How to Prepare for Leaving China: Social Security, Savings, and Tax Tips

TAGS Taxation

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How to prepare for leaving China

...social security, savings, and tax tips, by Moey Li

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You've given your employer notice that you want to resign from your job; your working visa will expire this year; you miss your family and want to move back to your hometown. It is time to leave China. But, waaaaaait! How about your bank account? Can you send your money back home? What else should you do before leaving China? **Moey Li** introduces some issues that shouldn't be overlooked before you leave China.

Social security: get your pension back

According to Chinese domestic law, if a foreign employee has signed a contract with an employer based in China, the employee's social insurance during his/her stay in the country should be covered by the employer. This includes insurance for medical, maternity, unemployment, work injury and endowment.

Chinese lawrequires all employers to pay 20 per cent of all employees' salaries into a national endowment insurance pool and eight per cent of each individual's salary into his/her personal pension account. If the insurance payments have continued for 15 years, the employees will receive a monthly pension after they retire. If it's less than 15 years, when the foreign employee decides to leave China, he/she could choose to withdraw all the money in his/her pension account.

The detailed steps are as follows:

Step 1: Terminate your labour relationship with your employees and get your Release Letter. Your employer should submit the Application Form for Cancellation (Transmigration) of Foreigner Employment Permit to the local Human Resources and Social Security Bureau (HRSSB) to get a certification of termination of your employment relationship.

Step 2: Visit your local HRSSB to get an Application Letter of Withdrawal of the Personal Pension for Foreign Insured Persons. Bring your Certification of Employment Termination, your passport, valid resident permit and your social security card. You can either visit the HRSSB by yourself or delegate your employer as a representative and let them do the rest. Different cities may apply different rules but the legal basis will be the same.

Step 3: Once the application has been approved by the local HRSSB (normally within the same day), you can sign a Confirmation of Withdrawal of the Personal Pension at the HRSSB office and the money will be returned to your bank account (time may depend on location).

Please note that if you leave China without having withdrawn your personal pension, the account will be retained. If you return to China for another job, your account will be reactivated.

Savings: how to bring your money home

If you have savings, of course you will want to bring it all back home. Different banks in China have different policies, so we have chosen the Bank of China (BOC)–one of the most popular banks–as an example for this article. You also need to bear in mind: **China is a foreign exchange controlling country; you can't just transfer as much money as you like**. So, what should you do? You may consider the following ways to get your money back home:

1. Bank transfer:

If your savings are already in your homeland currency—for example, euros—then you can transfer it directly. There is a limit of United States dollars (USD) 5,000 per transfer (this policy is always changing, so consult with your bank first). If your savings are in renminbi (RMB):

Exchange your RMB to the required currency. In the BOC, converting foreign currency requires the following documents: your passport; tax certificate; a contract concerning your previous work in China, certification of employment from your local HRSSB; and a bank statement of your salary.

These documents prove the legality of your income and that you have paid your taxes. They will also determine how much money you can exchange. Transfer your money to the bank in your home country. The foreign currency will be placed in your BOC bank account, which you can then transfer to your national bank without limitation.

If you take this approach, the transfer fees will range between 200–410 RMB. In general, it is advisable to make a one-time transfer of all your savings to save on time and fees.

2. Cash or ATM (not recommended)

Withdrawing the money as cash is not a wise option.

First, you must make an appointment with your bank to ensure they have enough cash. Second, the exchange rate for cash is lower than for currency, which may reduce the final amount you get. Third, and most importantly, you are only allowed to bring a maximum of USD 5,000 or less in cash through customs. You could be accused of money laundering if you physically carry more than this. Last but not least, you will have to use an ATM in your country that accepts Union Pay cards to withdraw cash, and the fees might be VERY high.

3. Get your money back by cheque or money order

Personal cheques are not often used in China, so a money order might be a better option for transferring your savings. This approach has lower transfer fees, however, it usually takes more than a month to complete.

Tax

Generally, foreign workers have the same obligations as Chinese citizens. The most important aspect for foreigners is calculating which part of your income is taxable under the Chinese system. This involves your 'tax residency status'.

As the tax issue is quite complicated when it comes to leaving China, we'd better start from the day you opened your bank account in China. To open an account, you must provide a Declaration of Personal Tax Residency Status.

First: check your tax ID before coming to China

In that declaration, you should provide your tax identification number (TIN). If your country does not issue TINs, you can provide alternative tax identification (ATI), for example a social security number (SSN) or individual taxpayer identification number (ITIN). If you don't know what your TIN or ATI is, consult with your employers or check your former tax bills.

Second: pay attention to your TaxResidency Status

You will also need to confirm your tax residency status. If you stay in China for 183 days or more, you qualify as a tax resident, which means the tax you need to pay to the Chinese Government is based on your full income. If you stay for less time, or you are a tax resident of another country where you have already paid your bill, in China you will only pay levies on the income you earn within the territory of China.

Third: watch out for suspicious transactions

Under common reporting standards, information on your finances in China may be shared with your home country. Therefore, report any suspicious transactions in your bank account in case you fall under suspicion of being involved in money laundering or other illegal activities. The domestic law of your homeland may also apply, so, it is advisable to consult with the tax authorities there if anything unusual takes place.

Finally: use your credit and avoid double tax

If you already have paid your tax in China, you may gain credits that could be deducted from your tax bill back home. To avoid any potential double taxation, check with the tax authorities or consult with tax lawyers in your homeland. Also, the Chinese Government has signed tax treaties with over 100 countries, with clear regulations concerning double-tax issues.[1]Tax might be a complex issue, but most foreign employees will be able to handle it well [1].

So, good luck!

[1] You may refer to these treaties at: http://www.chinatax.gov.cn/n810341/n810770/index.html

[i] Reference list:

Interim Measures for Participation in Social Insurance for Foreigners Employed in China,

Social Insurance Law of the People's Republic of China, Article 97

Decision of the State Council on Improving the Basic Endowment Insurance System for Enterprise Employees, Guo Fa (2005) No. 38

Decision of the State Council on Establishing a Unified Endowment Insurance System for Enterprise Employees, Guo Fa (1997) No. 26

Due Diligence Management Measures of Non-resident Financial Account Taxation Information, articles 1, 2, 3, 6, 15

Law of the People's Republic of China on Tax Collection, articles 6, 15

Revised Tax Collection Management Law (draft) (for public comment)

About the author

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Established in 1945, Dewit Law Office has its headquarters in Brussels, Belgium. Over the past 70 years, Dewit Law Office has always maintained the principle of providing the highest level of

professional legal services to clients, and has dealt with numerous different types of cases in Europe. Dewit Law Office established its Beijing office in 2009 to not only provide legal services to European clients related to their business in Chinese, but to also assist Chinese companies develop their business in Belgium and Europe.

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