaded to the individual income tax App by the withholding agent before December 31, 2021. So, there is no any discrepancy between the 2021 annual tax prepaid with the annual tax payable, and the annual tax declaration is not required.

The annual tax declaration is required if:

The annual tax amount prepaid by the taxpayer more than the amount of annual tax payable, and taxpayer applies for tax refund, the details are as follows:

- ▶ The annual comprehensive income in year 2021 of the taxpayer is less than RMB60,000, but the individual income tax has been already prepaid by the taxpayer;
- ▶ The rate of labor remuneration, author's remuneration and royalties higher than the applicable tax rate of the comprehensive income;
- ▶ When the taxpayer prepays the tax, fails to deduct or fully deduct the deduction expenses, special deductions, special additional deductions and other deductions determined by the laws, and fails to enjoy or fully enjoy the comprehensive income tax benefits, etc.

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Where the taxpayer shall apply for tax refund or repayment, Kaizen kindly advises the taxpayer to handle the tax declaration within the prescribed time limit, otherwise there can be any loss or risk of tax supervision and punishment.

The annual comprehensive income in year 2021 of the taxpayer exceeds RMB120,000, the annual tax amount prepaid by the taxpayer less than the annual tax payable, and the tax amount required to be repaid exceeds RMB400, the details are as follows:

- ▶ The taxpayer derives the comprehensive income from two places or more, and the applicable tax rate is increased upon consolidated calculation;
- ▶ Due to an error in calculation or any other reasons, the tax amount withheld and prepaid by the taxpayer in year 2021 is lower than the amount of actual tax payable.

Time frame for handling

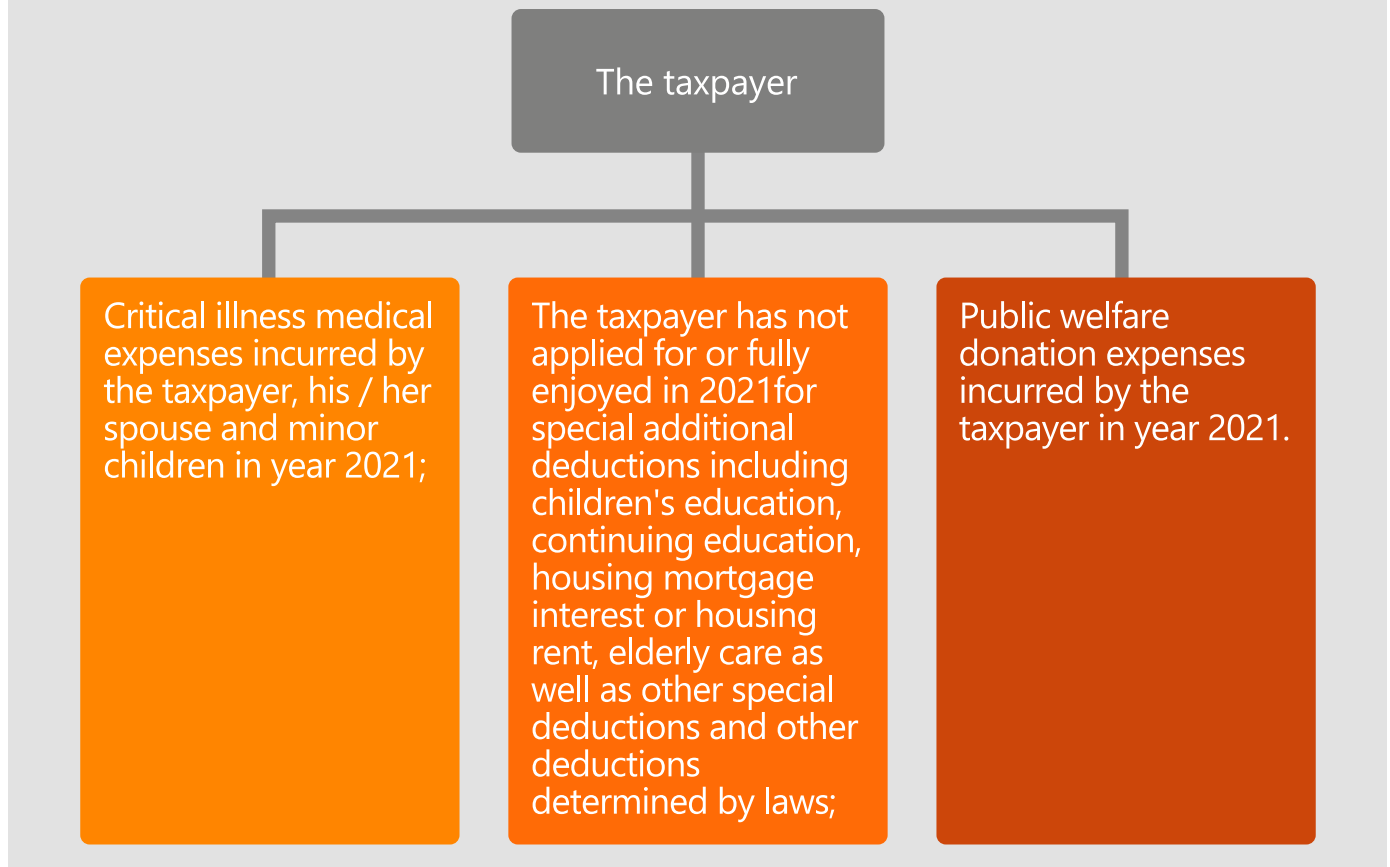
- ✔ The taxpayer should complete the tax declaration for fiscal year of 2021 within the period from 1 March 2022 to 30 June 2022;
- ✔ The taxpayer who does not have a domicile within the territory of China, and be out of country during the period from 1 March 2022 to 30 June 2022 may handle the tax declaration before leaving the country.

Application for annual tax declaration for tax refund / repayment

- ▶ The taxpayer shall provide the information of the bank account opened within the territory of China when applies for annual tax declaration. Once the verification process completed by the tax authorities in accordance with the provisions, the tax authorities accepting the tax declaration will arrange the tax refund;
- ▶ State taxation administration website and the individual income tax App provide a handy and quick way to apply for tax refund for the taxpayers whose comprehensive income in year 2021 does not exceed RMB60,000, and for those who have already been prepaid the individual income tax. The taxpayer may apply for annual tax declaration for tax refund by filling in the simple declaration form therein during the period from 1 March 2022 to 30 June 2022;
- ▶ When submit the application for annual tax declaration for tax repayment, the taxpayer shall arrange the relevant payment through online banking, POS machine credit card, bank counter, non-bank payment institutions or by other payment methods.

Pre-tax deductions that the taxpayer can continue to enjoy

For the following pre-tax deductions items that the taxpayer is not deducted or not fully deducted, may apply for deductions or supplementary deductions during the annual individual income tax declaration period:



To those taxpayers who have any deduction items that meet the above conditions, but have not apply for the deduction yet, Kaizen kindly reminds to upload the relevant information in time when handling the annual individual income tax declaration, or provide the detailed information to Kaizen (in case that the taxpayer authorizes Kaizen to handle the annual individual income tax declaration).

The regulations on public welfare donation expenses, as follows:

In accordance with the Article 6 of 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 in case the donated amount does not exceed 30% of taxable income as declared by the taxpayer;

In accordance with the Article 19 of Regulations for the Implementation of the Individual IIT Law of the People's Republic of China:

The term donation to education, poverty relief and other public welfare charities means the donation made by individuals to education, poverty relief and other public welfare charities, through social organizations or government agencies in the PRC.

Recommendation of Kaizen

Method of handling

The taxpayer may choose the following ways of handling:

- ▶ The taxpayer can handle the annual tax declaration by himself;
- ▶ The withholding agent who obtains wages and salaries or continuously obtains the income from labor remuneration applies for handling on behalf of the taxpayer;
*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 2021 on behalf of the taxpayer, the taxpayer shall make the written confirmation with the withholding agent before 30 April 2022, 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 2021 with all of the due diligence;
- ▶ Where the taxpayer authorizes any professional tax services or other units or individuals (hereinafter referred to as "Authorized person") to handle on behalf of the taxpayer, the authorized person shall sign the Letter of Authorization with the taxpayer and keep it properly once signed;
- ▶ The withholding agent or the authorized person shall, in a timely manner, inform the taxpayer once the annual tax declaration is completed. When the taxpayer finds out the information declared is incorrect, the taxpayer may request the withholding agent or the authorized person to amend or do so by himself.

Ways of application

The taxpayer may apply for annual tax declaration through state taxation administration website or individual income tax mobile app, and the tax authority will provide the pre - filling service for the taxpayer;



The taxpayer may mail the declaration form to the tax authority in the locality where the employment unit of the taxpayer is located (if the taxpayer does not have an employment unit, it should be the tax authority in the locality where the household registration or habitual residence is located) or go to the tax service office for handling.



Information Declaration and Data Keeping



In addition to the declaration form, if there is any modification of basic information or any new deductions or tax preferences the taxpayer to be enjoyed, the taxpayer shall also fill in the relevant information with all of the due diligence while handling the annual declaration.



The taxpayer and the withholding agent filing the annual tax declaration on behalf of the taxpayer, should keep the annual declaration form as well as such information as taxpayer's comprehensive income, relevant deductions, tax paid or tax preferences etc. within 5 years after the annual declaration period is completed.

Tax authorities accepting annual tax declaration

- ▶ Where the taxpayer handles the annual tax declaration by himself or the authorized person acts 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;
- ▶ Where the withholding agent handles the annual tax declaration on behalf of the taxpayer, the declaration shall be filled with the competent tax authority for withholding agent;
- ▶ The taxpayer who has two or more employment units shall choose and file the tax declaration with the competent tax authority in the locality where one of the units is located; The taxpayer who does not have an employment unit shall file the tax declaration with the competent tax authority in the locality where 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 taxpayer can authorize the withholding agent or other units or individuals to handle the tax declaration. Kaizen is committed to providing professional accounting and taxation services, and can assist the taxpayer with handling the annual individual income tax declaration. Please feel free to contact us in case you need any of our assistance.



Annex 1
Comprehensive
Individual
Income Tax
Withholding
Rate Schedule

Grade	Cumulative Taxable Income (RMB)	Tax Rate (%)	Quick Deduction
1	Less than 36,000	3	0
2	More than 36,000 and less than 144,000	10	2,520.00
3	More than 144,000 and less than 300,000	20	16,920.00
4	More than 300,000 and less than 420,000	25	31,920.00
5	More than 420,000 and less than 660,000	30	52,920.00
6	More than 660,000 less than 960,000	35	85,920.00
7	Over 960,000	45	181,920.00

Service Scope

<h2>Corporate Service</h2> <ul style="list-style-type: none"> ✓ Company Formation & Registration ✓ Bank Account Application ✓ Company Secretary ✓ Registered Office & Business Address ✓ Compliances & Maintenance ✓ Dis-registration & Dissolution 	<h2>Accounting & Auditing</h2> <ul style="list-style-type: none"> ✓ Financial Advisory ✓ Due Diligence ✓ Accounting & Book-keeping ✓ Statutory Audit ✓ Special Audit 	<h2>Taxation</h2> <ul style="list-style-type: none"> ✓ Tax Advisory ✓ Tax Planning ✓ Tax Reporting ✓ Tax Compliance ✓ Tax Audit ✓ Transfer Pricing
<h2>Visa</h2> <ul style="list-style-type: none"> ✓ Work Visa ✓ Business Visa ✓ Investment Visa ✓ Immigration ✓ Post Landing Support 	<h2>Personnel</h2> <ul style="list-style-type: none"> ✓ Staff Hiring ✓ Labor Displacement ✓ Payroll Processing ✓ Human Resource ✓ Labor Law Advisory 	<h2>Intellectual Property</h2> <ul style="list-style-type: none"> ✓ Trademark Registration & Renewal ✓ Trademark Infringement ✓ Trademark Watch ✓ Design Registration ✓ Patent Registration ✓ Domain Name Registration

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Reference Materials: Our China Taxation Services <https://www.kaizencpa.com/Services/info/id/49.html>
 Our China Book-keeping and Accounting Services <https://www.kaizencpa.com/Services/info/id/51.html>

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