

## Special China tax alert

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## Hot: Tax benefits continue for 1 – 2 years

The Chinese authorities confirmed that, at short notice to the public on the eve of the New Year, the following decade-long preferential individual income tax (IIT) treatments, which should have ended on 31 December 2021, will continue for one to two years.

### » IIT benefit on bonus for all individuals

It was just announced that this policy will continue for another two years, through the end of 2023, applicable to all individuals.

Like in the past, a bonus can be filed for IIT separately from the consolidated income, resulting in a lower IIT rate. It should be noted that this policy was once renewed for three years, from 2019 to 2021, and now receives another renewal, for the second time.

Thus, starting from 2024, if no further renewal is granted to the policy, all bonuses will be taxed together with wages on a consolidated basis, and will thus hit a higher IIT rate then.

### » IIT benefit on stock incentives to all individuals

Again, like a bonus, the policy allowing the stock incentives to be taxed separately from the consolidated income will continue for another year, until the end of 2022.

It is expected that some new rules on IIT treatment on stock incentives will be introduced for 2023 and thereafter.

### » IIT benefit to expatriates' perks

Perhaps the most pleasant surprise is the announcement that the tax exemption treatment on expatriates' perks will continue for another two years, through the end of 2023. It concerns three types of perks for expatriate staff (housing, language and child education).

Thus, the worrying situation that expatriates' IIT burden will surge will not yet happen until 2024. By then, all these perks will be taxable, after taking off some minor deductible amounts.

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