

Law of the People's Republic of China on Individual Income Tax

(Adopted by the Third Session of the Fifth National People's Congress on September 10, 1980; amended for the first time in accordance with the Decision of the Fourth Session of the Standing Committee of the Eighth National People's Congress Concerning Amendment to the Law of the People's Republic of China on Individual Income Tax on October 31, 1993; and amended for the second time in accordance with the Decision of the 11th Session of the Standing Committee of the Ninth National People's Congress Concerning Amendment to the Law of the People's Republic of China on Individual Income Tax on August 30, 1999; amended for the third time in accordance with the Decision of the 18th Session of the Standing Committee of the Tenth National People's Congress on Amending the Law of the People's Republic of China on Individual Income Tax on October 27, 2005)

Article 6 Calculation of income amount taxable:

1. For incomes of wages and salaries, the taxable income amount shall be the remainder after deducting 1600 yuan from the monthly income.
2. For incomes of private industrial and commercial households from their productions and business operations, the income amount taxable shall be the remainder after deducting costs, expenses and losses from the gross incomes in a tax year.
3. For incomes from contracting or leasing enterprises and institutions, the income amount taxable shall be the remainder after deducting necessary expenses from the gross income in a tax year.
4. For incomes from remuneration for labor services, incomes from author's remuneration, incomes from royalties and incomes from lease of property, the income amount taxable shall be the remainder after deducting 800 yuan if a single payment does not exceed 4,000 yuan; and be the remainder after deducting 20 per cent for expenses if a single payment exceeds 4,000 yuan.
5. For incomes from transfer of property, the income amount taxable shall be the remainder after deducting the original value of the property and reasonable expenses from proceeds of the transfer of property.
6. For incomes from interest, stocks dividends and bonuses, occasional incomes and other incomes, the income amount taxable shall be the amount of income received each time.

The part of income donated by the individuals into education and other public welfare causes shall be deducted from the income amount taxable in accordance with the relevant regulations of the State Council.

For a taxpayer who has no domicile in the territory of China but has obtained incomes from wages and salaries in the territory of China, or for a taxpayer who has a domicile in the territory of China but has obtained wage and salary incomes from abroad, an additional deduction for expenses may be determined according to his average income level, living standard and the change of exchange rates, and the scope and standard for the additional deduction for expenses shall be provided for by the State Council.

Detailed Rules for the Implementation of the Individual Income Tax Law of the People's Republic of China (Revised in 2005)

(Promulgated according to the order No.142 of the State Council of the P.R.C. on January 28, 1994 and became effective on the same day and amended in accordance with the Decision of the State Council on Amending the Regulation on the Implementation of the Individual Income Tax Law of the People's Republic of China on December 19, 2005)

Article 24 Donations by individuals to education and other public undertakings mentioned in Section 2 of article 6 of the Tax Law mean donations by individuals to education and other social and public undertakings and the areas suffering severe natural disasters or poverty-stricken areas through social organizations or State organs within the territory of China.

The donation that does not exceed 30% of the taxable income claimed by taxpayers may be deducted from the taxable income.