

## Tax - Payroll Guide - Free shares / RSU

<b>China</b>	
<b>Tax points</b>	<p><b>Grant:</b> No income tax. No social security.</p> <p><b>Vesting:</b> Income tax and social security.</p> <p><b>Transfer to participant:</b> No income tax. No social security.</p> <p><b>Sale by participant:</b> Capital gains tax on increase in value since vesting. No social security.</p>
<b>Income tax (maximum rate)</b>	45% (2025).
<b>Income tax rates</b>	<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>
<b>Employer income tax withholding</b>	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.
<b>Employer social security withholding</b>	<p>Yes</p> <p>Employee social security.</p> <p>Employer social security.</p> <p>Employer must withhold the employee contribution.</p>
<b>Employee social security</b>	<p><b>Employee social security (max rate):</b> 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><b>Employee social security (cap):</b> contribution base is capped at CNY35,283 per month in Beijing and CNY36,921 per month in Shanghai (July 2024).</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>
<b>Employer social security</b>	<b>Employer social security (max rate):</b> there are different rates for pension, unemployment, medical, maternity, work-related injury and housing. The combined maximum rate for Beijing is 40.2% and the combined maximum rate for Shanghai is 34.02%.

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	<p><b>Employer social security (cap):</b> contribution base is capped at CNY35,283 per employee per month in Beijing and CNY36,921 per employee per month in Shanghai (July 2024).</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>
<b>Tax reporting - Individual</b>	<p>Yes, an individual should file a tax return if any of the following applies:</p> <ul style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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</li> <li>if the taxpayer applies for tax refund.</li> </ul> <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.</p> <p><b>Report name:</b> Annual Tax Return.</p> <p><b>Tax period:</b> 1 January to 31 December.</p> <p><b>Reporting deadline:</b> between 1 March and 30 June.</p>
<b>Tax reporting - Employing company</b>	<p>The employer must report the employees' incentive related income on the monthly tax filing, but the tax filing covers all employee benefits and is not specific to equity related incentives.</p> <p>Additionally, Notice 69 requires the reporting of grants under equity plans within 15 days after the</p>

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	<p>month in which the awards were granted. The local employer should confirm the Notice 69 tax filing position with the competent tax authority as the practices and requirements differ between tax authorities. If a plan is already registered under Circular 35 (see below) additional reporting under Notice 69 may not be required.</p> <p>The local employer may be required to report and withhold dividend tax and capital gains tax from the proceeds of the sale of shares by the participant but the practice of the tax authority in each city can be different. This should be clarified with the competent tax authority on a case-by-case basis.</p> <p><b>Report name:</b> monthly tax filing. The return can be filed online.</p> <p><b>Reporting deadline:</b> reports must be filed monthly and tax must be paid before the 15th day of the subsequent month.</p> <p><b>Payment of tax:</b> see above.</p> <p><b>Registration:</b> under Circular 35, a participant can benefit from preferential tax treatment if the share plan is registered by the employer with the local tax bureau prior to implementation in China.</p>
<b>Malus and clawback - Tax points</b>	<p>The existence of a malus or clawback clause does not affect the tax point for the individual.</p>