

## Preparation for annual individual income tax declaration for 2014 in PRC

March 24, 2015 | Written by Martin Ng and Ened Du from WTS Consulting (Shanghai) Ltd

According to PRC tax regulations, individual taxpayers with an annual income of RMB120,000 or more shall file an annual individual income tax (IIT) return with the competent tax authority within three months of the beginning of the next year. Therefore, time is running out to prepare the annual IIT return for 2014, the deadline for which is March 31, 2015.



Technically, for those expatriates who do not permanently reside in China, he/she shall file an annual IIT return with the competent tax authority if:

- Their income received from China was more than RMB120,000 in a tax calendar year; and
- He/she has not left China for more than 30 (thirty) days in a single trip, or more than a cumulative total of 90 (ninety) days over two or more trips in 2014.

Having said that, local practices may vary depending on the local tax authorities' specific requirements. For

instance, other than the annual IIT return, foreign taxpayers in Jiang Su Province must also complete annual IIT clearance procedures via an online system by submitting a series of documents, including the tax-free allowance supporting documents. Such a requirement is irrelevant under the above mentioned criteria.

Although it is generally the employee's obligation to file the annual IIT return, in order to have a better control of the annual IIT filing status, practically, tax officials tend to require withholding agents/employer to collect related information and complete the IIT filing for their employees.

Therefore, Chinese employers are suggested to remind their employees, especially expatriates, to maintain sufficient communications with their tax bureau, and to prepare for the annual IIT filing. From an employees perspective, they are suggested to disclose all the income information required to be reported to the tax bureau, in addition to their employment income.

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