

## Individual income tax reduction raised in China

### Description

On December 29, 2007, the China's parliament, the standing committee of the National People's Congress, has just enacted an amendment to the Individual Income Tax Law, raising the threshold of the amount of taxable income from RMB 1,600 to RMB 2,000, a move aimed to alleviate the embarrassment of the pockets of the low income earners against the backdrop of substantial inflation of the economy.

Under PRC individual income tax law, a certain amount of deduction can be made from the monthly receipts of wages and salaries, which constitute the main bulk of income of most people, before income tax is levied.

In October 2005, the deduction thereof was increased from RMB 800 to RMB 1,600.

In June this year, the parliament made another amendment granting the state cabinet the power to decide on the taxation of interests accruing on bank deposits of citizens.

According to Article 1 of this law, foreigners who do not have domiciles within the territories of China but reside in China for a full year shall pay tax if receiving income from inside or outside China. In addition, for those who do not have domiciles within the territories of China nor reside in China for one year shall pay tax if receiving income from inside China.

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