

China Tax Alert

Issue 13, February 2020



Preferential Individual Income Tax Policy for Prevention and Control of the Coronavirus Disease 2019 (COVID-19)

Policies discussed in these issues:

- Announcement on the Tax Policies for Donations to Support the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic (Announcement [2020] No.9 of the Ministry of Finance and the State Taxation Administration)
- Announcement on the Individual Income Tax Policy to Support the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic (Announcement [2020] No.10 of the Ministry of Finance and the State Taxation Administration)

The outbreak of Coronavirus Disease 2019 (COVID-19) in China has called upon the support of the Ministry of Finance and State Taxation Administration to issue new tax measures in an effort to prevent and control the spread of COVID-19. *Announcement on Tax Policies on Donations to Support the Prevention and Control of the COVID-19* (“Announcement No. 9”) and *Announcement on Individual Income Tax Policy to Support the Prevention and Control of COVID-19* (“Announcement No. 10”) were issued on 6 February 2020 to guide the Individual Income Tax (IIT) treatment for donations made and allowances paid during the outbreak. These announcements have retroactive effect from 1 January 2020¹.

Key points

Announcement No. 9 and Announcement No. 10 are explicit in the preferential IIT treatment on the following:

IIT exemption on receipt of following types of income:

- Temporary subsidy and bonus² received by medical and epidemic prevention staff engaged in prevention and control activities, that are in accordance with prescribed standards of local government authorities;
- Medicines, medical supplies, protective equipment and other benefit-in-kind, excluding cash, provided by employers to their employees for prevention of COVID-19.

¹ Validity of the policy will be further assessed in accordance with the development of COVID-19.

² The prescribed standards include guidelines issued by all government-level authorities in respect of the relevant subsidy and bonus to be awarded.

Full tax deductibility of the following types of donations made by individuals:

- Donations in cash or in kind, made by individuals through non-profit social organisations or governmental authorities at the county level or above or their subordinate departments;
- Donations in kind³, made directly by individuals to designated hospitals undertaking the tasks of the prevention and treatment of COVID-19.

KPMG Observations

The preferential IIT policy provides timely guidance on tax treatment of subsidies and donations provided for the prevention and control of COVID-19. It aims at assist companies and individuals to overcome difficulties experienced during the outbreak, and boost confidence to battle against the epidemic.

At this juncture, IIT treatment of cash allowances paid to employees during the COVID-10 epidemic is unclear. KPMG will closely follow the development on new tax policies in the form of tax alerts. Please consult a KPMG professional for the latest updates and the relevant implications.

³ Receipt issued by hospital is required for tax deduction claim.



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