COUNTRY PAYROLL GUIDE

China Payroll, Benefits and Tax 2026

What employing someone in China costs, what your employee takes home, and the judicial interpretation that made a common cost-saving arrangement unenforceable.

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The headline numbers

33% Employer contributions in Shanghai, insurances plus fund	**17.5%** Deducted from the employee's own pay	**300%** Of local average wage, where the base stops	**3 to 45%** Individual income tax on comprehensive income

China carries the heaviest statutory employer burden in the region, commonly 30% to 35% of salary once the housing fund is counted. Two features make it different: rates are set by city rather than nationally, and the contribution base is banded from 60% to 300% of the previous year's local average wage.

> **There is no single national rate**
> Every figure here is a common range or a Shanghai illustration. Shanghai, Beijing, Shenzhen and Chengdu all differ, and each city resets its contribution base every July. Confirm the current numbers for your specific city before budgeting.

Five insurances plus the housing fund

	Employer	Employee
Pension	About 16%	8%
Medical	About 9.5% to 10%	2% plus a small fixed amount
Unemployment	About 0.5%	About 0.5%
Work injury	0.2% to 1.9% by industry	None
Maternity	Merged into medical in most cities	None
Housing provident fund	5% to 12%	5% to 12%

The housing fund is the swing factor: choosing 12% over 5% adds seven points of payroll cost per employee. Work injury is employer-only and priced by industry risk.

What a hire actually costs

Illustrative Shanghai rates on the July 2025 to June 2026 base window: floor near CNY 7,310, ceiling near CNY 36,549. CNY per month.

	Gross CNY 25,000	Gross CNY 60,000
Contribution base used	25,000.00	36,549.00, capped
Employer contributions	8,315.00	12,156.20
Effective employer uplift	33.26%	20.26%
Employee insurances and fund	4,375.00	6,396.08
Individual income tax	1,715.00	10,171.18
Employee takes home	18,910.00	43,432.75
Total cost to employer	33,315.00	72,156.20

The ceiling does real work: the same rates on a capped base cut the effective employer uplift from 33.26% to 20.26%.

Social insurance opt-outs are now void

Supreme People's Court Interpretation II, in force from 1 September 2025.

What employers used to do	What the rule says now
Agree a waiver so no contributions were made	Any waiver agreement is legally invalid
Pay a cash gross-up instead of enrolling	The employee may resign on the ground of non-payment
Treat the signed agreement as protection	That resignation carries a right to statutory severance
Book the saving as a permanent cost reduction	You may recover the employee's share of back contributions, but not the severance

Audit any arrangement where an employee is paid a gross-up instead of being enrolled. If one exists, the liability is already accruing.

Individual income tax

Progressive rates on annual comprehensive income, withheld monthly on a cumulative basis.

Annual taxable income (CNY)	Rate
Up to 36,000	3%
36,001 to 144,000	10%
144,001 to 300,000	20%
300,001 to 420,000	25%
420,001 to 660,000	30%
660,001 to 960,000	35%
Over 960,000	45%

Taxable income is gross pay less the CNY 60,000 standard annual deduction, employee social insurance and housing fund contributions, and any special additional deductions.

Special additional deductions cover children's education, continuing education, housing loan interest or rent, elderly care and major medical expenses. Preferential tax treatment of expatriate fringe benefits runs to 31 December 2027, and an expatriate elects either those exemptions or the standard deductions, not both.

Contracts, probation and termination

- **Written contract within one month** of the start date. Miss it and the penalty is double wages for every month worked without one, up to eleven months.
- **Probation caps:** up to 1 month for a contract under a year, 2 months for one to three years, and 6 months for three years or more or an open-ended contract.
- **Probation pay:** at least 80% of the contractual wage, and never below the local minimum wage.
- **Severance:** one month per year of service, half a month under six months, capped at 12 years and at three times the local average wage.
- **No at-will termination.** Dismissal must fit a statutory ground; unlawful dismissal exposes you to double severance or reinstatement.
- **Open-ended contracts** become mandatory after two consecutive fixed terms or ten years of continuous service.

Leave, holidays and foreign nationals

- **Annual leave:** 5 days for 1 to 10 years of total working life, 10 days for 10 to 20, 15 days beyond 20. The count follows the whole career, not service with you.
- **Public holidays:** 13 statutory days, up from 11 since 2025. Spring Festival runs nine days in 2026.
- **Maternity:** 98 days nationally, extended substantially by most provinces and funded through maternity insurance. **Paternity** is provincial, commonly 7 to 30 days.
- **Foreign nationals** have been inside the mandatory social insurance system since 2011, with enforcement varying by city. A bilateral totalisation agreement is the genuine exemption route.
- **Work and residence permits** are employer-sponsored and tied to the role, so a change of employer means a new application rather than a transfer.

Registration and the monthly cycle

- **Four separate registrations:** business licence, tax bureau, social insurance bureau and housing fund centre, each on its own timeline, plus a corporate bank account.
- **Pay wages monthly** in renminbi, on the date set in the contract.
- **File and remit IIT** by the 15th of the following month; remit insurances and the housing fund on local schedules.
- **Reconcile in June and July**, when the contribution base resets from the new local average wage.

The July reset catches teams out. Bases move without any action from you, so a payroll that was correct in June is wrong in July unless someone updates it. Underpayment is recoverable with interest, and it now also gives the employee a resignation ground.

Sources

- Supreme People's Court, Interpretation II on labour dispute cases, effective 1 September 2025: social insurance waiver agreements are invalid.
- Local social insurance bureaus: contribution rates and the 60% to 300% contribution base band, reset each July.
- Shanghai contribution base window 1 July 2025 to 30 June 2026: floor near CNY 7,310, ceiling near CNY 36,549.
- State Taxation Administration: individual income tax rates, the CNY 60,000 standard deduction and special additional deductions.
- Extension of preferential tax treatment for expatriate fringe benefits to 31 December 2027.
- PRC Labour Contract Law: written contract, probation caps, severance formula and open-ended contract triggers.
- State Council 2025 holiday reform: statutory public holidays increased from 11 to 13 days.
