

Guangzhou Interim Measures on Financial Subsidy of Individual Income Tax in the Guangdong-Hong Kong-Macao Greater Bay Area

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On 13th August, "Guangzhou Interim Measures on Financial Subsidy of Individual Income Tax in the Guangdong-Hong Kong-Macao Greater Bay Area" (Sui Cai Gui Zi [2019] No.5) (hereinafter "Interim Measures") was released. This report will give a brief introduction over its contents.

BACKGROUND

The development of Guangdong-Hong Kong-Macao Greater Bay Area (hereinafter "GBA") as one of the key strategic planning in the country is aimed at further deepening the cooperation among Guangdong Province, Hong Kong and Macao in order to promote coordinated economic development. Since the issuance of "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area", various policies and measures have been introduced to facilitate the mobility of people and goods. In March, the Chief Executive of Hong Kong announced the preferential Individual Income Tax (hereinafter "IIT") policy which is intended to bridge the difference in IIT ¹ between Hong Kong and mainland China.

On 22nd June, the Department of Finance of Guangdong Province and the Guangdong Provincial Tax Service under the State Taxation Administration jointly promulgated "Notice on Implementing the Preferential Individual Income Tax Policy in the Guangdong-Hong Kong-Macao Greater Bay Area" (Yue Cai Shui [2019] No. 2) (hereinafter "Notice"), which states the key aspects of the province's preferential IIT policy that applies to overseas high-end talent and talent in shortage. The 9 cities of Guangdong Province located in GBA have been working on the regulations for implementation based on the Notice since then.

Under such circumstance, on 13th August the Interim Measures was jointly released by four bureaus of Guangzhou, including the Department of Finance of Guangzhou and the Guangzhou Tax Service under the State Taxation Administration, Guangzhou Municipal Science and Technology Bureau, Guangzhou Municipal Human Resources & Social Security Bureau, which was the first among the GBA cities.

MAIN CONTENT

Preferential IIT Policies	
Fiscal subsidy	Fiscal subsidy equal to the amount of any IIT levied in Guangzhou in excess of 15% of the taxable income is granted and such subsidy shall be exempt from IIT

¹ The highest level of the progressive tax rate is 45% in China while the standard tax rate is 15% in Hong Kong.

Eligible individuals	Overseas high-end talent and talent in shortage working in Guangzhou
Eligible period	1 year trial from 1 January 2019
Qualified income categories	<ol style="list-style-type: none"> ① Incomes from wages and salaries ② Incomes from remuneration for labour services ③ Incomes from authors' remuneration ④ Incomes from royalties ⑤ Incomes from business operations ⑥ Subsidies received from talent engineering and talent projects
Eligible Individual Criteria	
Basic criteria (all need to be fulfilled)	<ol style="list-style-type: none"> 1. Permanent residents of Hong Kong and Macao, Hong Kong residents who have obtained the entry plan of Hong Kong (talents, professionals and entrepreneurs), Taiwan residents, foreigners, returned overseas students who have obtained the right of long-term residency abroad, as well as overseas Chinese. 2. Work or provide labour services for enterprises registered in Guangzhou for 90 or more days during the tax year and pay tax in accordance with the law. 3. In the 3 years before application, the applicant shall not have any serious violation of tax law, any fraudulent application and claim or defraudation and misappropriation of fiscal funds, any dishonest behaviours like violation of science ethics; not get listed as Dishonest Persons or subjected to criminal penalties, operation or license suspension, large amount of administrative penalties or other significant violation. Besides, the applicant shall not be directly or indirectly responsible for the violation mentioned above of the withholding agent, or act as the legal representative or person-in-charge of the withholding agent.
High-end talent criteria	<p>Subject to "Guangzhou Overseas High-end Talent Catalogue"², the main criteria of which include:</p> <ol style="list-style-type: none"> 1. Selected by the national major talent projects 2. Own Foreigner's Work Permit (Category A)³ or Confirmation Letter for High Level Foreign Talents⁴ 3. Selected by major talent projects acknowledged by Guangdong Province Office for Talents (including Guangdong Superior Talent Card⁵ owner) 4. Selected by major talent projects acknowledged by Guangzhou Office for Talents (including selected team member)
Talent in shortage criteria	<p>Subject to "Guangzhou Talents in Shortage Catalogue"⁶ and the taxable income in the relevant year shall be over 300 thousand RMB.</p> <p>Talents in the following industries are considered to be qualified:</p> <ul style="list-style-type: none"> • New generation information technology, Artificial Intelligence (AI), Biotech, New energy and material, Electronics and information, Equipment

² Refer to [《广州市境外高端人才目录》](#) (Chinese only)

³ Foreign workers belong to Category A (top talents) under current work permit system of foreigners. Talents such as senior management in Fortune 500 companies, doctor degree holders from the top 200 universities in the world are considered to be qualified for Category A.

⁴ A required document for Foreign Talent Visa (R Visa) application issued by State Administration of Foreign Experts Affairs.

⁵ In order to attract a greater number of top-flight academics and professionals to the province, Guangdong provincial government issues special identity card to high-end talents. Generally speaking, talents such as senior management in Fortune 500 companies, senior management in foreign companies, high-end research personnel are considered to be eligible. Card holders along with their spouses and children will be able to enjoy the preferential policies in housing, education, social insurance, medical services, immigration, financing, etc.

⁶ Refer to [《广州市紧缺人才需求目录》](#) (Chinese only)

	manufacture and robot, E-commerce, Finance, Automobile, Aviation and shipping, Cultural and creative industries, Engineering, Education, Medical and health, Professional service, Operation and management, etc.	
Calculation of Subsidy (subject to income category)		
① Incomes from wages and salaries ② Incomes from remuneration for labour services ③ Incomes from authors' remuneration ④ Incomes from royalties	Resident ⁷	Tax subsidy= consolidated IIT paid – taxable consolidated income x 15%
	Non-resident	① Incomes from wages and salaries Tax subsidy= IIT paid on incomes from wages and salaries – taxable incomes from wages and salaries x 15% ② Incomes from remuneration for labour services Tax subsidy= IIT paid on incomes from remuneration for labour services – taxable incomes from remuneration for labour services x 15% ③ Incomes from authors' remuneration Tax subsidy= IIT paid on incomes from authors' remuneration – taxable incomes from authors' remuneration x 15% ④ Incomes from royalties Tax subsidy= IIT paid on incomes from royalties – taxable incomes from royalties x 15%
⑤ Incomes from business operations	Tax subsidy= IIT paid on incomes from business operations – taxable incomes from business operations x 15%	
⑥ Subsidies received from talent engineering and talent projects	Tax subsidy= IIT paid on subsidies received from talent projects – taxable subsidies received from talent projects x 15%	
Application Details		
Application procedure	The application is on a yearly basis. The application period for subsidy of the relevant year shall be from July 1 to August 15 next year. It is also acceptable to submit the application in the next application period if the application deadline this year is expired.	
Documents required	<ul style="list-style-type: none"> • Application form • Self-disclaimer • Identification documents • Supporting documents for talent qualification • Supporting documents for working period • Supporting documents for tax paid • Bank account information in China under the applicant's name 	
Relevant bureaus for qualification review	High-end talent: Guangzhou Municipal Science and Technology Bureau Talent in shortage: Guangzhou Municipal Human Resources & Social Security Bureau	

⁷ Applicable when classified as Resident according to “Regulation on the Implementation of the Individual Income Tax Law of the People's Republic of China” (Wu Yuan Ling [2018] No.707). For residents, incomes from wages and salaries, incomes from remuneration for labour services, incomes from authors' remuneration and incomes from royalties are jointly calculated as consolidated income.

COMMENTS

The Interim Measures has detailed the eligible criteria and application method of the preferential IIT policy for overseas talents working in Guangzhou. Nevertheless, for those who are likely to be eligible for the subsidy, it is recommended to stay in touch with the relevant bureaus and start internal preparation from now on. We will keep an eye to latest policies and update the development accordingly.

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