

Human resource & Tax alert

New IIT preferential policies in Greater Bay Area published

Executive summary

On 14 March 2019, The Ministry of Finance (MOF) and the State Administration of Taxation (SAT) issued Caishui [2019] No. 31, which is a Notice regarding the Individual Income Tax (IIT) preferential policies for the Guangdong-Hong Kong-Macau Greater Bay Area (hereinafter referred to as "Circular 31").

This alert aims to elaborate on the detailed contents and implications brought about by the circular.

Key content



Eligible individuals:

Foreign high-end talents and talents in shortage including Hong Kong, Macau and Taiwanese citizens that work in the Greater Bay Area ("the talents")



Eligible Area:

Nine cities in the Greater Bay Area and Pearl River Delta, Guangdong, (including Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing)



Preferential policies:

Subsidies of IIT difference between mainland China and Hong Kong will be provided and such subsidies will be exempt from IIT



Eligible period:

Five years from 1 January 2019 to 31 December 2023

Our observation

On 18 February 2019, the Outline of the development of Guangdong-Hong Kong-Macau Greater Bay Area was published ("the Outline"), which was a sign of the full implementation of the construction in the Greater Bay Area. Circular 31 further provides IIT preferential policies which will boost the development of the area following publication of the Outline. Since the IIT difference between mainland China and Hong Kong is quite significant, the implementation of the preferential policies will make the Greater Bay Area more attractive to the talents working in foreign-investment enterprises (including multinational enterprises, regional headquarters of multinational enterprises) and domestic enterprises, which will boost the construction and development of the area.

From 2013, certain IIT preferential policies have been implemented in Qianhai (in Shenzhen) and Hengqin (in Zhuhai) respectively. The policies are briefly summarized below:

| Category | Hengqin (in Zhuhai) | Qianhai (in Shenzhen) |
|---------------------------|--|--|
| Eligible employees | <ul style="list-style-type: none"> ▶ Individuals working in Hengqin who obtained Hong Kong or Macau permanent residency; ▶ Individuals who work and live in Hengqin for 90 days or more in the relevant year; and ▶ Individuals who pay IIT in Hengqin based on IIT Law | <ul style="list-style-type: none"> ▶ Foreign high-end talents and talents in shortage including Hong Kong, Macau and Taiwanese citizens, overseas Chinese and students returning from abroad who have obtained permanent residence abroad ▶ Individuals working in enterprises and related institutions in the key development industries such as financial, modern logistics, information services, scientific technology services and other professional service industries ▶ Individuals working in Qianhai for 90 days or more in the relevant year; and ▶ Individuals who pay IIT in Qianhai based on IIT Law |
| Qualified Income category | <ul style="list-style-type: none"> ▶ All taxable income category as stipulated by IIT Law | <ul style="list-style-type: none"> ▶ Income from wages and salaries, income from remuneration for personal services, author's remuneration, royalty and income from business operating activities |
| IIT subsidy | <ul style="list-style-type: none"> ▶ Difference between IIT payment in Hengqin and the IIT liability calculated based on the Hong Kong or Macau tax regulations | <ul style="list-style-type: none"> ▶ IIT payment exceeding 15% of the taxable income |
| Preferential policies | <ul style="list-style-type: none"> ▶ Grant subsidy based on the IIT difference and offer IIT exempt treatment to the subsidy | <ul style="list-style-type: none"> ▶ Grant subsidy based on the IIT difference and offer IIT exempt treatment to the subsidy |

Circular 31 has expanded the IIT preferential policies originally in the Hengqin New District of Zhuhai and the Qianhai Modern Service Industry Cooperation Zone of Shenzhen to the nine cities in the Greater Bay Area and Pearl River Delta, Guangdong. In the meantime, the relevant preferential IIT policies implemented in Hengqin and Qianhai were abolished since 1 January 2019.

The criteria of the talents and subsidy details in the Greater Bay Area mentioned in the circular will be further stipulated by Guangdong and Shenzhen governments. In this regard, detailed rules need to be issued by the government to define the criteria of talents, procedures, qualified income category and the IIT difference calculation method, etc.

Next steps

Companies and taxpayers in the Greater Bay area as well as those who are interested in the preferential IIT policies shall pay attention to the talent criteria as well as the process for enjoying the subsidy to be issued by local governments in order to enjoy the policy. If in doubt, please consult the local tax authorities. You are also welcome to contact EY professionals.



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