

# **Taxation in China**

## **Basis Knowledge for Paying Tax**

Resident taxpayers include individuals with a residence in the Chinese territory or those who do not have a residence in China but have lived in China for a whole year during a taxation year. Resident taxpayers are under unlimited tax obligation, i.e., their income originating from both within and outside the Chinese territory is subject to income tax in China.

## **How to Pay Personal Income Tax**

Once a foreigner assumes his post, he or the employer should register with the competent tax authorities and pay income tax in accordance with China's tax law.

## **Tax Exemption for Foreigners**

According to international conventions, bilateral agreements and the principle of reciprocity, the Chinese Government accords tax exemption to foreign diplomatic personnel except for the following items:

1. Dues and taxes that have been normally incorporated in the price of goods or services;

2. Levies on the private real estate within the Chinese territory, excluding the premises for diplomatic and consular missions;
3. Inheritance-related duties; but if a diplomat dies, his movable property in China is exempted from duties and taxes;
4. Foreign diplomats' income that is not derived from their missions in China.

### **Tax Refund in China**

In line with international practice and the principle of mutual benefit and reciprocity, as a foreigner, you can apply for tax refund for all the taxed goods you bought in China, including imported goods. You can bring with you invoices of the goods and apply at the competent departments of the Chinese Government. Goods eligible for tax refund include:

1. Tap water, electricity, natural gas, and central heating expenses consumed within the premises and residence of diplomatic missions;
2. Building and decoration materials and equipments purchased for premises and residence of diplomatic missions in the Chinese market;
3. China-made motor vehicles bought within reasonable scope by officials of diplomatic missions in the Chinese market for private use;

4. Equipments of goods bought by diplomatic missions and their staff in the Chinese market for private use within reasonable scope, and each receipt amounts to no less than RMB 2000 yuan in value;
5. Taxable maintenance service for private-use motor vehicles owned by diplomatic missions and their staff.

If the goods you have purchased fall within the above categories, you may apply for tax refund at competent authorities of the Chinese Government through the foreign entity you work for in China. To be more specific, the entity you work for should put together all the requests on a quarterly basis, fill out Tax Refund Application Form for Foreign Diplomatic (Consular) Missions in China signed by the person in charge, submit the Form to the Protocol Department, MFA. The latter will put together all the requests and apply for tax refund at Beijing Office of State Taxation Administration of China or Division of Privileges and Immunity of the Protocol Department, MFA

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