

## Tax on Foreign nationals including HK employees working in China

Q: I am Canadian but also a HK citizen who is offering to work in Shanghai, China by a local branch of a foreign company. My family members who are all Canadian will be joining me during my employment there. Since I will not be an expat in this case, what status should I declare for my employment? If I am earning RMB85,000 a month or 1,020K a year and pay all the expenses, including schooling for my children attending an International School, house rental, health insurance and etc. Would any of these expenses be considered as deductibles for income tax purposes and if there are any other deductibles I can use to reduce my income tax? How do I determine my tax liabilities to the Chinese Tax Authority at this salary level? Your reply/help on this is greatly appreciated as I am pondering this offer from my company. Thanks.

A: Under the PRC individual income tax law and regulations you can get tax exemption (or deduction) for international school fees for your children and housing allowance if the employment contract specifically provides that the remuneration package includes those items. Please note that you must obtain the tax invoice from the landlord and the international school. The PRC tax authority will require you to provide them with a copy of the employment contract, and copies of the tax invoices.

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