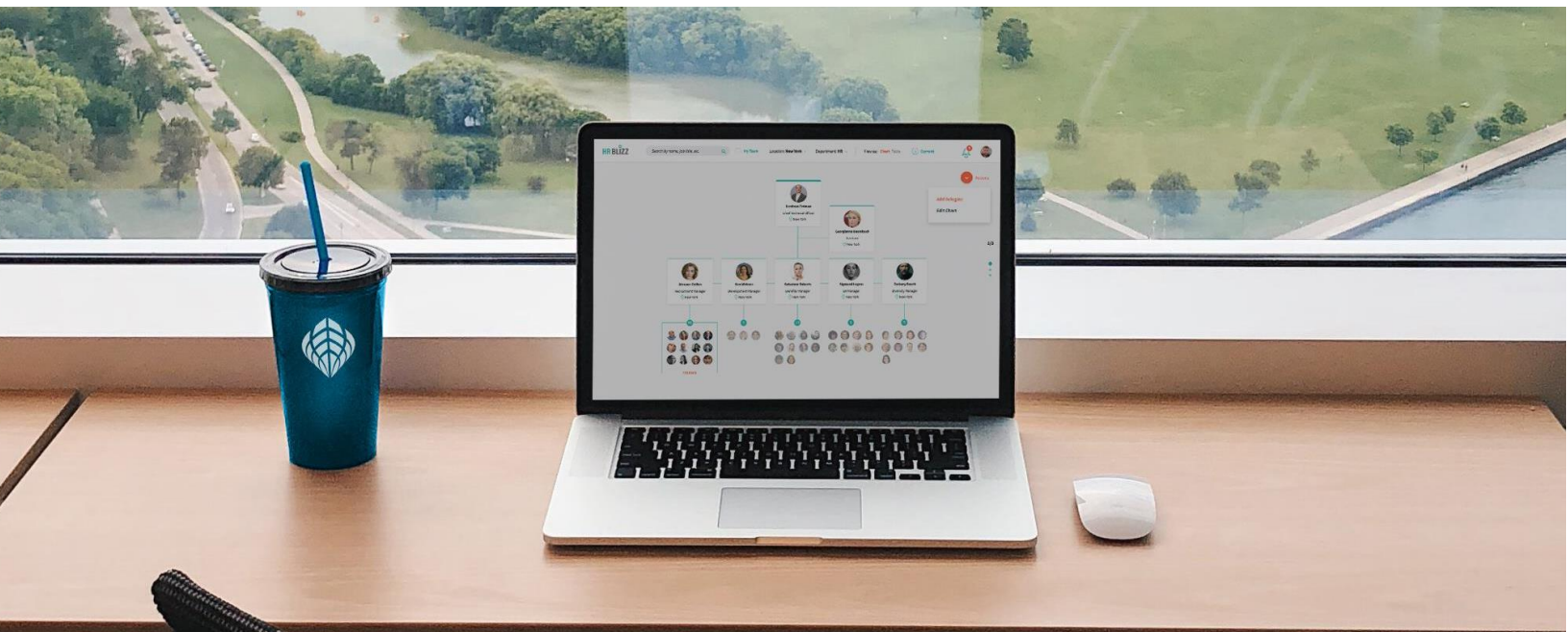




Simplifying Employment
Tasks Worldwide

Payroll & Tax Highlights

2021 Global Payroll Country Guide for China



CHINA



1 January 2022



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Thank you for trusting Mercans to outsource your HR and Payroll functions. We propose HR consulting services, actionable solutions, and cost-effective global payroll processing tools to energize your human capital management in real-time and augment your performance. We are dedicated to becoming your business growth facilitator.



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Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.



PEO/GEO Services – Easily hire, deploy and manage your workforce abroad

A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).



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160+ Countries	20 Years of Success	850+ Payroll and HR Specialists
8k+ Clients Worldwide	97% Client Retention Rate	1.5X Annual Revenue Growth
45k+ Largest Single Country Payroll	9M+ Pay Slips per Annum	0 Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certificate



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China– Fastest Development makes everything change.

China, officially the 'People's Republic of China' (PRC), is the largest country in East Asia. With a population in excess of 1.4 billion, China is the second largest economy in the world by nominal GDP. The country is increasingly playing an important and influential role in the development of the global economy. China has been the largest single contributor to world growth since the global financial crisis of 2008.

The annual growth target in the country's 13th Five-Year Plan is 6.5%, reflecting a rebalancing of the economy and a focus on the quality of growth, while still maintaining the objective of achieving a "moderately prosperous society" by 2020

China is one of the world's leading exporters and is attracting record amounts of foreign direct investment. And with the largest growth in new billionaires globally, China's outbound investment is ramping up rapidly, with billions of dollars already reaching other major global centers.

China's economic outlook for 2022 is predicted to be relatively bright with GDP growth forecast at over 5 percent – higher than the global average. However, sustained pressure from Covid-19 outbreaks and supply chain bottlenecks will continue to have an impact. To counter the economic pressures, China will place particular importance on economic stability and recovery, adopting fiscal and monetary policies to spur growth in strategic portions of the economy. China is also expected to continue its 'zero-Covid' strategy in 2022, with quarantine-free travel to the country unlikely. Despite the relative economic slowdown and closed borders, international trade is reaching record highs, and foreign companies maintain an optimistic outlook.

Mercans and its affiliates do not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.



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Basic Facts

Official State Name	People's Republic of China
Population	1.4 billion
Capital	Beijing
Major Languages	Mandarin
Currency	Renminbi (RMB, sign: ¥; code: CNY; also CN¥),
Main Industries & Export Articles	Industrial, Service, Agriculture. The top three foreign direct investment-concentrated industries are leasing and business services, manufacturing, wholesale & retail trade.
GDP Growth	US\$14.723 trillion (World Bank, 2020)
Internet Domain	.cn
International Dialing Code	+86
Dates & Numbers	dd.mm.yyyy. A full stop (period) is used for the decimal comma, and long numbers are written with a point (999,999,999.00)

Entity Registration & Incorporation Requirements

Business Setup Steps

The general legal entity setup process steps are the following:

1. Entity Initial Setup:
 - Name reservation
 - Drafting application documents for company setup
 - Application with Administration for Industry and Commerce (AIC) and obtaining Business License
 - Carving company chops
2. Local Bank Account Opening:
 - Basic bank account setup in the appointed bank
 - Application of e-banking input token with salary module
 - Capital account opening in the appointed bank
3. HR & Payroll:
 - Social insurance account & housing fund account set-up
 - Deputy CA token application for social insurance & housing fund administration and IIT filing
 - Deputy CA token function adding for social insurance & housing fund administration and IIT filing
 - Tripartite agreement among company, bank and government for payment automatic deduction (social insurance, housing fund and IIT)
 - Payroll system initial set-up
4. Capital Settlement in Local Bank:
 - Capital injection
 - Capital fund settlement
 - Conversion from USD to RMB by using capital fund



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Types of Businesses

Wholly Foreign-Owned Enterprise (WFOE)

Typically takes the form of a limited liability company, though other forms of liability are not excluded and may be used upon approval by the relevant governmental authorities. The equity interest in a WFOE is entirely owned by its foreign investor or investors.

Foreign-Invested Commercial Enterprises (FICE)

Refer to foreign-invested enterprises that engage in the following business activities: commission agency services, wholesale, retail, franchising, importation and exportation.

Joint Venture (JV)

Two types of JV: Equity Joint Venture (EJV) and Cooperative Joint Venture (CJV).

An EJV is an independent legal person with limited liability. The JV partners contribute capital to the enterprise and enjoy rights to a percentage of the profits equal to the paid-in capital. Capital contributions may be in cash or in-kind (e.g. land use rights, buildings, intangible assets or equipment).

Compared to an EJV, the legal regime offers more flexibility to the investors of a CJV, where the profit-sharing ratio does not necessarily have to reflect the ownership interest ratio of each investor but may be freely decided by the investors based on their contractual agreements. The parties may provide cooperation conditions instead of injecting capital contributions into the joint venture.

Subsidiary

Subsidiary is an entity that is controlled by a separate higher entity. The controlled entity is called a company, corporation and etc. The parent and the subsidiary do not necessarily operate the same businesses, but it is also possible that they could be competitors in the marketplace. Also, because a parent company and a subsidiary are separate entities, it is possible for one of them to be involved in legal proceedings, tax delinquency, indictment while the other is not.



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Branch

Branch is not an independent legal entity. It is the extension of the company. Branch does not have Certificate of Approval and Articles of Association. Branch cannot exceed the business scope of company. All liabilities of branch shall be taken by the company.

Representative Office (RO)

Resident Representative Offices of Foreign Enterprises" (hereinafter referred to as the "Representative Offices") refer to the offices established within the territory of China by foreign enterprises in accordance with the provisions of these Regulations for the purpose of engaging in non-profit activities in connection with the business of such foreign enterprises. Such Representative Offices have no legal person status.

Statutory Filing for Financial Statements

- Annual and semi-annual financial reports shall include:
 - 1) financial statements;
 - 2) notes to accounting statements;
 - 3) statement of the financial situation.
- Financial statements shall include balance sheets, income statements, cash flow statements and relevant schedules.
- Quarterly and monthly financial reports usually only refer to financial statements, which should at least include balance sheets and income statements.
- The annual closing date is December 31 of each Gregorian calendar year; Semi-annual, quarterly, and monthly settlement date are respectively the last day of each half year, quarter and month in the Gregorian calendar year.
- Statutory filing requirement and filing frequency:
 - Monthly/quarterly/annual tax filing with Tax Bureau;
 - Monthly/quarterly/annual filing with Statistic Bureau;
 - Annual unified examination/returns to Commission of Commerce, Statistics Bureau, Finance Bureau, Tax Bureau and the State Administration of Foreign Exchange ("SAFE");
 - Ad hoc survey/inspection from local authorities.

Audit Requirement

- According to the Company Law of the People's Republic of China (revised in 2018), at the end of each fiscal year, a company should prepare its financial reports which should be audited by an accounting firm.



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- The company should provide authentic and complete accounting vouchers, accounting books, financial and accounting reports and other accounting data to the accounting firm it appoints. It shall not refuse to do so, or conceal facts or make false reports about them.
- Appointment or dismissal of an accounting firm in charge of the auditing business of a company is subject to a decision by the shareholders assembly, the shareholders general assembly or the board of directors in accordance with the provisions of the company's articles of association.
- Chinese tax authorities require entities with foreign ownership to submit an audited financial statement (in some cities the full audit report is not required, only the audit opinion together with the auditor's details), along with annual corporate income tax returns. The audit is required under Chinese or PRC GAAP.
- Audited financial statements are also required for representative offices, WFOEs or EJV's with foreign ownership.

Tax Office Registration and Compliance Steps

1. Initial tax landing with in-charge tax bureaus;
2. Application of General Value Added Tax (VAT) Taxpayer;
3. Calculation of the monthly/quarterly VAT, Urban Construction Tax, Education Surcharge and quarterly Corporate Income Tax (CIT);
4. Preparation and submission of monthly/quarterly tax filing depending on the company tax pay status;
5. Preparation and submission of annual CIT filing and related party transactions reporting form;
6. Preparation and submission of stamp duty filing with tax bureau;
7. Preparation and submission of tax returns and processing respective tax payments;
8. Performing Withholding Tax (WHT) calculation and processing tax payment to foreign vendor where necessary; and
9. Application of VAT general taxpayer.

Working Hours

The State adopts a system of working hours with daily working hours for each worker not in excess of eight (8) hours and average weekly working hours not in excess of forty-four (44) hours.

An employer shall ensure that its workers have at least one (1) day off in a week.

Due to the requirements of production and business operations, an employer may extend the working hours of a worker after consulting with the trade union and the worker concerned,



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however, the extended working hours shall in general not exceed one (1) hour per day; where an extension of working hours is required due to special reasons, such extension shall not exceed three (3) hours per day under the condition that the workers' health is guaranteed, and the amount of overtime extended shall not exceed thirty-six (36) hours per month.

An employer shall arrange for its workers to have holidays on the following festivals:

1. New Year's Day;
2. Spring Festival;
3. International Labour Day;
4. National Day; and
5. Other festivals as stipulated by laws and regulations.



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Tax & Social Security

Corporate Income Tax

The standard corporate income tax (CIT) rate is 25%. Special rates apply to small and thin-profit enterprises (20%) and high-tech companies (15%), and special rates may apply in enterprise zones.

Advanced technology service enterprises (ATSE) qualify for a 15% reduced CIT rate on observation of the relevant provisions of Circular 79 and include:

- the ATSE must be incorporated within China (excluding Hong Kong, Macau and Taiwan).
- staff with college qualifications or higher should account for 50% of total employees in the enterprise.
- income derived from the provision of technically advanced services should account for more than 50% of the enterprise's total income for the year.
- income derived from offshore service outsourcing business should not be less than 35% of the enterprises' total income for the year.

CIT is paid in advance, on a monthly or quarterly basis. Companies also pay an annual reconciliation return at the end of the calendar year.

CIT is paid within 15 days of the end of each month or quarter. Annual income return is due on 31 May of the following calendar year.

VAT and Sales Tax

The transportation industry, part of the service industry and enterprises or individuals who sell commodities and provide specified services – such as processing, repair and maintenance services – or import goods into China are subject to VAT, as per Chinese laws. A small-scale taxpayer is charged with 3% VAT and no input VAT can be recovered. A general taxpayer is charged at 6% to 13%, depending on the nature of the transaction. VAT charged by a general taxpayer is recoverable only by the general taxpayer.

The VAT rate for general taxpayers is typically 13%, or 9% for some goods. Importers of certain consumer goods (e.g., tobacco, liquor and cosmetics) are required to pay consumption tax at a rate varying between 1% and 45%. VAT is due monthly or quarterly on the 15th of the following month. The VAT registration for a general taxpayer's threshold is CNY 5 million for consecutive twelve months sales turnover.



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Difference between VAT General Taxpayer and VAT Small Scale Taxpayer

Item	General VAT taxpayer	Small scale VAT taxpayer
VAT rate	6%,9% and 13% for different activities	3%
Purchase VAT credit	Allow to offset sales output VAT, subject to qualified invoice and conditions	Not allowed to offset sales output VAT
Threshold	Over RMB 5 million for consecutive 12 months	Below RMB 5 million for consecutive 12 months
Filing frequency	Monthly	Quarterly
China invoice (Fapiao) requirement	Can receive & issue both VAT special and general invoice from vendor/to customers	Can receive only general invoice from vendor Can issue both VAT special and general invoices to customers
Tax incentive	Carried forward input VAT refund if meeting certain criteria	1) VAT waived off if the quarter taxable income is below RMB 450K (valid till Dec end 2022) 2) 50% off for VAT surtaxes and stamp duty if meeting certain criteria

Other Taxes to Be Paid Include the Following

- Turnover taxes - these include value added tax (VAT), consumption tax and customs duty.
- Property taxes - these include property tax, resource tax, urban real estate tax, land use tax, land appreciation tax, vehicle license fee, vehicle purchase surcharge and deed tax.
- Activity taxes - these include urban construction tax, stamp duty and land VAT.
- Others – e.g., environment protection tax.

Withholding Tax (WHT)

- Dividends: a 10% withholding tax on dividends paid to non-resident companies was introduced in China in 2008. However, dividends paid out on pre-2008 earnings continue to be exempt from withholding tax. This 10% withholding tax may be reduced under an applicable tax treaty.



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- Interest: interest is subject to a 10% withholding tax unless the rate is reduced under a tax treaty. Also, interest from certain loans made to the Chinese government and resident enterprises is exempt. A 6% VAT is also imposed.
- Royalties: these are subject to a withholding tax of 10% (this rate may be reduced under certain treaties). A 6% VAT is generally applicable (waived when royalties are paid for the transfer of qualified technology).
- Branch Remittance Tax: China does not levy a branch remittance tax.
- Construction and other service fees: service fees paid to a non-resident are subject to the 25% statutory enterprise income tax rate, to the extent the services are rendered. Normally, a deemed margin from 15% to 50% will be imposed to the transaction. 6% of VAT and 25% CIT will be charged on the taxable income.
- Foreign investors are eligible for the WHT deferral treatment if they directly reinvest the attributable/distributable profits from their Chinese subsidiaries in China, given they fulfil the following requirements:
 - Direct investments are from the overseas investor's distributed profits
 - Distributed profits fall under the category equity investment gains arising from accumulated earnings
 - Distributed profits paid in cash and non-cash form shall be directly transferred into the invested enterprise or an account of the equity transferor
 - Invested enterprise is a non-prohibited foreign investment sector and project

Individual Income Tax (IIT)

In China, the tax year is from 1st January to 31st December. IIT is generally administered on a monthly basis, but certain types of tax resident individuals must file an annual IIT reconciliation return on comprehensive income between 1st March and 30th June of the following year.

Employer's IIT Withholding Obligation

For employment income, the employer has the obligation to withhold IIT from employees' salary and wages and file the provisional IIT withholding returns with its tax authority on a monthly basis and settle the payable IIT within 15 days of the following month.

Monthly provisional IIT withholding amounts for a China tax resident employee shall be calculated on an accumulative basis with the annual IIT table on comprehensive income* (see the table below).

*Employment income, remuneration for labour services, author's remuneration, and royalties are combined as "comprehensive income" for accumulative IIT calculation purpose on an annual basis.



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Annual taxable comprehensive income, RMB	Tax rate (%)	Quick deduction, RMB
0 to 36,000	3	0
Over 36,000 to 144,000	10	2,520
Over 144,000 to 300,000	20	16,920
Over 300,000 to 420,000	25	31,920
Over 420,000 to 660,000	30	52,920
Over 660,000 to 960,000	35	85,920
Over 960,000	45	181,920

Annual taxable comprehensive income = annual gross income – RMB 60,000 annual standard basic deduction – specific deductions – specific additional itemized deductions and other allowable deductions

Annual IIT payable = annual taxable income X applicable tax rate – quick calculation deduction

For non-China tax residents, the IIT on their employment income, remuneration for labor services, author's remuneration, and royalties shall be calculated by each category on a monthly or transaction basis at the below progressive tax rates (see the table below).

Monthly taxable employment income (RMB) (2)	Tax rate (%)	Quick deduction (RMB)
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



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Monthly taxable employment income = monthly gross employment income – RMB 5,000 monthly standard basic deduction

Monthly IIT payable = monthly taxable employment income * applicable tax rate – quick calculation deduction

Social Security System

To achieve the goal of improving the social security system as proposed in the 13th Five-Year Plan (2016-2020), China's top legislature enacted social insurance reform, which took effect on 1st July 2011.

The five social insurances covered by China's mandatory welfare system include pension, medical, work-related injury, unemployment, and maternity, which were part of the existing social security framework in China. Typically, housing fund contributions are included in the scope of mandatory welfare because the additional costs are mandatory and come from both the employer and the employee.

The rate and thresholds for social insurance contributions vary by municipality. The table below summarizes details for Shanghai, Beijing, Guangzhou and Shenzhen:

City	Shanghai (July 2021 to June 2022)		Beijing (July 2021 to June 2022)	
Social insurance	Paid by Employer (% of a certain amount of salary)	Paid by employee (% of a certain amount of salary)	Paid by Employer (% of a certain amount of salary)	Paid by employee (% of a certain amount of salary)
Endowment insurance	16%	8%	16%	8%
Medical insurance	9.50%	2%	9%	2%+CNY 3
Work-related injury insurance	0.16% to 1.52% (as of May 2019)	0%	0.2%-1.9%	0%
Unemployment insurance	0.50%	0.50%	0.50%	0.50%



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City	Shanghai (July 2021 to June 2022)		Beijing (July 2021 to June 2022)	
Maternity insurance	1%	0%	0.80%	0%
Housing Fund	5% to 7%	5% to 7%	12%	12%
Ceiling for monthly salary base	CNY 31,014		CNY 28,221	

City	Guangzhou (July 2021 to June 2022)		Shenzhen (July 2021 to June 2022)	
Social insurance	Paid by Employer (% of a certain amount of salary)	Paid by employee (% of a certain amount of salary)	Paid by Employer (% of a certain amount of salary)	Paid by employee (% of a certain amount of salary)
Endowment insurance	14%	8%	15% / 14%	8%
Medical insurance	3.50%	2%	5.20%	2%
Severe illness	0.26%	0%	0%	0%
On-job injury insurance	0.1%-0.7%	0%	0.07% to 0.57%	0%
Unemployment insurance	0.32%/0.48%/0.8%	0.20%	0.70%	0.30%
Maternity insurance	0.85%	0%	0.45%	0%
Housing Fund	5% to 12%	5% to 12%	5% to 12%	5% to 12%
Ceiling for monthly salary base	CNY 22,941 for endowment insurance		CNY 22,941 for endowment insurance	
	CNY 33,786 for medical insurance, unemployment insurance and maternity insurance		CNY 34,860 for medical insurance level 1 and maternity insurance	
	Medical insurance and maternity insurance will be merged with 5.45% from October 1, 2021		Fixed base of CNY 11,620 for medical insurance level 2, 0.6% paid by employer, 0.2% paid by employee.	
	CNY 11,262 for severe illness		CNY 2,200 for unemployment insurance	

Please note that the contribution rates for other cities may vary.



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Social Insurance Contribution for Foreign Nationals

According to the Interim Measures for Foreigners' Participation in the PRC Social Security Schemes (the "Interim Measures"), effective from 15th October 2011, foreign national individuals lawfully working in China and holding appropriate work permits in China are required to participate in the social insurance schemes unless there are social insurance treaties between the home countries of the employees and China.

In general, the employer should carry out social insurance registration for the individuals within 30 days after the individuals obtain the work permit, subject to practical limitations which the employer should either consult or notify the social insurance authority about on a timely basis. In addition, the insurance premiums should be contributed from the first month of the individuals working in China subject to practical limitations and the relevant social insurance authority should be consulted on a timely basis.

Payroll

Salaries are paid into employees' bank accounts. The salary is paid on the last day of the pay period, unless otherwise agreed. If the salary is based on a period of less than two weeks, wages must be paid at least twice a month, otherwise once a month.

The employer must deliver payslips to employees. Payslips can be free form. However, there are requirements regarding what information needs to be shown on payslips.

Employers must maintain payroll records of all payments to its employees. The law requires the employer to keep their payroll records at least 2 years.

Employers must issue payslips to employees. Payslips are important for employees when applying for various benefits such as remitting payment overseas, purchasing house, car and children education. Payslips must detail the employee earning during the pay period.

Working Hours

The State adopts a system of working hours with daily working hours for each worker not in excess of eight (8) hours and average weekly working hours not in excess of forty-four (44) hours.

Overtime Payment

An employer shall not extend the working hours of its workers in violation of the provisions of this Law.

An employer shall, under the following standards, pay wages which are higher than the normal wage rates for normal working hours of a worker in any of the following circumstances:

1. When arranging for a worker to work overtime, it shall pay not less than 150% of the normal wage;
2. When arranging for a worker to work during rest days and being unable to arrange for compensatory time off, it shall pay not less than 200% of the normal wage; or
3. When arranging for a worker to work during a statutory holiday, it shall pay not less than 300% of the normal wage.

Social Security and Housing Fund

There are 6 kinds of mandatory filing for both employer (ER) and employee (EE) and there are:

1. Pension Insurance (ER+EE)
2. Medical Insurance (ER+EE)



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3. Unemployment Insurance (ER+EE)
4. Injury Insurance (ER)
5. Maternity Insurance (ER)
6. Housing Fund (ER+EE)

Different cities in China may have the different contribution base and rate.

The contribution base will be changed once a year based on the local government announcement.

Sick Leave Pay

A medical treatment period refers to the time limit within which the labor contract with a corporate employee shall not be rescinded if he/she is on leave to undergo medical treatment due to an illness or non-work-related injury.

A corporate employee who needs to cease work for medical treatment due to an illness or non-work-related injury shall be given three to twenty-four months as a medical treatment period according to his/her actual working years and his/her working years in the corporation:

1. In the case that his/her actual working years is not more than ten years, the medical treatment period shall be three months if his/her working years in the current corporation is not more than five years, or six months if his/her working years in the current corporation exceeds five years.
2. In the case that his/her actual working years exceeds ten years, the medical treatment period shall be six months if his/her working years in the current corporation is not more than five years, nine months if his/her working years in the current corporation is not less than five years but not more than ten years, twelve months if his/her working years in the current corporation is not less than ten years but not more than fifteen years, eighteen months if his/her working years in the current corporation is not less than fifteen years but not more than twenty years, or twenty-four months if his/her working years in the current corporation is not less than twenty years.

The medical treatment period of three months shall be calculated as accumulated sick leave within six months; the medical treatment period of six months shall be calculated as accumulated sick leave within 12 months; the medical treatment period of nine months shall be calculated as accumulated sick leave within 15 months; the medical treatment period of 12 months shall be calculated as accumulated sick leave within 18 months; the medical treatment period of 18 months shall be calculated as accumulated sick leave within 24 months; and the medical treatment period of 24 months shall be calculated as accumulated sick leave within 30 months.

Sick leave wages, illness relief funds and medical treatment for corporate employees during a medical treatment period shall be governed in accordance with relevant regulations.



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Employee Deduction

Personal pre-tax deductions from comprehensive income

When the employer calculates the taxable income for tax resident employees, the following personal deductions are generally allowed (accumulated monthly) in calculating the monthly provisional IIT withholding amount:

- Standard basic deduction: RMB 60,000 per annum (i.e., RMB 5,000 for monthly tax withholding purpose).

Specific deductions: Chinese social security contributions (employee portion) made in accordance with the Social Security Law and contributions (employee portion) made to the statutory Housing Fund are deductible for IIT purpose.

- Specific additional itemized deductions (SAID):

SAID item	Deductible amount, RMB
Mortgage interest	1,000 per month
Rental expenses	800, 1,100, or 1,500 per month depending on the location
Child education	1,000 per child per month
Continued education	400 per month or 3,600 per year depending on the type of qualified continued education
Elderly care	Up to 2,000 per month depending on the status of the taxpayer
Major medical expenses	Qualified self-paid portion above 15,000 and capped at 80,000 per year for each eligible individual, which is only deductible through annual IIT reconciliation filing.

- The resident taxpayer can also choose to claim the SAIDs above through the annual IIT reconciliation filing instead of having them included in the monthly provisional withholding tax calculation by the employer.
- Other allowable deductions: Certain deductible items specifically provided by the specific IIT regulation and circulars, such as employee contributions to qualified corporate annuities and premiums paid to commercial health insurance eligible for IIT incentives, etc.



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Employment Law

Labor Law of the People's Republic of China is enacted in accordance with the Constitution of the People's Republic of China in order to protect the legitimate rights and interests of workers, regulate the labor relations, establish and safeguard a labor system that is adaptable to the socialist market economy and promote economic development and social progress.

This Law shall apply to all enterprises and individual economic organizations (hereinafter collectively referred to as "employers") and workers who have formed labor relationships with those employers within the territory of the People's Republic of China. The government organs, public institutions, social organizations and workers who have established contractual labor relationships with them shall be governed by this Law.

Employment Agreement

Conclusion of labor contracts shall comply with the principles of legality, equitableness, fairness, voluntary participation, negotiation and agreement and honesty and trustworthiness.

Labor contracts concluded pursuant to the law shall be legally binding and the employers and the workers shall perform the obligations stipulated in the labor contracts.

An employer shall be deemed to have established a labor relationship with a worker with effect from the date of commencement of work. Employers shall establish a register of employees for inspection purpose.

A written labor contract shall be concluded for the establishment of a labor relationship.

Where a written labor contract is not concluded simultaneously with the establishment of a labor relationship, a written labor contract shall be concluded within one month from the date of commencement of work.

Where an employer and a worker have concluded a labor contract prior to employment, the labor relationship shall be deemed established on the date of commencement of work.

Working Conditions

Special Protection of Female Workers and Underage Workers

The State implements special labor protection for female workers and underage workers. Underage workers shall refer to those workers who are over sixteen (16) years but under the age of eighteen (18).



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1. It is prohibited to arrange for female workers to engage in labour in mining pits, work involving physical labour of the fourth degree of intensity as specified by the State, or any prohibited work.
2. It is prohibited to arrange for female workers, during the menstrual period, to engage in labour at high altitudes, in low temperatures or which involves contact with cold water, or work involving physical labour of the third degree of intensity as specified by the State.
3. It is prohibited to arrange for pregnant workers to engage in work involving physical labour of the third degree of intensity as specified by the State, or any other work prohibited during pregnancy. No extra hours or night shift shall be arranged for female workers pregnant for seven months or more.
4. Female workers shall be entitled to maternity leave no less than ninety (90) days at childbirth.
5. During the period of breastfeeding an infant under the age of one (1) year, it is prohibited to arrange for female workers to engage in work involving physical labour of the third degree of intensity as specified by the State or any other work prohibited during the lactation period. No extra hours or night shift shall be arranged for such female workers.
6. It is prohibited to arrange for underage workers to engage in work in mining pits, work under poisonous or harmful circumstances, work involving physical labour of the fourth degree of intensity as specified by the State, or any other work prohibited.
7. An employer shall arrange for regular health checks for underage workers.

Leaves

Annual leave eligibility requirements are the following:

1. If an employee has worked for a cumulative period of less than 10 years, he shall take 5 days' annual leave;
2. If he has completed 10 years or less than 20 years' leave, he shall take 10 days' annual leave;
3. If he has completed 20 years' work, he shall take 15 days' annual leave.

National statutory holidays and rest days are not counted as annual vacations.

Employment Termination

Upon negotiation and consensus between an employer and a worker, a labor contract may be rescinded.

A worker may notify the employer with a 30-day advance notice in writing to rescind his/her labour contract. A worker may notify the employer with a three-day advance notice in writing during his/her probationary period to rescind his/her labor contract.



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Under some circumstances (refer to the detail in labor law), the employer may rescind the labor contract by giving the worker a written notice 30 days in advance or by making an additional payment of one month's wage to the worker.

Economic damages shall be paid to a worker based on the number of years of service of the worker and based on the standard of one month's wage for each completed year of service. Where the period of service is more than six months but less than a year, it shall be deemed as a completed year of service; where the period of service is less than six months, the employer shall pay half a month's wage to the worker as economic damages.

Where the monthly wage of a worker is more than three times the local average monthly wage of employees of the preceding year announced by the Municipal People's Government of the centrally-administered municipality or the municipality divided into districts where the employer is located, the economic damages standard for economic damages to be made to the worker shall be based on three times the average monthly wage and the years of service for which economic damages are paid for shall not exceed 12 years. The monthly wage referred to in this Article shall mean the average wage of a worker over 12 months before the rescission or termination of the labor contract.

An employer shall show proof of rescission or termination of a labor contract at the time of rescission or termination of the labor contract and shall complete filing and social insurance transfer formalities for the worker within 15 days.

The worker shall complete job handover pursuant to the agreement between both parties. Where the employer is required to pay economic damages to the worker pursuant to the relevant provisions of this Law, the payment shall be made at the completion of job handover.

An employer shall keep copies of rescinded or terminated labor contracts for at least two years for inspection purpose.



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Immigration

From April 1, 2017, China implemented a nationwide work permit system for foreigners to come to China. In accordance with the Regulations on the Administration of Employment of Foreigners in China, if a foreigner has not acquired the right to settle in China (Chinese mainland only, the same below) or has not acquired Chinese nationality, he or she must obtain a work permit for foreigners to come to China to work in China (Foreigner's Work Permit, known as the Employment Certificate before the implementation of the two-in-one policy of alien employment certificate and foreign expert certificate).

In addition, foreigners who have obtained a work permit to come to China must apply to the competent immigration administration department for a legal residence permit in order to stay and work legally in China.

The application are the following:

1. Request for the notification Letter of Foreign Work Permit.
2. Apply for a work visa (Z Visa).
3. Registration of accommodation (Registration of Temporary Residence).
4. Request for the Foreign Work Permit.
5. Apply for the Residence Permit.

Each step has been detailed below.

Notification Letter of Foreign Work Permit

Employers are required to register their accounts on the line and submit applications in the "foreigners to China work management service system" (<http://fwp.safea.gov.cn/>)

The required documents for the submission of the application are the following:

1. The application form for work permit: fill out via online system and then print before entering China.
2. Foreign talent identification materials: according to the classification criteria for foreigners to work in China in trial period, it shall provide relevant supporting materials that meet the criteria for accreditation. To achieve foreign high-end talent (Class A) or foreign professionals (Class B) by scoring points standards, it also should provide the corresponding maximum degree (academic qualification) certificate, professional qualification certificate, Chinese proficiency (Chinese language proficiency



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examination HSK certificate, etc.), the certificate for annual income of working in China, work experience qualifications and other materials.

3. Work experience qualifications: a certificate of work experience related to the work in the current position issued by the previous employer.
4. The highest degree (academic) certificate or relevant approval documents, professional qualifications.
5. No criminal record certificates and certification materials.
6. Physical check certificate: the verification certificate or health examination certificate of the medical examination records of overseas personnel issued by the Chinese inspection and quarantine institution shall be issued within 6 months.
7. Employment contract or certificate of employment: Chinese contract should be signed by the applicant and stamped with the official seal. The contract cannot be modified.
8. The applicant's passport or international travel document is valid for at least 6 months.
9. Photo of the applicant within 6 months.
10. Accompanying family members: accompanying family members include spouses, children under the age of 18, parents and parents of spouses.

Work Visa (Z Visa)

The required supporting documents are:

1. Valid passport
2. Application form and photo
3. Notification Letter of Foreign Work Permit

Temporary Residency Permit

Foreign nationals are required to make the physical visit to the local public security bureau (PSB) to register their temporary residence within 24 hours after the foreigners' arrival at the dwelling place.



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Work Permit

The foreigner shall apply for work permit within 15 days after entering China.

The following documents must be submitted in order to complete work permit application process:

1. Application form for foreigners' work permit.
2. Applicant's certificate of physical examination.
3. Applicant's valid visa or residence permit: visa page, the latest entry record page or the information page of residence permit.
4. Other related materials upon the request from the in-charge authority.

Residency Permit

The foreigner shall apply for residence permit within 30 days after entering China.

The residency permit application must include the following documents:

1. The original passport
2. Providing valid receipt for digital photo collection in visa with foreigner's signature.
3. The registration of temporary residence for visitors issued out by local policy station.
4. Accompanying family members' credentials: the information page of the passport or the international travel certificate, the supporting documents for family relationship, originals and copies are all required.
5. Applicant photo (blue background, 2-inch) attaching to the application form.
6. Physical examination.
7. The work permit.



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