



Outsourcing newsletter -

The transition of the preferential policies for individual income tax will end on 31st December 2021

Dear Sir/Madam,

It is approaching to the end of 2021, we'd like to kindly remind you that the transition of the preferential policies for individual income tax effective from 2019 and will end on 31st Dec 2021.

1. Annual Lump Sum Bonuses

Current practice until year 2021 end:

Resident individual: the annual lump bonuses shall be separately taxed on the basis of the amount by dividing the annual lump sum bonuses by 12 months.

Non-Resident individual: the several months bonuses

obtained in one month shall be amortized in 6 months for tax calculation, without deductions.

As of January 1, 2022, the annual lump sum bonuses obtained by resident individuals shall be included in the consolidated income of the current year for the purpose of calculation and payment of individual income tax.

2. Allowances and Subsidies for Foreign Individuals

Current practice until year 2021 end:

Foreign individuals can enjoy the preferential tax-exemption policies on allowances for housing subsidies,

language training expenses and children's education expenses, home leave passenger, etc. in accordance with the local regulation.

As of January 1, 2022, foreign individuals will no longer enjoy preferential tax-exemption policies on allowances for housing subsidies, language training expenses and children's education expenses and shall enjoy additional special deductions as required.

3. Equity incentives as stock options, stock appreciation rights, restricted stocks and equity rewards

Current practice until year 2021 end:

Resident individual: the equity incentives shall be

separately taxed on the basis of the full amount separately.

Non-Resident individual: the equity incentives shall be amortized in six months for tax calculation, without deductions.

The equity incentives after January 1, 2022 shall be separately clarified by the policies.

Ref: Cai Shui [2018] No.164; Announcement of the Ministry of Finance and the State Taxation Administration [2019] No.35

Details of the addition of six itemized special deductions are in the following table:

Amount in RMB			
Deduction category	Annual	Monthly	Criteria
Child education (per child)	12,000	1,000	Eligible for parents with child (from 3 years old to higher education)
Continued education	4,800* (1)	400	Academic education
	3,600	N/A	Vocational education
Serious illness	Incurred amount between 15,000 And 80,000 (2)	N/A	Expenses borne by taxpayer with substantiation. Expense can be claimed for taxpayers themselves, their spouses and their non-adult children.
Rental cost	18,000	1,500	Municipalities directly under the Central Government, capital cities or other cities listed separately
	13,200	1,100	Cities with population above 1 million
	9,600	800	Cities with population below 1 million
Mortgage interest	12,000 * (3)	1000	For self-owned first property only and under commercial mortgage or housing fund
Elderly support	24,000	2000	To be divided by the supporting children

Maximum amount in a tax year

(1) The academic education has to be in China, the program cannot be longer than 48 months and if it is for under-graduate education, the deduction can be claimed by the parents.

(2) The deduction can be claimed by the sick person himself or his spouse, and for non-adult child, the deduction can be claimed by one of his parents.

(3) The maximum deduction period is 240 months.

Should you have any questions, please don't hesitate to contact us. We'll be happy to help!

Many thanks and best regards,

Mazars Payroll Services

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^[1] Where permitted under applicable country laws

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