

## News

# Govt targets foreign fat cats dodging taxes

By Shen Jingting (China Daily)  
Updated: 2010-06-11 07:55

The national tax authority is vowing to strengthen its collection procedure of personal income tax to catch evading high-salary foreign residents.

In particular, the authority plans to tighten up checks on individual incomes earned by foreigners in the Chinese mainland but paid by overseas agencies, according to the latest announcement of the State Administration of Taxation. To achieve this, they will cooperate with banks and foreign exchange control departments directly.

Close connections will also be made with the entry-exit administration bureau, since exact dates on the movement of foreigners are needed when imposing taxes on those who leave the country.

The announcement also called on Chinese tax authorities at various levels to work together on various projects, such as investigating salary standards for expatriates from different countries.

"At present, personal income tax evasion for foreigners is common because it is hard for our government to find comprehensive and accurate information about their salaries," said Liu Huan, deputy dean of the taxation school at the Central University of Finance and Economics.

"High-salary foreign executives, for example, get their income from diversified and often international sources," Liu told METRO.

He said financial planners usually help people dodge taxes legally in developed countries, due to the opportunity to choose from various methods of tax payment or declaration.

"However, in China, the policy is very different. You can also take charge of your tax payments, but it must be done under Chinese law or else it is considered tax evasion."

Liu pointed out that because foreigners often receive high international salaries but enjoy relatively low living costs in China, their tax situation naturally arouses attention from domestic citizens.

Compared with other countries, China imposes a relatively large tax on high-income people. Workers who earn more than 100,000 yuan per month must pay 45 percent individual income tax, which is 5 to 10 percentage points higher than countries such as the United States.

Shi Zhiqun, a lawyer from Hwuason Law Firm - a company that offers Chinese tax law consultancy to clients worldwide - said the high tax rate explains why foreigners sometimes evade tax.