



ANNOUNCEMENT ON PERSONAL INCOME TAX POLICIES FOR OVERSEAS INCOME - CHINA

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ASIA BRIEFING



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Announcement No. 3 of 2020 by the Ministry of Finance and the State Administration of Taxation

In order to implement the "[Personal Income Tax Law of the People's Republic of China](#)" and "[Implementation Regulations of the Personal Income Tax Law of the People's Republic of China](#)" (hereinafter referred to as the "[Personal Income Tax Law](#) and its Implementation Regulations"), the relevant personal income tax policies for overseas income are announced as follows:

1. The following income is derived from outside China:
 - (1) Income derived from the employment, employment, performance, etc. of providing labor services outside China;
 - (2) Income from manuscripts paid and borne by enterprises outside China and other organizations;
 - (3) Income derived from licensing various concessions for use outside China;
 - (4) income related to production and business activities obtained from engaging in production and business activities outside China;
 - (5) Income from interest, dividends, and dividends obtained from enterprises outside China, other organizations, and non-resident individuals;
 - (6) Income derived from renting out the property to the lessee for use outside China;
 - (7) Income derived from the transfer of real estate outside China, the transfer of stocks, shares, and other equity assets (hereinafter referred to as equity assets) formed by investments in enterprises and

other organizations outside China, or the transfer of other property outside of China. However, the transfer of equity assets invested in enterprises and other organizations outside of China, at any time within the three years (36 consecutive calendar months) before the equity assets are transferred, the fair value of the assets of the invested enterprise or other organization is 50%. If the above comes directly or indirectly from real property located in China, the income obtained is income derived from China;

- (8) Accidental income paid and borne by enterprises outside China, other organizations and non-resident individuals;
 - (9) If the Ministry of Finance and the State Administration of Taxation provide otherwise, they shall be implemented in accordance with the relevant regulations.
2. Resident individuals shall, in accordance with the provisions of the [Personal Income Tax Law](#) and its implementing regulations, calculate the taxable amount of domestic and overseas income in the current period according to the following methods:
 - (1) Resident individuals' comprehensive income from outside China shall be combined with domestic comprehensive income to calculate the taxable amount;
 - (2) Resident personal income derived from operations outside China shall be combined with domestic business income to calculate the taxable amount. Residents' personal income derived from overseas operations, and the losses calculated in accordance with the relevant provisions of the Personal Income Tax Law and its implementing regulations may not be offset against their taxable income in China or other countries (regions), but they can be derived from the same country (region). The operating income in subsequent

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years shall be made up in accordance with the provisions of the Chinese tax law;

(3) Income from interest, dividends, dividends, income from property leases, income from property transfers, and contingent income (hereinafter referred to as income in other categories) derived from individuals outside China shall not be combined with domestic income and shall be separately calculated for taxable amounts.

3. Resident individuals' income derived from outside China within a tax year, and the income tax paid outside China in accordance with the tax laws of the country of origin of the income is allowed to be deducted from the taxable amount of the tax year within the credit limit. .

The taxable amount of a resident individual from a country (region) 's comprehensive income, operating income, and other classified income items.

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