KPMG
cutting through complexity

CHINA TAX ALERT

ISSUE 23 | September2015

Updates on health insurance products qualified for preferential IIT treatment

Regulations discussed in this issue:

- *Notice on Pilot Admin Measures on the Health Insurance Products Qualified for Individual Income Tax Preferential Treatments*, Bao Jian Fa [2015] No.82, issued by the China Insurance Regulatory Commission on 10 August 2015

Background

The China Insurance Regulatory Commission (CIRC) issued *Bao Jian Fa [2015] No. 82 ("Circular 82"),* introducing pilot administrative measures for health insurance products which will qualify for preferential individual income tax (IIT) treatment ("IIT-preferential health insurance policies") as prescribed in the *Notice on Individual Income Tax Treatment on Commercial Health Insurance (Cai Shui [2015] No.56).*

Circular 82 became effective 10 August, 2015.

Main features

Circular 82 makes it clear that IIT-preferential health insurance policies are those commercial health insurance products issued in accordance with Circular 82 and purchased by individuals in the pilot cities. Life insurance companies and their affiliates (collectively called insurance companies) which engage in the business of IIT-preferential health insurance policies should satisfy the requirements as stated in Circular 82. The CIRC will shortly release a list of the qualified insurance companies and update the list regularly.

Circular 82 elaborates on the types of insurance policies which qualify for preferential IIT treatment, and introduces detailed administrative measures for these policies, including:

- IIT-preferential health insurance policies should provide universal health coverage comprising a medical insurance component and a personal accumulation account. The medical insurance component should be linked to the basic medical insurance and supplementary medical insurance administered under the China social insurance schemes and is to be used to cover personal medical expenses incurred in excess of those covered by the basic and supplementary medical insurances. Personal medical expenses can only be claimed once. The accumulated balance in the personal account can only be used for purchasing commercial health insurance products and covering personal medical expenses after retirement.

- IIT-preferential health insurance policies developed by insurance companies should be marked as "个人税优健康保险" and reported to the CIRC for approval.

  Insurance companies should issue receipts designed specifically for IIT-preferential health insurance policies to policyholders as proof for IIT deduction after receiving insurance premiums.

In addition, Circular 82 provides specific administrative measures on the financial management, information system management, information disclosure and supervision of insurance companies.

KPMG Observations

Cai Shui [2015] No.56 provides that taxpayers in the pilot cities who earn income from the following sources will be eligible to claim a tax deduction against the respective categories of assessable income, an amount of the premium they pay for qualified commercial health insurance products:

- wage and salary
- remuneration for providing services
- production or business operations conducted by self-employed households
- contracted or leased operations of enterprises or social service providers partly or wholly funded by state assets.

A cap of RMB2,400 per year (or RMB200 per month) has been set as the maximum amount of tax deduction in respect of the relevant premiums paid.

Circular 82 has clarified the criteria for those health insurance policies which will qualify for preferential IIT treatment in the pilot cities and has sped up the implementation of policies on commercial health insurance products qualified for preferential ITT treatment..

We expect that qualified insurance companies will gradually roll out a batch of IIT-preferential health insurance policies to the market in the near future. Employers should keep a close watch on the list of qualified insurance companies to be announced by the CIRC, and make informed decisions on selecting appropriate commercial health insurance products for their employees in order to utilise the preferential tax treatment and optimise the remuneration package.

KPMG recommends companies confirm the "个人税优健康保险" status of commercial health insurance policies when selecting IIT-preferential health insurance policies for their employees, and obtain IIT-preferential health insurance receipts from the insurance company for IIT deduction purposes.

CONTACTS

Khoonming Ho
Partner in Charge, Tax
China and Hong Kong SAR
Tel. +86 (10) 8508 7082
khoonming.ho@kpmg.com

Beijing/Shenyang
David Ling
Tel. +86 (10) 8508 7083
david.ling@kpmg.com

Tianjin
Eric Zhou
Tel. +86 (10) 8508 7610
ec.zhou@kpmg.com

Qingdao
Vincent Pang
Tel. +86 (532) 8907 1728
vincent.pang@kpmg.com

Shanghai/Nanjing
Lewis Lu
Tel. +86 (21) 2212 3421
lewis.lu@kpmg.com

Chengdu
Anthony Chau
Tel. +86 (28) 8673 3916
anthony.chau@kpmg.com

Hangzhou
John Wang
Tel. +86 (571) 2803 8088
john.wang@kpmg.com

Guangzhou
Lilly Li
Tel. +86 (20) 3813 8999
lilly.li@kpmg.com

Fuzhou/Xiamen
Maria Mei
Tel. +86 (592) 2150 807
maria.mei@kpmg.com

Shenzhen
Eileen Sun
Tel. +86 (755) 2547 1188
eileen.gh.sun@kpmg.com

Hong Kong
Karmen Yeung
Tel. +852 2143 8753
karmen.yeung@kpmg.com

Northern China

David Ling
Partner in Charge, Tax
Northern China
Tel. +86 (10) 8508 7083
david.ling@kpmg.com

Vaughn Barber
Tel. +86 (10) 8508 7071
vaughn.barber@kpmg.com

Tony Feng
Tel. +86 (10) 8508 7531
tony.feng@kpmg.com

John Gu
Tel. +86 (10) 8508 7095
john.gu@kpmg.com

Helen Han
Tel. +86 (10) 8508 7627
h.han@kpmg.com

Naoko Hirasawa
Tel. +86 (10) 8508 7054
naoko.hirasawa@kpmg.com

Josephine Jiang
Tel. +86 (10) 8508 7511
josephine.jiang@kpmg.com

Li Li
Tel. +86 (10) 8508 7537
li.li@kpmg.com

Thomas Li
Tel. +86 (10) 8508 7574
thomas.li@kpmg.com

Simon Liu
Tel. +86 (10) 8508 7565
simon.liu@kpmg.com

Paul Ma
Tel. +86 (10) 8508 7076
paul.ma@kpmg.com

Alan O'Connor
Tel. +86 (10) 8508 7521
alan.oconnor@kpmg.com

Vincent Pang
Tel. +86 (10) 8508 7516
+86 (532) 8907 1728
vincent.pang@kpmg.com

Shirley Shen
Tel. +86 (10) 8508 7586
yinghua.shen@kpmg.com

Joseph Tam
Tel. +86 (10) 8508 7605
laiyiu.tam@kpmg.com

Michael Wong
Tel. +86 (10) 8508 7085
michael.wong@kpmg.com

Jessica Xie
Tel. +86 (10) 8508 7540
jessica.xie@kpmg.com

Irene Yan
Tel. +86 (10) 8508 7508
irene.yan@kpmg.com

Sheila Zhang
Tel: +86 (10) 8508 7507
sheila.zhang@kpmg.com

Tiansheng Zhang
Tel. +86 (10) 8508 7526
tiansheng.zhang@kpmg.com

Tracy Zhang
Tel. +86 (10) 8508 7509
tracy.h.zhang@kpmg.com

Eric Zhou
Tel. +86 (10) 8508 7610
ec.zhou@kpmg.com

Central China

Lewis Lu
Partner in Charge, Tax
Central China
Tel. +86 (21) 2212 3421
lewis.lu@kpmg.com

Anthony Chau
Tel. +86 (21) 2212 3206
anthony.chau@kpmg.com

Cheng Chi
Tel. +86 (21) 2212 3433
cheng.chi@kpmg.com

Cheng Dong
Tel. +86 (21) 2212 3410
cheng.dong@kpmg.com

Alan Garcia
Tel. +86 (21) 2212 3509
alan.garcia@kpmg.com

Chris Ho
Tel. +86 (21) 2212 3406
chris.ho@kpmg.com

Dylan Jeng
Tel. +86 (21) 2212 3080
dylan.jeng@kpmg.com

Sunny Leung
Tel. +86 (21) 2212 3488
sunny.leung@kpmg.com

Michael Li
Tel. +86 (21) 2212 3463
michael.y.li@kpmg.com

Christopher Mak
Tel. +86 (21) 2212 3409
christopher.mak@kpmg.com

Henry Ngai
Tel. +86 (21) 2212 3411
henry.ngai@kpmg.com

Yasuhiko Otani
Tel. +86 (21) 2212 3360
yasuhiko.otani@kpmg.com

Amy Rao
Tel. +86 (21) 2212 3208
amy.rao@kpmg.com

Janet Wang
Tel. +86 (21) 2212 3302
janet.z.wang@kpmg.com

John Wang
Tel. +86 (21) 2212 3438
john.wang@kpmg.com

Jennifer Weng
Tel. +86 (21) 2212 3431
jennifer.weng@kpmg.com

Henry Wong
Tel. +86 (21) 2212 3380
henry.wong@kpmg.com

Grace Xie
Tel. +86 (21) 2212 3422
grace.xie@kpmg.com

Bruce Xu
Tel. +86 (21) 2212 3396
bruce.xu@kpmg.com

Jie Xu
Tel. +86 (21) 2212 3678
jie.xu@kpmg.com

William Zhang
Tel. +86 (21) 2212 3415
william.zhang@kpmg.com

Hanson Zhou
Tel. +86 (21) 2212 3318
hanson.zhou@kpmg.com

Michelle Zhou
Tel. +86 (21) 2212 3458
michelle.b.zhou@kpmg.com

Southern China

Lilly Li
Partner in Charge, Tax
Southern China
Tel. +86 (20) 3813 8999
lilly.li@kpmg.com

Lu Chen
Tel. +86 (755) 2547 1068
lu.l.chen@kpmg.com

Vivian Chen
Tel. +86 (755) 2547 1198
vivian.w.chen@kpmg.com

Sam Fan
Tel. +86 (755) 2547 1071
sam.kh.fan@kpmg.com

Joe Fu
Tel. +86 (755) 2547 1138
joe.fu@kpmg.com

Ricky Gu
Tel. +86 (20) 3813 8620
ricky.gu@kpmg.com

Angie Ho
Tel. +86 (755) 2547 1276
angie.ho@kpmg.com

Jean Jin Li
Tel. +86 (755) 2547 1128
jean.j.li@kpmg.com

Kelly Liao
Tel. +86 (20) 3813 8668
kelly.liao@kpmg.com

Donald Lin
Tel. +86 (20) 3813 8680
donald.lin@kpmg.com

Grace Luo
Tel. +86 (20) 3813 8609
grace.luo@kpmg.com

Maria Mei
Tel. +86 (592) 2150 807
maria.mei@kpmg.com

Eileen Sun
Tel. +86 (755) 2547 1188
eileen.gh.sun@kpmg.com

Michelle Sun
Tel. +86 (20) 3813 8615
michelle.sun@kpmg.com

Bin Yang
Tel. +86 (20) 3813 8605
bin.yang@kpmg.com

Lixin Zeng
Tel. +86 (20) 3813 8812
lixin.zeng@kpmg.com

Hong Kong

Ayesha M. Lau
Partner in Charge, Tax
Hong Kong SAR
Tel. +852 2826 7165
ayesha.lau@kpmg.com

Chris Abbiss
Tel. +852 2826 7226
chris.abbiss@kpmg.com

Darren Bowdern
Tel. +852 2826 7166
darren.bowdern@kpmg.com

Yvette Chan
Tel. +852 2847 5108
yvette.chan@kpmg.com

Rebecca Chin
Tel. +852 2978 8987
rebecca.chin@kpmg.com

Matthew Fenwick
Tel. +852 2143 8761
matthew.fenwick@kpmg.com

Barbara Forrest
Tel. +852 2978 8941
barbara.forrest@kpmg.com

Sandy Fung
Tel. +852 2143 8821
sandy.fung@kpmg.com

Stanley Ho
Tel. +852 2826 7296
stanley.ho@kpmg.com

Daniel Hui
Tel. +852 2685 7815
daniel.hui@kpmg.com

Charles Kinsley
Tel. +852 2826 8070
charles.kinsley@kpmg.com

John Kondos
Tel. +852 2685 7457
john.kondos@kpmg.com

Kate Lai
Tel. +852 2978 8942
kate.lai@kpmg.com

Jocelyn Lam
Tel. +852 2685 7605
jocelyn.lam@kpmg.com

Alice Leung
Tel. +852 2143 8711
alice.leung@kpmg.com

Steve Man
Tel. +852 2978 8976
steve.man@kpmg.com

Ivor Morris
Tel. +852 2847 5092
ivor.morris@kpmg.com

Curtis Ng
Tel. +852 2143 8709
curtis.ng@kpmg.com

Benjamin Pong
Tel. +852 2143 8525
benjamin.pong@kpmg.com

Malcolm Prebble
Tel. +852 2684 7472
malcolm.j.prebble@kpmg.com

Nicholas Rykers
Tel. +852 2143 8595
nicholas.rykers@kpmg.com

Murray Sarelius
Tel. +852 3927 5671
murray.sarelius@kpmg.com

David Siew
Tel. +852 2143 8785
david.siew@kpmg.com

John Timpany
Tel. +852 2143 8790
john.timpany@kpmg.com

Wade Wagatsuma
Tel. +852 2685 7806
wade.wagatsuma@kpmg.com

Lachlan Wolfers
Tel. +852 2685 7791
lachlan.wolfers@kpmg.com

Christopher Xing
Tel. +852 2978 8965
christopher.xing@kpmg.com

Karmen Yeung
Tel. +852 2143 8753
karmen.yeung@kpmg.com

Adam Zhong
Tel. +852 2685 7559
adam.zhong@kpmg.com

kpmg.com/cn