

New Rules for Individual Income Tax on Income Derived from Stocks

[Chinese version](#) The Ministry of Finance and the State Administration of Taxation issued a circular on January 7, 2009 to clarify the rules for individual income tax on income derived from stock appreciation rights and restrained income from stocks.

Income derived from stock appreciation rights and restrained income from stocks, which are obtained by individuals from listed companies (including domestic and overseas listing companies), shall be subject to individual income tax by reference to the relevant provisions in the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Collection of Individual Income Tax on Income from Individual Stock Options (Cai Shui [2005] No. 35) and the Supplementary Circular of the State Administration of Taxation on Issues Concerning the Payment of Individual Income Tax on Income from Individual Stock Options (Guo Shui Han [2006] No. 902).

The term "stock appreciation rights" as used in this Circular means the right granted by a listed company to its employees to benefit from the increase of the stock price of a prescribed amount over a specified period and under specified conditions. The term "restrained income from stocks" means a certain amount of stocks granted by a listed company to its employees in accordance with the conditions specified in the stock incentive plan.

(Source: Ministry of Finance)

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