

China

IIT Subsidy for High-level Foreign Talents in Beijing ASIE

Beijing Finance Bureau, Talent Bureau and Tax Bureau jointly issued Circular Jingcaishui [2021] No. 731 regarding the Individual income tax ("IIT") subsidy for high-level foreign talents working in Beijing specific zones on April 27, 2021 ("Circular 731"). This Circular 731 is a positive development for foreigners working in Beijing. You may find below a summary of its main provisions:

■ INTRODUCTION OF CIRCULAR 731

1. Specific Zones

Only qualified foreigners working in Specific Zones can be subject to the IIT subsidy stipulated in Circular 731.

The "specific zones" include:

- Core Area of the Capital
- Beijing Municipal Administrative Center
- Beijing Pilot Free Trade Zone
- Zhongguancun Science City
- Huairou Science City
- Future Science City
- Cluster of innovation-oriented industry
- Demonstration pilot zone of high quality development and leading innovation for the manufacturing industry

2. High-level foreign talents

The "high-level foreign talents" are defined as foreigners working more than 90 accumulated days in one of Beijing's specific zones and meeting one of the following criteria:

- 1) People who are selected for Major Talent Programs at state/city level, or awarded major prizes by the state/city, or other high-level talents recognized by the state or Beijing municipality;
- 2) Foreigners holding a Type A work permit or a high-level foreign talent confirmation letter, or those who hold a permanent residence card and meet the criteria for Type A work permit;
- 3) High-level talents (core team member, person in-charge, key technical person, top manager etc...) working for the qualified major technology programs, innovation platforms, key disciplines of universities and hospitals etc.;
- 4) Top managers (above vice-GM), Chief scientist, CTO, chief expert and key technical person etc. working in the qualified High New Tech Enterprises, HQ of Fortune 500, HQ of MNC etc.;
- 5) Top managers and top professional talents in qualified financial institutions, funds, IP service institutions, tech and innovation service institutions etc.;
- 6) High-level talents having made a considerable contribution to the social and economic development of the zones concerned.

3. Calculation of IIT subsidy

When the IIT subsidy is granted, the portion of the actual IIT burden exceeding 15% will be reimbursed in the form of subsidy for qualified foreign talents. The actual IIT burden refers to the ratio of IIT actually paid in Beijing to taxable income.

The calculation of IIT subsidy can be complex as some foreign talents have various types of income and do not pay IIT only in Beijing. However, for the foreign talents whose only income is their salary and who pay IIT only in Beijing, the following formula will be applied:

IIT subsidy = IIT actually paid related to the salary income - taxable income * 15%

The Newsletter is provided for general informational purposes only. Any information contained in this should not be construed as legal advice and is not intended to be a substitute for legal counsel on any subject.



4. Application process

The applications for subsidy are handled once a year. The applications for the current year are handled collectively from July to August of the next year.

Circular 731 applies retroactively from January 1st, 2020, as such, the application can be accepted between July and August 2021. The applicant needs to submit the application to the Beijing Overseas Talents Center, and the subsidy will be paid to the personal account of the applicant.

The detailed criteria of assessment will be further explained in the guidelines that will be published and updated from time to time by the issuing authorities.

■ SUGGESTIONS

1. With the approach of July 2021, it is suggested to assess whether the conditions of high-level foreign talents are met and review whether the Company employing the foreign talents is registered in Specific Zones.
2. For the qualified foreign talents who meet the criteria listed in Circular 731, it is important to monitor the publication of new guidelines listing the detailed criteria and procedures, and to seek professional advice as the case may be.



*For any additional information
please contact:*

HE Shunshan
Senior Tax Advisor - Beijing Office
heshunshan@DSAVOCATS.COM

Sylvie SAVOIE
Managing Partner - Beijing office
savoie@dsavocats.com