



Expatriate Tax Concessions

Are you prepared for the change?



The existing China “expat tax concession policy” which exempts certain fringe benefits received by foreign employees in China from PRC personal income tax will come to an end on 31 December 2021. As a result, it is likely that the policy will be left to expire and not be renewed or updated. This means that there will be a significant financial impact on expatriates currently benefitting from the preferential regime.

Action Timeline

- **Today: Step 1 – Quantification**
 - Identify affected groups, quantify implications for business budgets and / or employees’ net remuneration (e.g. incremental tax cost from policy change, determining the allocation of cost between employer and employee, etc.)
- **Nov 2021: Step 2 – Feasibility Study**
 - Conduct feasibility analysis on whether company will adjust remuneration packages, the availability of tax subsidy arrangements, review the employment structure, and value chains analysis
- **Dec 2021: Step 3 – Deployment**
 - Develop from the Study to get stakeholders to buy-in, formulate relocation plan, draft tax subsidy policy, and negotiate with local authority (if applicable)
- **Jan 2022: Step 4 – Implementation**
 - Conduct employee awareness sessions and review employment contracts based on new arrangements



Considerations for Employer



Financial impact

Employment arrangement / value chain analysis

Feasibility study on possible solutions

Policy design and deployment

Implementation & on-going monitoring and review

• Financial impact analysis

- Quantify the incremental tax and inherent cost
- Prepare employer and employee cost projection



• Talent Management (Policy Formulation)

- Negotiate government-sponsored policies
- Develop company-sponsored policies



• Domestic Relocation (Value Chain Analysis)

- Evaluate the cost and benefit of moving staffs to the GBA
- Value Chain analysis to align with business objectives



• Legal Consideration

- Make changes to employment / appointment arrangement
- Comply with state and municipal regulations, fulfil withholding and reporting obligations





Contact Us

We are here to help!



National



Murray Sarelius
People Services Leader
KPMG China
T: +852 3927 5671
E: murray.sarelius@kpmg.com

Eastern and Western Region – Shanghai



Michelle Zhou
Tax Partner
KPMG China
T: +86 (21) 2212 3458
E: michelle.b.zhou@kpmg.com



Joyce Wang
Tax Director
KPMG China
T: +86 (21) 2212 3387
E: joyce.t.wang@kpmg.com



Jimmy Jiang
Tax Director
KPMG China
T: +86 (21) 2212 3459
E: jimmy.jiang@kpmg.com

Northern Region – Beijing



Vivian Zhou
Tax Director
KPMG China
T: +86 (10) 8508 3360
E: v.zhou@kpmg.com



Sheila Zhang
Tax Director
KPMG China
T: +86 (10) 8508 7507
E: sheila.zhang@kpmg.com

Greater Bay Area – Guangzhou and Shenzhen



Fiona Wu
Tax Director
KPMG China
T: +86 (20) 3813 8606
E: fiona.wu@kpmg.com



Sophie Lu
Tax Director
KPMG China
T: +86 (20) 3813 8236
E: ss.lu@kpmg.com

Greater Bay Area – Hong Kong



David Siew
Tax Partner
KPMG China
T: +852 2143 8785
E: david.siew@kpmg.com



Gabriel Ho
Tax Director
KPMG China
T: +852 3927 5570
E: gabriel.ho@kpmg.com



Isabel Liu
Tax Director
KPMG China
T: +852 2913 2953
E: isabel.q.liu@kpmg.com

Executive Search and Recruitment



Michelle Hui
Director
KPMG China
T: +852 2826 8075
E: michelle.hui@kpmg.com



Angus Leung
Director
KPMG China
T: +86 (21) 2212 2888
E: angus.leung@kpmg.com

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