



## Individual Income Tax relief for new employees and interns

### Summary:

- On 28 July 2020, the State Taxation Administration (STA) issued STA Announcement [2020] No. 13 - "Announcement on Adjusting the Individual Income Tax (IIT) Withholding Method for certain Taxpayers". This can decrease the IIT withholding imposed on the income of new employees and interns, putting more cash in their pockets, though will not reduce their year end tax bills.

Announcement No. 13, which applies from 1 July 2020, is intended to support new graduates entering the workforce as new employees or as students pursuing internships. For the new employees it covers 'resident individuals', defined as those who have a domicile in China, or individuals who do not have a domicile in China but reside in China for 183 days or more during a calendar year. The relief is given by enlarging the personal deduction used when calculating IIT withholding each month. For employees the rules would normally reduce the RMB5,000 monthly allowance to reflect the number of months actually in employment in the year; this is now adjusted as if the employee had commenced employment at the start of the calendar year. Improved treatment is also applied to interns.

Taxpayer	New employees	Students in full-time academic education
Income type	Income from employment	Independent personal services income
Adjustment to IIT withholding method	Pre-July 1 <sup>st</sup> 2020	
	Cumulative personal deduction for current month = RMB5,000/month * months in employment with current employer	IIT withheld is calculated based on each payment.
	From July 1 <sup>st</sup> 2020	
	Cumulative personal deduction for current month = RMB5,000/month * number of months in calendar year to-date	Cumulative personal deduction for current month = RMB5,000/month * number of months (year to date) in internship with current tax withholding agent

Supporting documents must be retained by the IIT taxpayers and their employing withholding agents for future tax audit. Documents confirming eligibility will vary by graduates (graduation certificate or employment dispatch certificate), interns (student card) or other employees who derive income from salary and wages for the first time during the year (commitment letter). Where foreign employees are hired, they should be expected to reside in China for 183 days or more during a calendar year to be eligible. For taxpayers and foreign employees who have started employment/internship prior to 1 July 2020 and had IIT over-withheld for the year, annual reconciliation tax filing may be required after year end to claim tax refunds where applicable. KPMG is happy to assist with these matters.

### Should you have any questions, please feel free to contact us:



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