



Additional category added to the list of itemised deduction for PRC individual income tax, aiming at providing tax relief to taxpayers who need to care for infants under the age of 3

Summary:

- On March 19th, 2022, the State Council issued the *Notice of the State Council on Introduction of Additional Individual Income Tax (“IIT”) Itemised Deduction of Care for Infants Under the Age of 3*, which brings the number of the additional itemised deductions to a total of seven types. Following that and on March 25th, the State Taxation Administration (“STA”) issued the *Announcement of the STA to Revise and Promulgate the Administrative Measures for IIT Additional Itemised Deductions (Trial Implementation)*, which clarifies the relevant implementation details.

Background



Recently, the State Council and the STA issued the following notice and announcement, which aims at providing additional tax relief to taxpayers with need to care for infants and at the same time boosting birth rate:

- On March 19th, 2022, the State Council issued the *Notice of the State Council on Introduction of Additional IIT Itemised Deduction of Care for Infants Under the Age of 3 - Guo Fa [2022] No. 8* (the “Notice”), brings the number of the additional itemised deductions to a total of seven types.
- On March 25th, 2022, the STA issued the *Announcement of the STA to Revise and Promulgate the Administrative Measures for IIT Additional Itemised Deductions (Trial Implementation) - STA Announcement [2022] No. 7* (“Announcement No. 7”), which clarifies the relevant implementation details, and the rules were effective retroactively from January 1st, 2022.
- Announcement of the STA on Administrative Measures for IIT Additional Itemised Deductions (Trial Implementation) - STA Announcement [2018] No. 60* (“Announcement 60”) shall cease to be in force as of the same date.

KPMG observations



The relevant reporting requirements for the additional deduction of “care for infants under the age of 3” are as follows:

Eligible taxpayer	Guardians of infants under the age of 3 (including biological parents, stepparents, adopted parents, and others who act as guardians)
Eligible period for claiming the deduction	From the month the infant is born until the month before the infant reaches the age of 3

Deduction standard	RMB1,000 per infant per month <ul style="list-style-type: none"> 100% to be claimed by either parent; or 50% to be claimed by each parent The deduction ratio shall remain unchanged within a tax year
Information necessary for required reporting	<ul style="list-style-type: none"> Name of spouse and infant(s) Infant's identification document type and ID number (e.g., PRC ID card, birth certificate, and etc.) Deduction ratio to be claimed by each of the parents
Methods of claim	The deduction may be claimed via: <ul style="list-style-type: none"> tax withholding filing conducted by the withholding agent: the individual taxpayer can provide the required claim information via the personal tax mobile application or by submitting the information on paper or electronic forms to the withholding agent, for the withholding agent to further apply the deduction through withholding tax return filings; or annual reconciliation filing: the individual taxpayer can claim the deduction via personal tax mobile application or by submitting the information on paper or in electronic forms to the in-charge tax authority when lodging annual tax reconciliation return between March 1st and June 30th of the following year
Supporting documents retention requirements	<ul style="list-style-type: none"> Taxpayer: infant's birth certificate and informational form for the deduction claim shall be retained for five years after completing the annual tax reconciliation filing Withholding agent: the informational form for the deduction claim submitted by taxpayer shall be retained for five years following the year of withholding filings
Effective date	January 1 st , 2022 (note: the newly introduced deduction type shall not be claimed on the 2021 annual reconciliation filing)

KPMG suggestions



In addition to the existing six additional itemised deductions (covering children's education, further education, serious illness medical fees, mortgage interest or housing rental, and supporting elderly, which were discussed in [Issue 29](#) of KPMG's China Tax Alert issued in December 2018), Announcement No. 7 introduced a new deduction of "care for infants under the age of 3". The updated deduction policy considers individual taxpayers' cost of living throughout different stages of one's life, and reasonably relieves the overall tax burden of taxpayers. In the meantime, the reporting requirements for the new deduction item take the policy transition into consideration and stay consistent with those for the six prevailing deductions, which provide implementation convenience to taxpayers and withholding agents.

The filing system of the additional itemised deductions has been upgraded on March 28th, 2022. Taxpayers and employers may pay attention to the following practical suggestions:

Taxpayer	<ul style="list-style-type: none"> As of March 29th, 2022, individual taxpayers can claim the new deduction via mobile APP, and submit to the employer for pre-tax deduction and withholding filings; or Claim the deduction through annual reconciliation tax return filing during March to June following year end
Employer	<ul style="list-style-type: none"> Before April 30th: Employers are recommended to communicate with the relevant Chinese and foreign employees, and remind them to upgrade their mobile APP and submit the new deduction information within April 2022 for them to enjoy the tax benefit in due course

Announcement No. 7 requires taxpayers to be responsible for the authenticity, accuracy and completeness of the information provided for the claim of additional itemised deductions. If false/error claims are discovered in the administration process, withholding agents shall remind their employees to correct the claims and notify tax authority if the individual concerned refuses to make the corrections. Companies are recommended to review their information collection and administration procedures for employees' additional itemised deductions claims, and make necessary adjustments to their existing tax and HR policies and administration procedures, so as to be compliant with the relevant tax reporting requirements and enhance the internal administration efficiency.

If you have any questions on the above, KPMG will be pleased to assist and provide relevant guidance and assist accordingly.

Appendix: Additional itemised deductions (“care for infants under the age of 3” takes effect from 1 January 2022)

Item	Key qualifying conditions		Standard fixed amount for deduction (RMB)	Who can claim?	When can claim?
Children’s education	Pre-school	3 years onwards	1,000 per child per month	50% for each parent / 100% for either parent	From the month when the child is over 3 years old until the end of full-time education (for children receiving education outside China, relevant supporting documents are required).
	Compulsory education	Primary & middle school			
	Intermediate education	High school, Vocational school			
	Higher education	Degree, Masters, Doctorate			
Further education	Formal education	Educated in China	400 per month	Individual taxpayers	From the month of enrollment to the end of continuing education, a maximum deduction period of 48 months for the same degree.
	Professional education	Technical / professional certificates	3,600		The year which the certificate is obtained.
Serious illness medical fees	Medical expenses (self-paying portion of the medical insurance) > RMB 15,000		Actual expense not exceeding 80,000	Individual taxpayers or his/her spouse. The medical fee for minor children can be deducted by either parent.	The year that actual medical expense happens.
Mortgage interest	Limited to the first property only		1,000 per month	If jointly owned, either husband or wife to claim; cannot enjoy housing rental deduction at the same time; 50% for each of the couple or 100% for either if each take out a first mortgage before marriage.	From the beginning month to the ending month of loan contract or to the termination month of repayment, a maximum deduction period of 240 months.
Housing rental	Not owning property in place of work	Big cities	1,500 per month	If joint rental, either husband or wife to claim; cannot enjoy mortgage interest deduction at the same time.	From the beginning month to the ending month of the lease term, subject to the actual lease term.
		Mid-size (population) > 1m	1,100 per month		
		Smaller (population) < 1m	800 per month		
Supporting elderly	60 years or older parents or other obligations by law	Single child	2,000 per month	Individual taxpayers	From the month that the elderly is 60 years old to the end of year of which the supporting obligation is terminated.
		Not single child	2,000 per month; Split between siblings: maximum claim is 1,000 per month for any person		
Care for infants under the age of 3	Infants under the age of 3		1,000 per infant per month	50% for each parent / 100% for either parent	From the month the infant is born until the month before the infant reaches the age of 3.

kpmg.com/cn/socialmedia



For more information of KPMG China tax services, please scan the QR code or visit our website:
<https://home.kpmg/cn/en/home/services/tax.html>



For a list of KPMG China offices, please scan the QR code or visit our website:
<https://home.kpmg.com/cn/en/home/about/offices.html>

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG Advisory (China) Limited, a limited liability company in China and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. Printed in China.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.