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Beijing follows the footsteps of Donald Trump and undertakes an ambitious fiscal reform

The Most significant fiscal revamp in 38 years, combined with monetary easing.

- Income exempted from the payment of taxes is being raised to RMB 36k (from 18k)
- The 20% tax rate will only be applied from RMB144k (instead of 54k previously).
- The 25% tax rate will be applied from the RMB300k (higher than the 108k previously).
- The standard basic deduction to be increased from RMB 3,500/month to RMB 5,000/month.
- A more remarkable proposal is the introduction of specific additional deductible items, which include not only the expenses related to dependent education and major illness, but also deductions for continued education, housing costs as mortgage interest or rental expense (deductible amounts are yet to be released).

When?

- To be implemented immediately: The new IIT law will be implemented in two phases.
- In phase 1, effective from October 1, 2018, the new tax table would be implemented for taxable employment income, and income derived from production and business operations by individual industrial and commercial households.
- The overall amendment would be effective from January 1, 2019 (phase 2).

A quick assessment

- If these changes are to be implemented as currently proposed, and having seen the positive impact after the fiscal reform in the US, this would have a significant impact for all individual taxpayers as well as their employers.

Best regards