

# Relating to the Personal Income Tax Award Issued by the Tax Planning Analysis

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**Abstract:** under the background of the new individual income tax in our country, because of the large annual bonus amount and the tax method is optional, the choice of different conditions on the taxpayers' after-tax income effect is different, so their year-end tax planning has become the focus of the taxpayer, based on this, this article takes the new personal income tax, as the background, first respectively start from the year-end bonus tax method selection, avoid the unreasonable distribution of interval theoretical analysis, and through the actual example to illustrate, hoping to provide valuable reference for taxpayers, on the basis of the reasonable and lawful, to help taxpayers reduce tax pressure and enjoy the dividends of reform.

## 1. Introduction

From January 1, 2019, China began to implement a new "individual income tax law", the basic deduction fee will be expanded from 3500 yuan per month to 5000 yuan per month, At the same time, China's individual income tax begin to transform from classified collection to comprehensive income collection and classified collection, from the monthly sub-item pre-payment to annual tax, monthly pre-payment, year-end settlement and other change in the collection and management mode. It shows that the individual income tax reform in our country has taken into full account the factors of people's expenditure level growth and other aspects, and it is very forward-looking, which has taken an important step towards the modernization of the tax system. In this background, in order to change the current pattern of income distribution, narrow the gap in income distribution, play the role of the individual income tax adjustment This paper aims at the new personal income tax background, the annual one-time bonus tax planning analysis, so that taxpayers enjoy the reform welfare.

## 2. Organization of the Text

### 2.1 About the current annual bonus system

The term "annual one-time bonus" refers to the one-time bonus paid to employees by administrative organs, enterprises, public institutions and other withholding agents according to the economic benefits of the whole year and the comprehensive assessment of the annual work performance of employees.

Caishui [2018] no. 164 stipulates that individual residents get annual one-time bonus, which conforms to the state administration of taxation on adjustment of individuals for a one-time bonus of notice of imposing individual income tax calculation methods, such as (guoshuifa [2005] no. 9) provisions, on December 31, 2021, is not incorporated into the comprehensive income in the annual bonus the amount of income divided by 12 months, according to the monthly rate table to determine the applicable tax rate and simplified deduct number, calculate tax separately.

Individual residents who receive a one-time bonus for the whole year may also choose to incorporate it into the current year's comprehensive income for tax calculation.

## 2.2 avoid unreasonable tax planning analysis interval

When a taxpayer award of 36000,

Payable income tax amount:  $36000 \times 3\% = 1080$

After-tax income:  $36000 - 36000 \times 3\% = 34920$

At this point, the year-end bonuses increase one, is the taxpayer annual bonus for 36001,

Payable income tax amount:  $36001 \times 10\% - 210 = 3390.1$

After-tax income:  $36001 - (36001 \times 10\% - 210) = 32610.9$

In conclusion, to taxpayers as year-end bonuses increase a dollar will be more pay  $3390.1 - 1080 = 2310.1$  RMB, after-tax income will reduce  $34920 - 32610.9 = 2309.1$  RMB, the critical point of this is the so-called year-end bonus distribution effect, Now we assume that someone get bonuses M ,  $M > 36000$  , at this point:

$M - (M \times 10\% - 210) = 36000 - 36000 \times 3\%$

$M = 38566.67$ ,

As it is located in (36000, 385 67), the after-tax income is less than the actual award for 36000 , after-tax income (36000,385 67) as issued by the year-end bonuses of a reasonable interval, and so on, we can get different series award issued by the unreasonable interval:

Table 1: Unreasonable range of annual bonus

Rank	The taxable income amount	Rate	Several simplified deducted	Unreasonable range
1	No more than 3000	3%	0	36000-38567
2	More than 3000 to 12000	10%	210	144000-160500
3	More than 12000 to 25000	20%	1410	300000-318333
4	More than 25000 to 35000	25%	2660	420000-447500
5	More than 3500 to 55000	30%	4410	660000-706538
6	More than 55000 to 80000	35%	7160	960000-1120000
7	More than 80000	45%	15160	

The reason that appears this kind of circumstance is when calculating individual income tax, the year-end bonus was divided by 12 to determine applicable tax rate and fast calculate deduct number, but annual one-time bonus is 12 times of one month, fast calculate deduct number did not expand 12 times correspondingly, namely the fast calculate deduct number that deducted 11 months less namely.

## 2.3 Whether in wages and salaries tax planning analysis

Whether choose to incorporate the annual one-time bonus into the comprehensive income for tax calculation, we should first judge the total salary of the taxpayer. If the annual total salary is relatively lower, we should choose to incorporate it into the comprehensive income for tax calculation in the current year. In this way, we can make full use of the tax deduction factors of the exemption amount, special deduction and special additional deduction of 60,000 yuan. If the annual salary is higher, choosing to use part of the annual one-time bonus to calculate the tax separately can reduce the applicable tax rate of the comprehensive income, so as to achieve the aim of lowering annual personal income tax payable.

Case: someone get 4500 per month in 2020, 2019 award of 30000, with no other deductions.

Solution A: affiliate year-end bonuses to wages and salaries payable income tax amount calculation:

The amount of taxable income:  $(4500 \times 12 + 30000) - 60000 = 24000$

Payable income tax amount for the whole year:  $24000 \times 3\% = 720$

Solution B: annual bonus individual tax

Payment of wages and salaries of taxable income:  $4500 \times 12 - 60000 = -6000$

Payable income tax amount for the whole year:  $0 + 30000 \times 3\% = 900$

Solution C: their year-end 22000 parts of individual tax, the rest of the 6000 parts into salary

Pay wages and salaries of taxable income:  $(4500 \times 12 + 6000) - 60000 = 0$

Payable income tax amount for the whole year:  $0 + 22000 \times 3\% = 660$

Table 2: The tax payable under different scheme

Solution A	Solution B	Solution C
The taxpayer annual total amount of individual income tax payable: 360	Wages and salaries part needs to pay personal income tax: 0 Annual bonuses to pay personal income tax: 900 The taxpayer annual total amount of individual income tax payable: 900	Wages and salaries part needs to pay personal income tax: 0 Annual bonuses to pay personal income tax: 660 The taxpayer annual total amount of individual income tax payable: 660

Conclusion of the aboving planing: there is a big difference in taxable personal income tax due to different calculation methods.

When there is no special additional deduction, annual bonuses tax case alone, After calculation, the optimal annual bonus corresponding to the annual pre-tax salary of different ranges can be obtained:

Table 3: Different range of annual pre-tax salary

Annual pre-tax salary	The best award
0-96000	0
96001-263100	36000
263101-732000	144000
732001-1337500	300000
1337501-1512500	420000
1512501-1980000	660000

### 3. Conclusion

Firstly, year-end bonuses to avoid unreasonable interval, the principle of planning is to avoid the critical point of sudden increase in tax burden. Second, to reasonably arrange the ratio between salary and year-end bonus, planning principle is to make full use of the deduction quota and the advantage of low tax rates.

There is still a long way to go for the reform and improvement of China's individual income tax system, under the background of the new individual income tax, tax planning should also consider the factor of special additional deduction, particular case is particular analysis, in order to reduce marginal tax rates, as much as possible achieve the goal of tax saving.

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