

Tax - Employee Notes



China	Incentive Plan/LTIP
When will I be taxed in relation to my plan benefits?	<p>Grant: No income tax. No social security.</p> <p>Vesting: Income tax and social security.</p> <p>Transfer to participant: No income tax. No social security.</p> <p>Sale by participant: Capital gains tax on increase in value since vesting. No social security.</p>
What is the maximum rate of income tax payable in relation to my plan benefits?	<p>45% (2026).</p>
Income tax rates	<p>Income tax rates for comprehensive income are progressive. The maximum tax rate applies to yearly comprehensive income over CNY960,000.</p> <p>The comprehensive income includes income from wages and salaries (including incentive plan income but not capital gains or dividends which fall outside comprehensive income), labour service remunerations, rewards of writers and royalties.</p>
Will my employer withhold income tax in relation to my plan benefits?	<p>Yes, the employer withholds income tax due. The employer may be required to withhold dividend tax and capital gains tax from the proceeds of the sale of shares by the participant but this should be checked with the competent tax authority on a case-by-case basis.</p>
Are my plan benefits subject to social security contributions?	<p>Yes</p> <p>Employee social security.</p> <p>Employer social security.</p> <p>Employer must withhold the employee contribution.</p>
Employee social security	<p>Employee social security (max rate): there are different rates for pension, unemployment, medical, maternity, work-related injury and housing. The combined maximum rate for Beijing is 22.5% and the combined maximum rate for Shanghai is 17.5%.</p> <p>Employee social security (cap): contribution base is capped at CNY35,811 per month in Beijing and CNY37,302 per month in Shanghai.</p> <p>The percentage of social security benefits borne by employers and employees and the contribution base vary from city to city. The highest contribution base cap is in Shanghai. The contribution base cap usually changes during April to July for each year.</p>
What is the maximum rate of capital gains tax?	<p>20%</p>
What is the maximum tax rate payable on dividends?	<p>20%</p>

<p>Do I have to report any income in relation to the plan to my local tax authority?</p>	<p>Yes, an individual should file a tax return if any of the following applies:</p> <ul style="list-style-type: none">• the individual receives comprehensive income (i.e. consolidating income from the following sources: wages and salaries (including incentive plan income), income from services, author's remuneration and royalties) from two or more sources and the balance of the comprehensive income after deducting special deductions exceeds CNY60,000;• the income is received from one or more item of income from services, author's remuneration and royalties, and the balance of the comprehensive income after deducting special deductions exceeds CNY60,000;• the amount of tax paid in advance during a tax year is less than the amount of tax payable on the comprehensive income received during the year; and/or• if the taxpayer applies for tax refund. <p>Meanwhile, if the Chinese tax resident receives income from overseas (i.e. capital gains and/or dividends from offshore incentive plans, where such income has not been subject to withholding by the employer), such individual must declare and pay taxes in their annual tax return during the period from 1 March to 30 June of the subsequent year after the income is received.</p> <p>There is no specific filing in relation to equity related incentives, although equity incentive income, received through a share plan which is registered by the employer under Circular 35, is taxed separately from comprehensive income and benefits from a special deduction under Circular 164. Cash plans and phantom plans cannot be registered under Circular 35.</p> <p>Report name: Annual Tax Return.</p> <p>Tax period: 1 January to 31 December.</p> <p>Reporting deadline: between 1 March and 30 June.</p>
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This summary assumes that you only pay tax in one place. Different rules may apply if you pay tax in different places.

This summary is only a guide. It is limited to a general description of national tax laws and does not address various issues which may impact the tax result, including: local, city, regional, state or other provincial taxes; retention and holding periods; restrictions on the shares; clawback terms and periods; and your own individual circumstances. We do not guarantee any particular tax result. Therefore, we recommend that you consult your own tax advisor regularly to determine your tax position.

The information provided is understood to be correct as of 9 February 2026. Changes in legislation or practice after this date may affect the tax treatment.

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