



Smart Business Solutions

## Asia Tax Insights – China

### Navigating the Individual Income Tax Filing Season

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## Navigating the Individual Income Tax Filing Season

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### What You Should Note to Navigate China's Individual Tax Filing Season Successfully

#### Assess Filing Requirement

The annual filing is mandatory for resident individuals, specifically for those meeting the following circumstances:

1. Tax refund application: if the taxpayer's prepaid tax amount exceeds the tax payable amount in the annual filing.
2. Consolidated income threshold: The taxpayer's consolidated income in 2023 exceeds RMB 120,000., and his/her overdue tax amount exceeds CNY400; or
3. Comprehensive income reporting: If there is any under-reporting or non-reporting of comprehensive income for 2023. This could result from under-reporting/ non-reporting of income items or failure to comply withholding obligations.

#### Choose Appropriate Filing Period

The official filing period for the 2023 annual IIT filing is from 1 March to 30 June 2024.

If a taxpayer does not have a residence in China and intends to leave China before 1 March 2024, he/she has an option to complete the filing before their departure. However, the local tax authorities generally recommend taxpayers to complete their filing after 20 March 2024.

#### Explore Declaration Options

Apart from self-reporting, the taxpayer has alternative for declaring his/ her annual IIT filing:

1. Request the Chinese employer to declare the filing on his/her behalf
2. Entrust the specific tax agencies or individuals to handle the filing

## Utilise Efficient Declaration Methods

1. Utilise the IIT App or Website for online filing
2. Submit the filing package onsite to the tax authorities in-charge
3. Mail the filing package to the in-charge tax authorities

Priority is given to the first option declared through the IIT App or Website which is highly recommended by the tax authorities. Whilst third option is available, we do not recommend this option due to risk of mis- delivery.

## Understand Consequences of Non-Tax Compliance

Taxpayers may face various consequences for failure to adhere to the filing deadline or non-compliance with reporting and/or settling of tax dues. The taxpayers may incur late interest charge at 0.05% per day on the China IIT due and monetary fines ranging from 0.5 to 3 times of the China IIT due may be imposed in severe cases. Additionally, there is the risk of credit downgrading of credit for both individual and the associated company within the tax authorities' system.

For those involved in false reporting, tampering with supporting documents, and/or engaging in other serious violations, the tax authorities will adopt a more stringent approach. Taxpayers involved will be placed on the tax target list of tax authorities, leading to intensified scrutiny of their tax declarations for the subsequent 3 tax years. In severe cases, the tax authorities may even initiate investigations and inspections to ensure compliance.

## What's the Next Step for Taxpayers?

The next step for taxpayers is a proactive approach: carefully assess filing requirements, adhere to filing deadlines, choose appropriate declaration options, and prioritise online filing to ensure compliance with the China 2023 Annual Individual Income Tax Reconciliation Filing.

## References

You can find out more at:

1. <https://fgk.chinatax.gov.cn/zcfgk/c100012/c5221099/content.html>
2. <https://fgk.chinatax.gov.cn/zcfgk/c100015/c5221102/content.html>

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