



28/08/2023

### BREAKING NEWS:

## **Individual Income Tax preferential treatment for annual bonus and for foreign employees' allowances extended to the end of 2027**

The Chinese Ministry of Finance and the State Tax Administration have jointly announced, on August 28<sup>th</sup>, that the individual income tax (“IIT”) exemption for the foreign employees’ allowances will be extended to December 31<sup>st</sup>, 2027.

As a reminder, the allowances granted to foreign employees in relation to their children’s school fees, rent, meals, language courses, home travel expenses, laundry expenses and moving costs are currently fully exempt from the IIT subject to certain conditions. This preferential regime was supposed to end on December 31<sup>st</sup>, 2023. The four-year extension is obviously welcome news for foreign employees and their employers. Actually, the Chinese government already gave the signal in their Opinions recently published which outline different policies to further attract foreign investment ([Flash info: China Announces Policies to Further Attract Foreign Investment](#)), in which the State Council requires to guide and assist foreign individuals working in China in properly enjoying the IIT exemption policy on the allowances.

The same extension is announced for the preferential IIT treatment of annual bonus, which consists of dividing the amount of the bonus into 12 for the purpose of identifying the applicable tax bracket and thereby gives rise to a heavily reduced rate. This regime is applicable to both foreign and Chinese employees and can only be applied once a year by each individual.

*For more information, please contact :*

Shunshan HE([heshunshan@dsavocats.com](mailto:heshunshan@dsavocats.com))

Yijun LIU([liyijun@dsavocats.com](mailto:liyijun@dsavocats.com))