



American Chamber of Commerce in China
Submission to the Ministry of Finance and the State Administration of Taxation on the Draft Interim Measures on Itemized Deductions

November, 2018

General Comments:

On October 20, 2018, the Ministry of Finance and the State Administration of Taxation released the Draft Interim Measures on Itemized Deductions for public comment. The American Chamber of Commerce in China (AmCham China) appreciates the opportunity to provide comments on this draft.

AmCham China would like to thank MOF and SAT for the thoughtful revisions to earlier drafts of the Individual Income Tax policies, which have been positively received by the business community. While we appreciate your work towards refining the related implementation rules and administrative measures, we want to highlight a few recommendations, including refining the specific implementation measures on some of the itemized deductions and reducing withholding agencies obligations.

Additionally, AmCham China business community is expecting the Ministry of Finance and the State Administration of Taxation to introduce the new tax system that matches the requirements of the new tax law as soon as possible, in order to leave enterprises sufficient time to familiarize themselves with the new system.

Our organization represents a wide range of foreign companies doing business globally, and many of them have extensive experiences on tax-related matters. We appreciate your consideration of the following recommendations.

Article-specific Comments:

Article No.	Current Article Wording	Suggestion	Reasoning / Questions
Article 5	<p>Relevant expenses for pre-school education and academic education of children of taxpayers may be deducted as per the standard quota of 12, 000 yuan for each child per year (1,000 yuan per month).</p> <p>For the purpose of the preceding paragraph, "pre-school education" includes the education from the age of three to primary school, and "academic education" includes compulsory education (primary school and junior middle school education), senior high school education (general senior high school and secondary vocational education) and higher education (junior college, undergraduate, postgraduate and doctoral education).</p>	<p>We suggest refining the special deduction measures on children's education fee, especially for parents who have Chinese nationality and their children do not. Further clarification on the deduction measures for those who have children in international schools and private school is necessary.</p>	<p>In the case where parents have Chinese nationality and children do not, the deduction of education fees for children in international school and private school is ambiguous.</p>
Article 9	<p>In a tax year, the part of the expenses for medical treatment that is recorded in the social medical insurance management information system (including the deductible part within the scope of medical insurance catalogue and the self-paying part beyond the medical insurance catalogue) that is more than 15, 000 yuan and is borne by individuals are the expenses for serious illness medical treatment, which may be truthfully</p>	<p>We suggest that if the expenses for medical treatment of not only oneself but also one's family in a tax year is more than 15, 000 yuan, then it should be deducted according to the standard limit of 60,000 yuan per year. One's family includes the taxpayer himself, spouse, parents, and</p>	<p>When a family member gets serious ill, it will affect not only the patient, but also the entire family such as spouse, parents and children as a heavy financial burden. Thus, we suggest expending the</p>

	deducted as per the standard quota of 60, 000 yuan per year. Special additional deductions for serious illness medical treatment shall be deducted when taxpayers make final settlement of tax.	children.	definition of medical expenses for major illness. In addition, the relevant expenses can be deducted from not the patient himself but also other family members.
Article 10	Expenses incurred by taxpayers for serious illness medical treatment shall be deducted by taxpayers themselves.	We suggest that the expenses incurred by taxpayers for serious illness medical treatment could either be deducted by taxpayers themselves or one relative amongst their spouses, parents and children.	
Article 12	If a taxpayer himself or his spouse uses loans from commercial banks or housing provident fund loans to purchase housing for himself or his spouse, the expenses of housing loan interest incurred for the first property may be deducted as per the standard quota of 12, 000 yuan per year (1, 000 yuan per month) during the period of loan repayment; while the expenses of housing loan interest incurred for non-first property may not be deducted by the taxpayer. A taxpayer may enjoy deductions of housing loan interest for first property only.	We suggest replacing the term “the first property” with “the first property bought with a loan”	In reality, there may be a situation that someone purchased his/her first property with their own savings, which is their first property but not the first property purchased with a loan.
Article 20	A taxpayer's expenses for support his/her parents aged 60 or above (inclusive) and other statutory dependents may be deducted under either of the	We suggest MOF and SAT remove the limitation that the maximum deduction by each	In reality, there may be a situation in which the income gap between

	<p>following standard quota:</p> <p>(1) If the taxpayer is the only child, deductions shall be made under the standard quota of 24, 000 yuan per year (2, 000 yuan per month); or</p> <p>(2) If the taxpayer is not the only child, he/she shall share the deduction amount of 24, 000 yuan per year (2, 000 yuan per month) with his siblings. The method of apportionment includes average apportionment, apportionment specified by the elderly or apportionment agreed by supporters. The specific apportionment method shall not be changed within one tax year. For the apportionment specified by the elderly or apportionment agreed by supporters, the maximum deduction by each taxpayer shall not exceed 12, 000 yuan per year (1, 000 yuan per month), with a written agreement on apportionment signed. In the case of inconsistency between the specified apportionment and the agreed apportionment, the specified apportionment shall prevail. If a taxpayer supports two or more elderly people, deductions shall not be made based on the number of elderly people.</p>	<p>taxpayer shall not exceed 12, 000 yuan per year (1, 000 yuan per month).</p>	<p>brothers and sisters is high. Therefore, one party may not be entitled to a special additional deduction, while the other party assumes most of the parental responsibility. It is recommended that both parties reach a consensus and there is no need to set an upper limit.</p>
<p>Article 25</p>	<p>Withholding agencies shall calculate and handle the withholding declaration based on the information provided by taxpayers and shall not arbitrarily change relevant information provided by taxpayers.</p> <p>If a withholding agent finds that the information</p>	<p>We suggest MOF and SAT remove the withholdings' obligations to verify the authenticity and accuracy of the information provided by the taxpayers in Article 40, "If a withholding agent finds that the</p>	<p>As withholding agents, it is hard for enterprises to verify the authenticity and accuracy of the information provided by the taxpayers. If this draft take effect, enterprises</p>

	<p>provided by a taxpayer is inconsistent with the actual situation, the taxpayer may be required to modify it. If the taxpayer refuses to do so, the withholding agent shall report to the taxation authorities.</p>	<p>information provided by a taxpayer is inconsistent with the actual situation, the taxpayer may be required to modify it. If the taxpayer refuses to do so, the withholding agent shall report to the taxation authorities.”</p>	<p>will serve additional role as tax supervision institute, which will bring a great burden to enterprises. Thus, we recommend that the obligations and responsibilities to verify taxpayers’ information shall be removed.</p>
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