

GLOBAL
EMPLOYER
GUIDE
CHINA





Basic Country Facts

Full Name

- People's Republic of China

Capital

- Beijing

Main Languages

- Mandarin
- Cantonese
- Hunanese

Population

- 1.393 billion

Monetary Unit

- Renminbi

Internet Domain

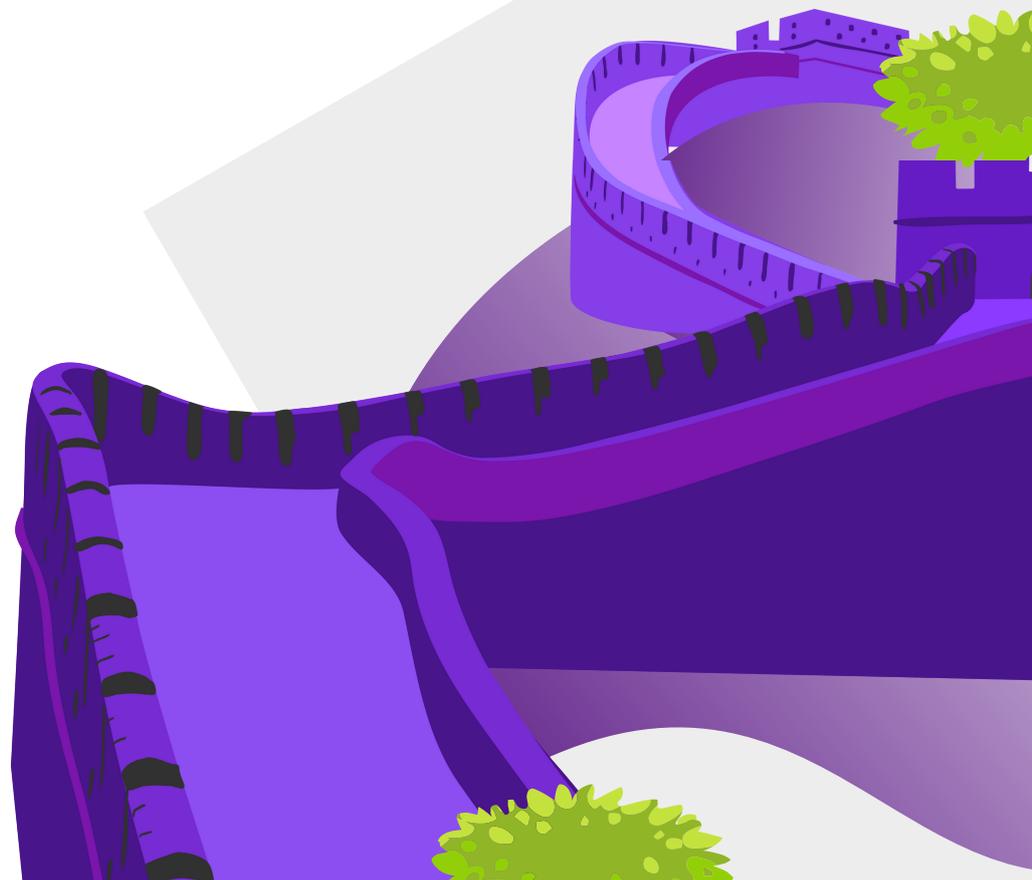
- .cn

International Dialing Code

- +86

Currency

- Renminbi



STATUTORY LABOR REQUIREMENTS

Probation Period

- This law establishes that the maximum length of the probationary period cannot last more than:
 - 1 month in the case of an employment contract of one year or less
 - 2 months if the contract length is more than one year but less than three years and
 - 6 months where the contract's term is more than 3 years or indefinite

Annual Leave

- Employees who have worked at a company for one continuous year are entitled to five days' annual leave.
- In the case where an employee has not taken all of their paid annual leave in that year, and does not agree to carry over the untaken leave to the next year, the employer must compensate this employee with 200 percent of the employee's average daily wage for each day of unused annual leave, in addition to their regular daily wage.

Public Holidays

- New Year's Day (1st January)
- Chinese New Year (24th January to 2nd February)
- Qingming Festival
- Labor Day (1st to 5th May)
- Dragon Boat Festival
- Mid-Autumn Festival
- National Day of the People's Republic of China (1st to 3rd October)
- Golden Week (1st to 7th October)



Maternity Leave

- Female employees are entitled to 98 days of maternity leave, including 15 days of prenatal leave.
- For multiple births, 15 days' additional maternity leave will be granted for each additional child.
- Female employees may also be entitled to extended maternity leave—usually 30 more days, subject to local regulations

Paternity Leave

- China's mandatory paternity leave is 14 days

Sick Leave

- In China, employees are entitled to a period of medical treatment that can vary from 3 to 24 months on account of illness or non-work related injuries.
- The period varies depending on cumulative working years since the employees started to work and the length of their service in their current company.
- An employee is usually compensated at 60 to 100 percent of their normal wage during their sick leave period.
- The percentage employees have a right to depends on their seniority.

Work Hours

- The Chinese government stipulates a five-day workweek and the business hour is regulated as no more than 8 hours a day and no more than 44 hours a week in the Labor Law of People's Republic of China.
- The regular working time generally is from Monday to Friday, with Saturday and Sunday off.

Overtime

- Under PRC Labor Law and regulations, overtime pay is clearly specified:
 - Any work that exceeds 8 hours per normal work day must be paid at 1.5 times of the employee's contractually agreed to hourly wage.
- The law also requires that any overtime on a given day be limited to 3 hours.
- The law also limits the total number of overtime hours at 36 hours per month.
- Any overtime hours that are worked on a weekend must be compensated at 2 times the employee's normal working wage.
- If an employee in China is required to work on a Chinese national holiday, he or she must be paid 3 times the employee's normal working wage.

Notice Period

- Notice Period
- The amount of notice for termination varies with length of service.
- One month to two years employment requires a minimum of one week's notice
- More than two years employment requires notice of one week per year of completed service up to 12 weeks of notice.





Severance

- In China, severance pay amounts to one month's pay per year of service.
- For the purpose of calculating severance pay, an employment period ranging from 6 months to 1 year is to be counted as one year.
- If the employee has worked for less than 6 months, him/her are entitled to half a month's pay.
- If the monthly wage of a worker exceeds three times the average monthly wages of employees in the municipality where the employer is located, severance pay is to be paid to him/her at the rate of three times the local average monthly wages and cannot be for more than 12 years of work.

13th Month

- An additional bonus or 13th-month salary is not required by law, but it is a market norm in China.



Income Tax

- China residents are generally subject to tax on their China-source and non-China-source income. Nonresidents are subject to tax on their China-source income only.
- Effective from 1 January 2019, China residents include the following persons:
 - Individuals who have their domicile in China
 - Individuals who do not have their domicile in China, but reside in China for 183 days or more in a tax year
- For China residents, employment income, labor services income, copyright income and royalties should be aggregated in a tax year as consolidated income.
- The types of taxable compensation under the China IIT law include, but are not limited to, wages and salaries, foreign service or hardship allowances, cost of living and automobile allowances, tax reimbursements, bonuses and equity compensation.
- The form of the individual income may be cash, physical objects, securities and economic interests in any other form.
- Taxable income includes compensation for independent personal services performed in China, bonus payments and income specified as taxable by the Ministry of Finance
- Effective from 1 January 2019, employment income is accumulated for purposes of calculating monthly tax liabilities for China residents.
- Income tax for resident individuals is computed on a monthly basis by applying the progressive annual tax rates shown below to employment income under a cumulative pre-withholding method.

Taxable Income (CNY)	Tax Rate (%)	Tax due (CNY)	Cumulative tax due (CNY)
First 36,000	3	1,080	1,080
Next 108,000	10	10,800	11,880
Next 156,000	20	31,200	43,080
Next 120,000	25	30,000	73,080
Next 240,000	30	72,000	145,080
Next 300,000	35	105,000	250,080
Above 960,000	45	-	-



- The tax rates for nonresidents are given below: -

Taxable Income (CNY)	Tax Rate (%)	Tax due (CNY)	Cumulative tax due (CNY)
First 3,000	3	90	90
Next 9000	10	900	990
Next 13,000	20	2600	3,590
Next 10,000	25	2500	6,090
Next 20,000	30	6000	12,090
Next 25,000	35	8,750	20,840
Above 80,000	45	-	-



Social Security

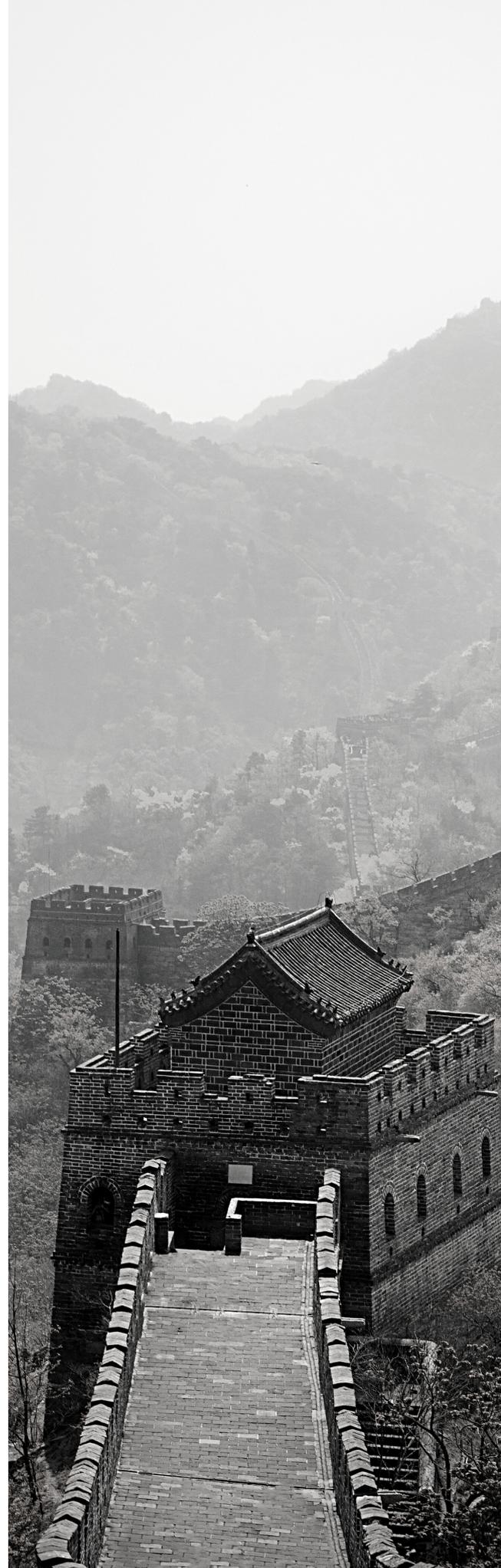
- Social security contributions to pension funds, medical funds, etc. are mandatory for Chinese employees.
- As of 15 October 2011, foreign individuals who hold a China work permit for working in China are required to make social security contributions in relation to pension, medical, unemployment, maternity, and work-related injury according to the China Social Security Law.
- Monthly employer and employee social security contribution rates, applicable caps, etc. are governed by local rules, which may vary among the local jurisdictions.
- For example, contribution rates and caps applicable to local Chinese in Shanghai, Beijing, and Guangzhou are as follows:

City	Shanghai		Beijing		Guangzhou	
	Effective May 2019		Effective May 2019		Effective May 2019	
Social insurance items	Employee's portion	Employer's portion	Employee's portion	Employer's portion	Employee's portion	Employer's portion
Pension	8%	16%	8%	16%	8%	14%
Medical	2%	9.5%	2% + CNY 3	10%	2%	6.5% + CNY 21.37
Unemployment	0.5%	0.5%	0.2%	0.8%	0.2%	0.48% to 0.8%
Maternity	0%	1%	0%	0.8%	0%	0.85%
Work-related injury	0%	0.16% to 1.52%	0%	0.2% to 1.9%	0%	0.14% to 0.98%
Total	10.5%	27.16% to 28.52%	10.2% + CNY 3	27.8% to 29.5%	10.2%	21.97% + CNY 21.37 to 23.13% + CNY 21.37

Deductible Expenses

- When calculating taxable comprehensive income for residents, IIT law allows the following personal deductions (non-refundable and no carryback/forward provisions).
- As of 1 January 2019, the amount of the standard basic deduction is CNY 60,000 per annum (i.e. CNY 5,000 for monthly tax withholding purpose).
- Chinese social security contributions made in accordance with the Social Security Law and contributions made to the statutory Housing Fund are deductible for IIT purpose.
- Residents deriving comprehensive income, if eligible, can claim the following specific additional deductions when calculating the annual taxable income:

Deductible Item	Deductible amount (CNY)
Child education	1,000 per child per month
Continued education	400 per month or 3,600 per year depending on the type of qualified continued education
Mortgage interest	1,000 per month
Rental expense	800, 1,100, or 1,500 per month depending on the location
Elderly care	Up to 2,000 per month depending on the status of the taxpayer
Major medical expense	Qualified self-paid portion above 15,000 and capped at 80,000 per year for each eligible individual





- When calculating taxable employment income for non-residents, IIT law only allows the standard basic deduction of CNY 5,000 per month.
- If an individual makes charitable contributions to qualified domestic non-profit organizations, such contributions are deductible to the extent of 30% of one's taxable income reported. This deduction is applicable to all categories of income.
- A deduction equal to 20% of the gross receipt is allowed when determining the income from labor services, author's remuneration, and royalties.
- A further deduction of 30% is allowable for author's remuneration.
- The following deductions are provided for rental income:
 - If the amount received in a month is not more than CNY 4,000, a deduction of CNY 800 is allowed.
 - If the amount received in a month exceeds CNY 4,000, a deduction equal to 20% of the gross receipt is allowed.



Immigration

- All foreign nationals entering, leaving, passing through or residing in China must obtain the relevant visas from the relevant Chinese authorities, which include the Chinese diplomatic missions, consulates and other representatives in foreign countries and the Ministry of Public Security, the Ministry of Foreign Affairs or local designated authorities within China.
- Depending on the status and type of passport held by a foreign national, a diplomatic, courtesy, business or ordinary visa may be issued.
- Ordinary visas are designated by letters that correspond to the purposes of the individuals' visits. Ordinary visa Z is issued to a person who will work in China.
- Visa Z is valid for one entry, three months.
- The holder of a (Z) visa shall go through residential formalities in the local public security department within thirty days of entry into China.
- Business M visa is issued to those who intend to go to China for commercial and trade activities.
- M Visa is usually issued for single-entry, double-entry or multiple-entry.
- M visa can be issued up to 10 years.
- The duration of stay (each visit) is normally 30-60 days based on particular Chinese Consulate.
- Foreign nationals may obtain residence permits from the local Public Security Bureau.
- The term of the resident permit varies from three months to five years, depending on the purpose of residence.
- The renewed permit is normally valid for three months to five years.
- Foreign nationals holding residence visas (including D, J1, S1, Q1, X1 and Z visas) must apply for their resident permit with the local Public Security Bureau within 30 days after their entry.
- Foreign nationals holding entry visas are required to register with the local police and obtain a Registration Form of Temporary Residence within 24 hours after their arrival.



Type of Visa	Documentation	Validity	Eligibility
Visa Z	<ul style="list-style-type: none"> • A valid passport or an equivalent certificate of identification • A completed visa application form • A work permit notification letter or a short-term work certificate (for short-term employment), for which the sponsor • employer in China applies to the provincial or municipal • Expert Bureau • A notarized medical report issued by a public health and medical unit • A non-criminal report issued by the police or public security or judicial authorities from the foreign national's home country 	<ul style="list-style-type: none"> • 3 months 	<ul style="list-style-type: none"> • China Work visa (Z Visa) is issued to those who have obtained employment permit and intend to work in Chin
Visa M	<ul style="list-style-type: none"> • A valid passport or an equivalent certificate of identification • A completed visa application form • A visa notification letter from an authorized unit (that is, a commercial or trade partner in China) • A notarized medical report issued by a public health and medical unit • A non-criminal report issued by the police or public security or judicial authorities from the foreign national's home country 	<ul style="list-style-type: none"> • 30 days (can be extended up to 10 years) 	<ul style="list-style-type: none"> • Business M visa is issued to those who intend to go to China for commercial and trade activities.



Value Added Tax (VAT)

- The Chinese Value Added Tax regime is one of the most progressive and broadest consumption tax regimes in world.
- The standard rate of VAT is 13%.

VAT	
Standard Rate	13%
Standard Rate	9%
Standard Rate	6%
Reduced Rate	3%
Nil Rate	0%

Withholding Tax

Dividends

- A 10% withholding tax, which is lowered from a 20% statutory rate, is imposed on dividends paid to a nonresident company unless the rate is reduced under a tax treaty
- As a measure to further promote foreign investment in China, the government has issued rules to provide a deferral of withholding tax on dividends and profits distributed to foreign investors and reinvested into China, with effect from 1 January 2017

Interest

- A 10% withholding tax, which is lowered from a 20% statutory rate, generally applies to interest paid to a nonresident unless the rate is reduced under a tax treaty
- A 6% VAT generally is imposed

Royalties

- A 10% withholding tax, which is lowered from a 20% statutory rate, applies to royalties paid to a nonresident unless the rate is reduced under a tax treaty

Technical Service Fees

- Technical service fees paid to a nonresident are subject to the statutory enterprise income tax (i.e. 25%) on a net profit basis to the extent the services are rendered in Chia, unless the tax is reduced under a tax treaty.

WHT	
Dividends	10%
Interest	10%
Royalties	10%
Technical Service	25% of income tax



Termination

- China is now regarded as a mid-level protectionist state in terms of employee termination.
- The Chinese Labor Law does not establish any obligation on the part of the employer to state the reasons for to the dismissal to the employee.
- However, prior to dismissing a worker, the employer has to notify the labor union of the reasons and the conditions surrounding the termination will determine its ultimate lawfulness and the procedure to follow.
- The amount of notice for termination varies with length of service.
- One month to two years employment requires a minimum of one week's notice
- More than two years employment requires notice of one week per year of completed service up to 12 weeks of notice.
- In China, severance pay amounts to one month's pay per year of service.
- For the purpose of calculating severance pay, an employment period ranging from 6 months to 1 year is to be counted as one year.
- If the employee has worked for less than 6 months, him/her are entitled to half a month's pay.
- If the monthly wage of a worker exceeds three times the average monthly wages of employees in the municipality where the employer is located, severance pay is to be paid to him/her at the rate of three times the local average monthly wages and cannot be for more than 12 years of work.

Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity leave, overtime pay, notice period, and severance pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public holidays

Parental Leave

Sick pay

Overtime Pay

Notice period

Severance pay

Social security benefits



Payments and Invoicing

- China's tax year runs from 1 January to 31 December, but tax filing is generally administered on a monthly basis.
- For employment income, the employer is obligated to file the provisional or final withholding IIT returns with its tax authority on a monthly basis.
- For other categories of income, the tax return, either provisional or final, has to be filed on a monthly, annual, or transaction basis, depending on the specific circumstances.
- Certain types of residents must file an annual reconciliation tax return on comprehensive income
- The filing period for the annual reconciliation tax return is between 1 March and 30 June of the following year.
- There is no joint tax return in China. Husbands and wives are assessed and taxed separately.
- Tax returns must be filed on a timely basis. Extensions to file may be granted under 'special circumstances' only.
- Generally, the withholding IIT return should be filed and IIT payable should be settled by the 15th day of the month following the income receiving month.
- For employment income, the employer is obligated to withhold and settle the IIT payable generally within 15 days after the end of each month.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank China ranked 31st in the World in 2019 in terms of ease of doing business.



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