

GMS Flash Alert

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People's Republic of China - Coronavirus Spurs New Preferential Individual Income Tax Policy

The Ministry of Finance and State Taxation Administration of the People's Republic of China have issued 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 provide guidance on the Individual Income Tax (IIT) treatment for donations made and allowances paid during the outbreak.

These announcements have retroactive effect from 1 January 2020¹.

WHY THIS MATTERS

The preferential IIT policies contained in these announcements provide timely guidance on the tax treatment of subsidies/payments from employers to employees/staff and donations from individuals made for purposes of preventing and controlling COVID-19.

The new policies aim at assisting companies and individuals to overcome difficulties experienced during the outbreak, and boost confidence in the face of the epidemic.

Preferential IIT Treatment: Key Points

Announcement No. 9 and Announcement No. 10 stipulate new policies concerning the preferential IIT treatment as noted below.

IIT Exemption on Receipt of the Following Types of Income

- Temporary subsidies and bonuses² received by medical and epidemic-prevention staff engaged in prevention and control activities that are in accordance with the prescribed standards of the local government authorities.
- Medicines, medical supplies, protective equipment, and other related benefits-in-kind, *excluding cash*, provided by employers to their employees for prevention of COVID-19.

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 kind*³ made directly by individuals to designated hospitals undertaking the tasks of preventing and treating COVID-19.

KPMG NOTE

At this juncture, IIT treatment of cash allowances paid to employees during the COVID-10 epidemic is unclear.

The KPMG International member firm in China will closely monitor developments on new tax policies and endeavour to inform readers of GMS *Flash Alert* of any relevant updates.

FOOTNOTES:

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.

3 The receipt issued by the hospital is required for a tax deduction claim.

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New Thought Leadership from KPMG: “Coronavirus: Protect Your Staff and Your Business”

The KPMG People Services team in the People's Republic of China has developed a [booklet](#) (“Coronavirus: Protect Your Staff and Your Business” (February 2020)) highlighting the key considerations for protecting globally-mobile staff and mitigating the impact on business operations from high level tax, legal, and immigration perspectives.

Contact us

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