

GMS Flash Alert

2018-098 | July 17, 2018



People's Republic of China – Public Consultation Sought on Amendments to IIT

On 29 June 2018, the National People's Congress of the People's Republic of China ("PRC" or "China") released the full text of the draft amendments to the PRC individual income tax ("IIT") law on its official web site. It is seeking consultation from the public, which is due to close on 28 July 2018.¹

WHY THIS MATTERS

This consultation, which closes soon, is an opportunity for interested parties to weigh in on the proposed amendments. With changes in determining residence, the tax brackets, what are allowable personal deductions and itemised deductions, the IIT reform will mean significant changes to China's individual income tax system.

Further Details

The revised PRC IIT law will take effect 1 January 2019.² Prior to full implementation, the following will take place:

- The updated monthly personal deduction of RMB 5,000 and adjusted income tax rate bands (which have been proposed for the category of Comprehensive Income) will be applied to salary and wages earned from 1 October 2018;
- The application of the adjusted tax rate bands for income earned from 1 October 2018, from production or business operations conducted by the self-employed, and income earned from 1 October 2018, from contractual or leasing operations to enterprises and institutions.

For the proposed tax rate tables, see the [Appendix](#) in “China Seeks Public Consultation on Draft Amendments to the PRC IIT Law,” in *China Tax Alert* (Issue 16, July 2018), published by the KPMG International member firm in the PRC.

The Draft reaffirmed the requirement to make monthly provisional filings and annual reconciliation filings, and the corresponding timeframe. It also led to questions being raised by the public on whether certain preferential tax treatments under the existing regulations will remain effective after 1 January 2019.

Implementation of the amended PRC IIT Law and roll-out of the accompanying implementation rules could impact the effectiveness of the reform and have an effect on:

- The extent of the reduction in the tax burden for the **working class**;
- Expansion of the scope of taxation to include **foreign individuals** in China, and the associated costs for **their onshore and offshore employers**;
- **High net worth individuals**’ global investment strategies and the relevant tax compliance costs.

KPMG NOTE

We will continue monitoring this situation and endeavour to share our observations on the IIT reform and the associated impact on taxpayers.

FOOTNOTES:

- 1 The consultation (in Mandarin Chinese) may be found by clicking [here](#).
- 2 For prior coverage, see GMS [Flash Alert 2018-093](#), 6 July 2018.

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RMB 1 = EUR 0.128
RMB 1 = USD 0.149
RMB 1 = GBP 0.113
RMB 1 = AUD 0.20
RMB 1 = JPY 16.786

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The information contained in this newsletter was submitted by the KPMG International member firm in the People's Republic of China.

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