



IN THE BUSINESS OF YOUR SUCCESS™

PAYROLL IN CHINA

Simple payroll rules
but complex social
benefits management

工资单

ADP STREAMLINE™

MULTI-COUNTRY PAYROLL & HR ADMINISTRATION

HR. Payroll. Benefits.

Payroll in China: The dual nature of a payslip

Although the Chinese payslip looks straightforward, it actually contains hidden complexities.

The salary calculation conforms to relatively simple rules, but the management of social benefits is a world apart where each employee must be considered individually.

FROM SIMPLE PAYROLL RULES...

Earnings

- Main earnings components include base salary, commissions and optional bonuses
- Standard overtime or shift work compensation schemes
- A series of classic allowances

Taxes

- Taxes withheld and paid at the source
- Based solely on income level



Employee Payslip

Payroll Month: 201004

Employee Information
员工信息

Name:	李云
姓名:	
Employee ID:	004
工号:	
Department:	HRDepartment
部门:	

Earnings
收入

Base Salary:	6363.64	Other Allowance:	
基本工资:		其它补贴:	
Fixed Allowance:		Other Bonus:	
固定津贴:		其它奖金:	
Overtime Pay:		One-off Bonus:	
加班费:		一次性奖金:	
Leave Deduction:		Adjustment Before Tax:	
请假扣款:		税前调整:	
Shift Allowance:			
考勤补贴:			

Social Benefits:
个人社保福利

Individual Housing Fund Deduction:	490.00
扣个人公积金:	
Individual Pension Deduction:	560.00
扣个人养老金:	
Individual Medical Deduction:	140.00
扣个人医疗金:	
Individual Unemployment Deduction:	70.00
扣个人失业金:	

Income:
收益

Income Before Tax Total:	6363.64
税前工资总额:	
Individual Income Tax:	340.55
个人所得税:	
Adjustment After Tax:	0.00
税后调整:	
Net Pay:	4763.09
实发工资:	

若您对以上工资项目和考勤有任何疑问,请在收到工资单的五个工作日内与人事部门联系,否则将视为您已认可以上信息
If you have any queries regarding payroll item and attendance, please contact the HR department within 5 working days. Otherwise, we assume you acknowledge the information above

Employees' social benefits require significant administrative efforts in the Chinese payroll production process.

Companies must calculate contributions, then report and pay them to a large number of local insurance bureaus scattered across the country.

... TO COMPLEX SOCIAL BENEFITS MANAGEMENT

Social contributions

- Compulsory contributions paid by employer and employee
- Basic nationwide policy
- Important policies, schemes and administrative processes that vary by province/city
- Contributions paid locally to the social bureau of employee's place of employment
- Employees social benefit scheme depends on his/ her residency status
- Highly individualized rates conferring different rights
- Complex transfer processes for newly hired/ terminated employees
- Additional benefits for Chinese subsidiaries of multinational companies

工资单

Straightforward payroll, convoluted social contributions

The earnings section of a Chinese payslip is self-explanatory and based on simple calculations—a quite common set of salary, bonus and allowance rules. On the other hand, the handful of fields dedicated to social benefits conceal an extraordinary complexity.



STANDARD PAY COMPONENTS

Chinese payroll execution occurs on a monthly basis. Employees are usually paid for 12 months of work over one year, though some companies may pay an extra “thirteenth month”. Chinese companies can grant their employees an annual bonus.

Earning components are relatively standard: a base salary, a variable salary supplement depending on the job—typically sales commissions—and a set of common allowances. Overtime is calculated with only three categories and rates.

Chinese legislation does not dictate the layout or content of payslips, which feature only the main subtotals without any breakdown of the calculations. Payslips may be in Chinese, English or both languages.



SIMPLE TAX SCHEMES AND REPORTING PROCESSES

Employers are responsible for calculating income tax on their employees’ wages every month and for paying the corresponding amount at the beginning of the following month. Tax reports can be filed online in most places, save for a few exceptions where hard copies must be submitted.

The income tax only reflects the level of income and, unlike in many countries, does not take into account the employee’s family situation.

Individuals whose annual income exceeds RMB 120,000 are liable to fill in an annual tax report and submit it to the designated tax bureau by March 31st. Companies can provide the employees concerned with an annual summary of their gross salary.

MANDATORY AND COMPLEX SOCIAL CONTRIBUTIONS

Social contributions are mandatory for employees in China. These do not occupy much space on the Chinese pay slip, but are the most complex and burden some aspect of the payroll process.

Social benefits in China include pension, housing fund, unemployment insurance and medical insurance, which are funded by both employer and employee. There are also schemes for maternity leave and occupational injury compensation, which are paid only by the employer. In all cases, employers are required to file and pay the corresponding contributions on behalf of their employees.

Multinational companies with subsidiaries in China may offer additional benefits, such as supplemental medical insurance.

Managing social contributions is very complex because of the highly individualized rules and the need to interact with a large number of administrative authorities at the regional or city level.

Behind a Chinese payslip

EARNINGS

- Base salary
- Fixed allowance: a flat fee covering some common expenses—meals, transportation, etc.
- Leave deduction: periods of absence not paid by employer—medical, maternity, prenatal leave, etc.
- Overtime pay: three rates apply—workdays, weekends and holidays.
- Shift allowances: mostly relevant to manufacturing sectors, with at least three categories—morning, afternoon and night.

SOCIAL BENEFITS

Highly individualized calculations with no nationwide policy. Rates depend on company locations and employee residency status. Significant administrative burden.

* Individual Housing Fund

The Public Housing Fund (PHF) is a mandatory social contribution intended to foster and subsidize employee savings for future home purchases.

It is paid by both employer and employee with vast differences in fund rates and administration across the country. Contributions are accrued to an employee account.

* Social insurance

There are five mandatory forms of social insurance which cover retirement, unemployment, medical expenses, occupational injury and maternity.

Employees and employers both contribute to all categories, except for occupational injury and maternity, which are paid only by employers.

Social insurance contributions are managed by local insurance bureaus.

Payroll Month: 201004

Employee Information
员工信息

Name: 姓名:	李云
Employee ID: 工号:	004
Department: 部门:	HRDepartment

Earnings 收入		Other Allowance: 其它补贴:	
Base Salary: 基本工资:	6363.64	Other Allowance: 其它补贴:	
Fixed Allowance: 固定津贴:		Other Bonus: 其它奖金:	
Overtime Pay: 加班费:		One-off Bonus: 一次性奖金:	
Leave Deduction: 请假扣款:		Adjustment Before Tax: 税前调整:	
Shift Allowance: 考勤补贴:			

Social Benefits: 个人社保福利		Income: 收益	
Individual Housing Fund Deduction: 扣个人公积金:	490.00	Income Before Tax Total: 税前工资总额:	6363.64
Individual Pension Deduction: 扣个人养老金:	560.00	Individual Income Tax: 个人所得税:	340.55
Individual Medical Deduction: 扣个人医疗金:	140.00	Adjustment After Tax: 税后调整:	0.00
Individual Unemployment Deduction: 扣个人失业金:	70.00	Net Pay: 实发工资:	4763.09

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EARNINGS (cont.)

- Other Allowance: covering specific conditions—travel, weather, exposure to high or low temperatures, etc.
- Other Bonuses (not common): companies can grant quarterly bonuses, generally as an incentive for attendance.
- One-off bonus: optional annual bonus.
- Adjustment Before Tax (not common): adjustment of taxable income to include possible specific deductions or back pay.

INCOME TAXES

- Calculated and paid every month by the employer on behalf of the employee.
- Simple calculation based on income level.
- Annual declaration required only if annual income exceeds RMB 120,000.
- Most social contributions are not taxable and are deducted prior to taxation. But the Public Housing Fund (PHF) is regulated by complex tax laws.

工资单

Different social benefits management rules for each employee

Due to the variety of local policies, the rates and rights associated with social benefits management are extremely individualized, depending on the place of employment and employees’ residency status.

A VARIETY OF LOCAL RULES

There is no national network for filing and paying social contributions in China. Each province or city has its own social insurance schemes, policies, administrative processes and degree of complexity. Rates vary from region to region, from city to city and even within the same city. There are, for instance, four different medical insurance schemes in Shanghai and eight in Beijing.

In some rare cases, social contributions can be managed online, but in many places companies have to complete paper forms and bring them to the local social insurance bureau. There are thousands of such bureaus throughout the country, requiring a local presence.

As a result, companies will have to manage at least one different social contribution scheme for each of their locations.

AN EMPLOYEE’S RESIDENCY STATUS IS A FACTOR

In addition to his or her place of employment, the worker’s individual situation also determines social contributions. The social contribution rates and corresponding benefit rights are actually tied to each employee’s residency status, or *hukou*.

As a result, employees of the same company who live in the same city but have different residency statuses—permanent or temporary—will be subject to different contribution rates and be granted different insurance coverage.

This individualized management of social benefits also generates significant workloads in the cases of hires and terminations, which are frequent in some companies. Rights have to be transferred in and out—meaning additional contacts with local administration bureaus and more processing time. In particular, incoming employees must provide different documents based on their residency status.



COMPLIANCE AT STAKE

In China, it is the company’s responsibility to comply with the statutory policies and regulations in the cities where it operates. The law stipulates that employers can be fined for failing to make social contributions promptly.

The management of social contributions in China entails a significant investment that multinational companies with a local presence must make in the framework of their global compliance policies.

Social benefits management can be split into three categories of tasks:

- Recurring calculation of social contributions and housing fund payments during each payroll cycle
- Administration of social benefit schemes, including registration, account set-up and employee document collection
- Local handling operations to deliver documents to local offices.



ADP STREAMLINE™

Borderless Human Resources



A MULTI-COUNTRY PAYROLL SERVICE

ADP Streamline's outsourced service enables you to harmonize your company's multi-country payroll and human resources administration.

UNIQUE BENEFITS

Whatever your size, type of organization, and geographical footprint, you can rely on ADP Streamline to be your trusted business partner and single point of accountability.

We ensure statutory payroll compliance worldwide, support deployment and control of your corporate policy, and international expansion.

GEOGRAPHICAL FOOTPRINT

ADP Streamline serves clients in 80 countries, and it will serve 91 in the coming months.

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