

Corporate Income Tax (CIT) Settlement

In accordance with Chinese legislation, companies normally pay CIT on quarterly basis and within the end of May in the following year all companies must submit annual CIT reconciliation documents to tax authority. Supplementary tax payment or tax refund will be determined after the annual CIT filing documents are submitted.

The deadline for CIT settlement of 2023 is May 31st 2024. Below are some key points that could help your company reduce the tax burden or help you smooth out the declaration procedure.

- **Preferential CIT policy for Small and Low-profit Enterprises**
Till the end of December 2027, Small and Low-profit Enterprises are entitled to enjoy preferential CIT rate of 20% and the taxable income is also reduced at 25% of its annual amount, which means the CIT burden of Small and Low-profit Enterprises is only 5%.
- **Deduction of R&D Expenses**
For certain industries that meet the requirement, R&D Expenses incurred during the year can be deducted on two times of its actual amount. For those R&D expenditures formed Intangible Assets, amortization can be calculated at two times of its original cost of the intangible asset.
- **Retain of Relevant Supporting Vouchers**
Companies that incur expenses should obtain pre-tax deduction vouchers as the basis for deducting relevant expenses when calculating CIT. And these pre-tax deduction vouchers should be obtained before the end of CIT settlement deadline.
- **Adjustment of Non-deductible Cost/Expenses**
For those proper vouchers cannot be obtained on time, the amount cannot be deducted before tax and the taxable income should be increased accordingly.

Individual Income Tax (IIT) Settlement

Resident individual tax payers in China need to go through IIT Settlement procedure before June 30th each year. For the purpose of IIT declaration, foreign individuals who domicile in China or who don't domicile in China but have stayed in China in the aggregate for 183 days or more during a tax year are classified as resident individual tax payers.

IIT Settlement can either be done via the IIT APP “个人所得税” or going to nearby tax counter in person. The deadline for IIT settlement of 2023 is June 30th 2024.

Besides the annual standard deduction of RMB 60,000, special additional deductions can be applied to reduce the tax burden.

- Nursing expenses for children under three years old
RMB 2,000 per month per child
- Children's education expenses
RMB 2,000 per month per child
- Continuing education expenses
400 per month up to 48 months; or
Technician qualification/professional technician: 3,600 in the year qualification is obtained.
- Healthcare cost for serious illness;
Where the medical expense cumulatively exceed RMB 15,000, the taxpayer shall deduct the excess truthfully within the RMB 80,000 limit.
- Housing loan interest;
RMB 1,000 per month (up to 240 months)
- Expenses for supporting the elderly
The only child: RMB 3,000 per month; or
Non-only child: allocated between siblings, each one not exceed 1,500 per month;
- Housing rent
Three levels: RMB 800, RMB 1100 and RMB 1500, depending on the city