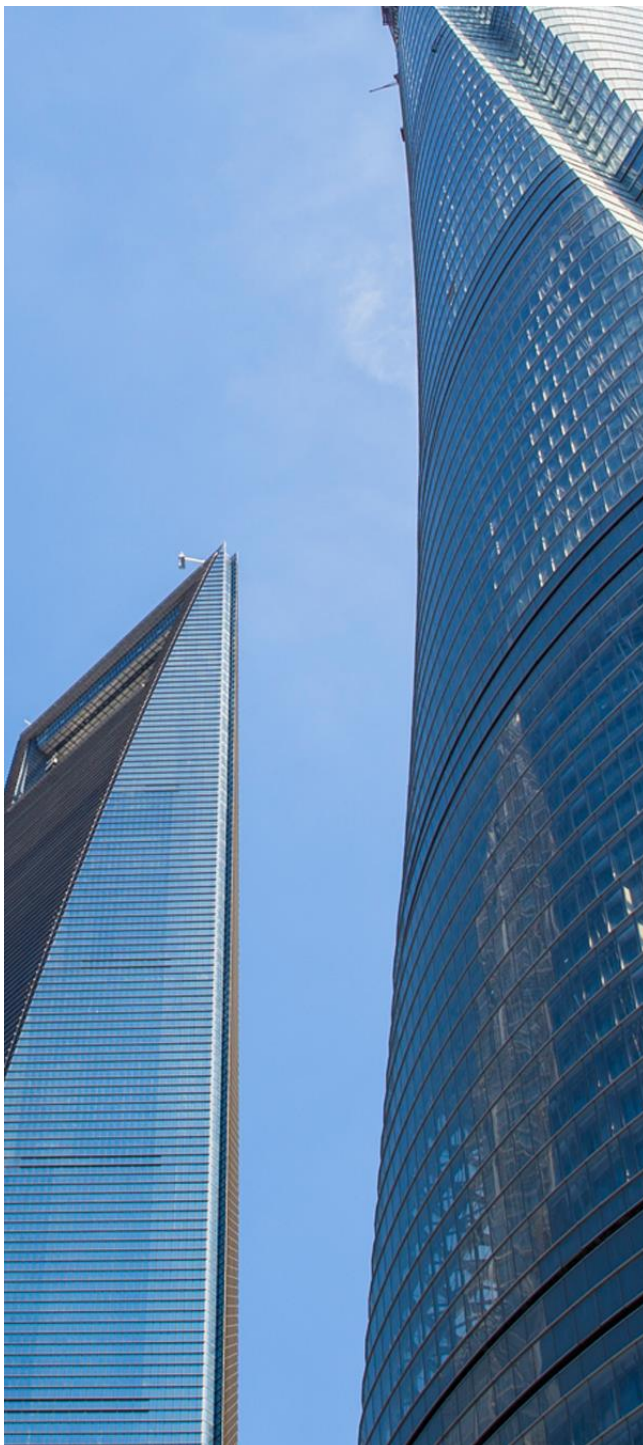


---

# Several key individual income tax preferential policies extended for one or two years

Legal flash China Offices

January 2022



---

## Introduction

Exciting news published at the end of 2021 confirms several key individual income tax (“IIT”) preferential policies have been extended for one or two years. In particular, the extension of tax-exempt benefits for expatriates will have a great impact on their tax burden in China.



---

## Several key IIT preferential policies extended

On December 31, 2021, the Ministry of Finance and the State Taxation Authority jointly released Announcement [2021] No. 42 and Announcement [2021] No. 43 confirming that, to lessen individuals' tax burden, they are extending the following key IIT preferential policies that were scheduled to be abolished at the end of 2021:

➤ **Policy on tax-exempt benefits for expatriates extended to the end of 2023**

In the event of the eight types of tax-exempt benefits granted to expatriates, especially for housing rental and children's education fees, being considered taxable income, it would greatly increase expatriates' tax burdens, impacting their quality of life in China. Although some employers may agree to partially or fully cover the increased tax burden, this would increase the company's operational costs. Multiple organizations had been lobbying for the extension of this policy over the last few years and, undoubtedly, it is a great result for expatriates and foreign invested companies in China.

➤ **Preferential tax treatment for annual bonus extended to the end of 2023**

Resident taxpayers can continue choosing not to add the annual bonus to the current monthly salary and calculate IIT independently by applying the current preferential tax treatment (i.e., the annual bonus is divided by 12 for the applicable tax rate in the converted monthly progressive tax rates applicable to comprehensive income).

➤ **Tax-exempt policy for the situations (i) where resident taxpayers' annual comprehensive income is up to RMB 120,000 with the additional tax to be paid through the annual self-declaration and (ii) where additional tax to be paid through the annual self-declaration is up to RMB 400, extended to the end of 2023**

➤ **Preferential tax treatment for equity-based incentives of listed companies extended to the end of 2022**

Resident taxpayers can continue calculating IIT independently on the equity-based incentives obtained from listed companies by applying the progressive tax rates applicable to comprehensive income.



## Contact

---

### Omar Puertas

Partner

[omar.puertas@cuatrecasas.com](mailto:omar.puertas@cuatrecasas.com)

---

### Cuatrecasas Shanghai office

20 F Shui On Plaza,  
333 Huai Hai Middle Road  
Shanghai 200021, PRC  
+86 21 2327 7000  
+86 21 2327 7007  
[shanghai@cuatrecasas.com](mailto:shanghai@cuatrecasas.com)

---

### Pablo Cubel

Partner

[pablo.cubel@cuatrecasas.com](mailto:pablo.cubel@cuatrecasas.com)

---

### Cuatrecasas Beijing office

15/F Parkview Green, Tower B,  
9 Dong Da Qiao Road  
Beijing 10002, PRC  
+86 10 5651 0200  
+86 10 5651 0268  
[beijing@cuatrecasas.com](mailto:beijing@cuatrecasas.com)

---

For additional information, please contact Cuatrecasas.

©2022 CUATRECASAS

All rights reserved.

This document is a compilation of legal information prepared by Cuatrecasas. The information and comments in it do not constitute legal advice.

Cuatrecasas owns the intellectual property rights over this document. Any reproduction, distribution, assignment, or any other full or partial use of this document is prohibited, unless with the consent of Cuatrecasas.

