

**Circular of the Ministry of Finance and
the State Administration of Taxation on
Straightening out and Reporting the Tax
Deduction or Exemption Items and Tax-
free Items as well as the Relevant
Standards regarding Individual Income
Taxes**

Cai Shui [2005] No. 193
December 28, 2005

The public financial departments (bureaus) and the local taxation bureaus of all provinces, autonomous regions, municipalities directly under the Central Government, and cities as specifically designated in the state plan,

In accordance with the provisions of the newly amended Individual Income Tax Law and the Regulations on the Implementation thereof as well as the requirements of the State Council on intensifying the administration of tax collection pursuant to law, and with a view to unifying the tax system, regulating the tax base, stopping up loopholes in the administration of tax collection and guaranteeing the sound implementation of the Individual Income Tax Law, the Ministry of Finance and the State Administration of Taxation have decided to straighten out the tax deduction or exemption items and tax-free items as well as the relevant standards regarding the individual income tax, you are hereby notified of the relevant issues as follows:

1. The public financial departments and tax authorities of all regions shall, upon receipt of the present Circular, pay great attention to it and make deliberate deployments, straighten out the tax deduction or exemption items and tax-free items in strict accordance with the relevant requirements and faithfully report the situation.
2. The scope of straightening-out and reporting shall be the tax deduction or exemption items and tax-free items as well as relevant standards. The contents subject to straightening-out and reporting shall be filled out in Annex I or II for Chinese citizens and foreigners respectively.
3. During the course of straightening-out, no region may unlawfully enlarge the application scope of the tax deduction or exemption items and tax-free items or raise the relevant standards, nor may it bind up all the tax deduction or exemption items and tax-free items and apply it in fixed amount to all of those taxpayers whose income comes from wages and salaries.

Any region that violates the Individual Income Tax Law or any provision as uniformly prescribed by the state by overstepping its power to set down any item for tax deduction or exemption or non-taxation or unlawfully raising any standard for tax deduction before the present Circular goes into effect, shall be dealt with according to document No. 183 [2005] of the Ministry of Finance.

4. The straightening-out process shall be reported, both in paper form and by electronic means, to the Taxation Reform Department of the Ministry of Finance and the Income Tax Department of the State Administration of Taxation.

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Annexes:

Annex I: Form on Straightening Out the Tax Deduction or Exemption Items and Tax-free Items and Relevant Standards (for Chinese Citizens)

Annex II: Form on Straightening out the Tax Deduction or Exemption Items and Tax-free Items and Relevant Standards (for Foreigners)



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Annex I:

Form on Straightening Out the Tax Deduction or Exemption Items and Tax-free Items and Relevant Standards (for Chinese Citizens)

Unit: Yuan

No.	Item	Scope	Actual Amount of Tax Exemption or Deduction
1	One-child subsidies		
2	The balance of subsidies and allowances not included in the total amount of basic wage for implementing the public functionary wage system and non-staple food subsidies for family members		
3	Nursery subsidies		
4	Travel expense allowances		
5	Subsidies for missing the meal		
6	Subsidies for Public Service Vehicles		
7	Subsidies for Communication		
8	Others		

Note: Line 8 shall be filled out an item-by-item manner

Annex II:

Form on Straightening out the Tax Deduction or Exemption Items and Tax-free Items and Relevant Standards(for Foreigners)

Unit: Yuan

No.	Item	Scope	Actual Amount of Tax
			Exemption or Deduction
1	Subsidies for domestic and overseas business trips		
2	Expenses for family visits		
3	Expenses for language training		
4	Subsidies for children's education		
5	Expenses for Housekeeping (House maintenance)		
6	Subsidies for losses from the sale of houses or automobiles		
7	Subsidies for settlement in motherland upon expiration of service terms abroad		
8	Wage for advance quitting of job		
9	Personal life insurance		
10	Subsidies and allowances for foreign-aid experts		
11	Premiums of overseas insurance		
12		Lodging subsidies	
		Boarding subsidies	
	By non-cash means or by means of having the actual amount reimbursed	Moving subsidies	
		Laundering subsidies	

13	Others		
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Note: Line 13 shall be filled out an item-by-item manner