

Teaching Nomad

Income Tax in China



05/12/59 SDCA
09/12/59 SMCA
15/12/59 SWCA
17/12/59 PRSD
19/59 STC

Jan =
Feb
g



Income Tax in China

The People's Republic of China uses a progressive tax system, with tax rates ranging from three to 45 percent. A progressive system means that tax brackets increase with respect to your taxable income.

The tax year ends December 31st each year.

Tax brackets as of 2020:

Monthly taxable income (CNY)	Tax rate (%)	Quick deduction (CNY)
0 to 3,000	3	0
Over 3,000 to 12,000	10	210
Over 12,000 to 25,000	20	1,410
Over 25,000 to 35,000	25	2,660
Over 35,000 to 55,000	30	4,410
Over 55,000 to 80,000	35	7,160
Over 80,000	45	15,160

Calculating your tax:

Download our easy-to-use tax calculator if you have Microsoft Excel, and figure out approximately what you'll be paying in income taxes!

[Download tax calculator](#)

Understanding income taxes:

Foreigners who legally work in China enjoy an initial tax deduction of 5,000 RMB per month. Only income over this amount is taxed. Furthermore, you should note that not all of your salary is within the same tax bracket.

For example, as of 2020, the first 1,500 RMB over your initial deduction of 5,000 RMB is taxed at 3% and then your next 3,000 RMB is taxed at the 10% bracket, and so on.

To make this calculation easier, use the quick deduction when finding out how much tax you owe each month. To calculate how much you owe in tax each month, use the following formulas:

$$\begin{aligned}\text{Taxable Income} &= \text{Gross Salary} - 5,000 \text{ RMB} \\ \text{IIT} &= \text{Taxable Income} * \text{Tax Rate} - \text{Quick Deduction} \\ \text{Net Salary} &= \text{Gross Salary} - \text{IIT}\end{aligned}$$

Example:

If you earn 10,000 RMB a month:

10,000 RMB - 5,000 RMB = **5,000 RMB of taxable income (TI)**

5,000 RMB TI * 0.1 tax rate - 210 RMB quick deduction = **290 RMB IIT**

10,000 RMB gross salary - 290 IIT = **9,710 RMB net salary**

This results in an effective tax rate of 2.90%.

Remember, some employers give additional tax benefits such as a housing allowance, which is a tax free portion of your salary if spent on rent. This lowers your effective tax rate even more.

