Department for International Trade

Analysis of

Chinese Education Policies

EdTech

Interpretation of the policies

In its drive to modernise the country's education system and raise the quality of basic education, China's government has placed increased emphasis on the need to better integrate technology into schools. 2018 saw the release of both the '2018 Education Informatisation 2.0 Action Plan' ('The Plan') and the 'Code for the Construction of Digital Campuses in Primary and Secondary Schools' ('The Code') which elaborated on how ICT would be promoted in Chinese schools and what the government would do to support the closer integration of technology and education. At the same time, the Cyber-Security Law ('CSL'), which came into effect mid-2017, has laid out the regulatory landscape for information technology companies, placing emphasis on the protection of digital information and the safeguarding of internet systems. Major trends from these documents include:

1. Technological integration will be comprehensive: The current policies are ambitious, calling for the promotion of informatisation in all levels of education including basic education, higher education, TVET and continuing education. Efforts will be made to boost the technological literacy of all people involved in the education system including students, teaching staff, management staff and technical staff. Technological integration will not be limited to the classroom, but will be incorporated into textbooks, teaching, administration, parent communication and assessment.

2. Full play for market involvement: Both education documents highlight the role that the private market will be able to play in the informatisation of education and construction of digital campuses. Governments, schools and businesses have been called upon to work in cooperation and enterprises will be actively encouraged to invest funds and provide high-quality ICT products and services.

3. Stricter regulations concerning data usage: China's 'CSL' has laid out a number of regulations for 'network operators' and 'operators of critical information infrastructure (CII)' (a term which includes education within its scope[1]) concerning the storage of data and personal information. This includes the requirement that 'personal information and important data' is stored domestically and that data transferred overseas must undergo a security assessment.[2]

Impact on the education sector

If fully realised, the government's plans for digitising schools and campuses stands to have a significant impact on China's public education sector. Both the the 'Plan' and 'the Code' lay out tangible goals for the coming years, including:

- Building an 'Internet + Education' platform by 2022
- Establishing the 'Internet Learning Space for All' project, which will train 10,000 headmasters and 20,000 teachers in primary and high-school education as well as 3,000 headmasters and 6,000 teachers at vocational schools[3]
- Designating one hundred model districts, one thousand model schools and ten thousand model classes[4]
- Selecting demonstration courses, including 10,000 in basic education, 1,000 in vocational education, 200 in continuing education, 3,000 national online open courses and 7,000 national and 10,000 provincial online and offline higher education courses[5]
- Ensuring all schools across the country have access to the internet with bandwidths sufficient for schools' informatisation needs, and universalising the use of wireless campuses and smart device applications[6]
- Improving information literacy of students and provide training to all administrative and teaching personnel[7]
- Making full use of new technologies such as cloud computing, big data and artificial intelligence to build a comprehensive system to help the reform and development of educational concepts and models, teaching content and methods, as well as school management and service[8]
- Providing a suitable number of computers to all classrooms and school offices[9]
- Equipping schools with multi-media equipment and ensuring equipment is incorporated into

teaching and classroom activities[10]

• Popularising digital resources and creating a number of online classes, online resource platforms, online courses and online extracurricular self-study platforms[11]

In accordance with the government's new strategy, localities will allocate resources specifically toward purchasing ICT resources and services. School budgets must also take digital operation and maintenance needs into account. In particular it is noted that funds should not be exclusively used for procurement of hardware, but should also be used to purchase software (including digital resources) and fund operations and maintenance (including training).[12]

Due attention is given to the role of the market in the above plans, and the government strategy aims to encourage investment from enterprises and set up mechanisms to allow for collaboration between governments, schools and enterprises in the construction of digital campuses.[13]

However, while the 'Plan' does call for international cooperation in its strategy, the document largely refers to joint research, academic exchange and the promotion of Chinese enterprises to 'go global'. The document does not specifically refer to what role foreign EdTech suppliers will be able to play in the provision of EdTech products and services.[14]

Foreign EdTech providers are also impacted by the regulations laid out in the 'CSL' and its supporting regulations. Under these, IT businesses are required to store 'personal information and 'important data' domestically. Companies carrying out cross-border data transfers are expected to carry out self security assessments, or official security assessments if data transfers involve the personal information of more than 500,000 individuals, pertain to critical information infrastructure, or potentially affect national security and societal and public interests.[15] Data subjects must also be notified of the transfer's purpose, scope, type as well as the location of the data's recipient and the consent of the data subject must be obtained.[16] In practice, compliance with 'CSL' regulations has been challenging due to the vagueness of the language and the the fact that supporting regulations have not yet been finalised and fully implemented.

Advice to key stakeholders in the industry

• **Explore new B2B opportunities:** The call for the comprehensive integration of digital learning products into China's educational institutions has potential to open up a number of new opportunities for British EdTech providers. Providers should look to find a niche in the Chinese EdTech market and ascertain how their product can stand out among the increasingly diverse array of domestic EdTech products and services available.

• **Careful selection of partner:** Businesses must be included on government procurement lists in order to sell educational products to public schools, but so far foreign organisations have been unable to be included in such lists. Foreign providers can get around this by partnering with Chinese companies, but companies are advised to carefully vet any potential partners and give careful consideration to the protection of their intellectual property.

• **Compliance:** UK EdTech exporters (especially those who collect data or need to transfer data overseas) should work to ensure compliance with the 'CSL'. Localising data (through their own servers or third party storage services), establishing clear policies on cross-border data transfer and obtaining consent from data subjects will all be necessary to comply with the current regulations. As some language remains unclear and a number of regulations are awaiting finalisation, staying up-to-date with any future updates and newly-implemented regulations is essential.

Further Reference (Hyperlinks redirect to full Chinese version of documents)

• The 2018 Education Informatisation 2.0 Action Plan

• The Code for the Construction of Digital Campuses in Primary and Secondary Schools

• The Cyber Security Law of the People's Republic of China

• Measures for Security Assessment of Cross-border Transfer of Personal Information and Important Data (Draft for Comment)

• Regulation on Security Protection of Critical Information Infrastructure (Draft for Comment)

• Information Security Technology – Guidelines for Data Cross-Border Transfer Security Assessment (Draft for Comment)

TVET

Interpretation of the policies

As the government works to build up a modern skilled workforce, the development of vocational education has featured heavily in its national education development strategy. A number of documents including the 'Guiding Opinions of the Ministry of Education on Improving the Education Standardisation Work' ('Guiding Opinions'), the 'Implementation Plan for China's National Vocational Education Reform' ('The Implementation Plan'), 'Measures for the Promotion of School-enterprise Cooperation in Vocational Education' ('Measures') and 'Opinions on Implementing the Plan for the Construction of High-standard Higher Vocational Colleges and Vocational Majors' ('Opinions') have highlighted a number of key objectives for the development of the country's TVET industry, including:

Increasing participation: A number of goals have been set to increase the scale of China's vocational education sector through establishing new schools and training centres and encouraging social forces to participate in skills training. Efforts are also being made to raise the attractiveness of a vocational degree in order to encourage more students to undergo vocational training. Particular attention is being given to industries which face shortages of skilled talent in order to reduce skills-gaps that hinder China's development.

Raising global competitiveness: In order to bring China's vocational education sector in line with global standards, domestic institutions are being encouraged to draw upon the experience and best practice from other countries that are leading in TVET.[17] Institutions are encouraged to do this through joining international TVET organisations, deepening international cooperation and exchange and bringing vocational teaching in line with international standards.[18] TVET providers are also being encouraged to 'go global' and the government has worked to establish 'Luban Workshops' in technical colleges abroad as models for Chinese technical colleges to set up overseas joint TVET institutions. These centres aim to provide state-of-the-art technical and vocational training, promote modern vocational education reforms and enhance collaboration among vocational schools around the world. Centres currently exist in Thailand, India, Indonesia, Pakistan, the UK and Djbouti.

Encouraging industry cooperation: Government strategy has set out to strengthen cooperation between industry and education institutions and further integrate theory and practice in vocational training. Forms of cooperation include the provision of training to local workforces, the joint setting up of vocational schools, and the creation of platforms for the sharing of experience and industry knowledge.

Impact on the education sector

Current government strategy aims to accelerate the development of vocational education throughout the country and the 'Implementation Plan' and 'Opinions' lay out a number of tangible objectives, including:

• Establishing 50 high-level advanced vocational schools and 150 key majors

• Developing 300 high level industry and teacher training centres

• Initiating the pilot work of academic certificates plus vocational skill level certificates (1+X) system, encouraging students to learn more skills while obtaining a diploma (Five have been already rolled out in BIM, web front development, logistics management, elderly care, and automobile application and maintenance/smart technology and new energy automobiles

• Establishing 100 nation-level vocational education teachers' training centres

• Establishing 300 demonstrated vocational education groups (collaborated with industry)

• By 2022 form a set of policies, systems and standards that support the high-quality development of vocational education and support national strategies and social and economic development.

• By 2035, optimise policies, systems and standards and develop a number of higher vocational colleges into institutions with world-class standards.

Cooperation between vocational education providers and industry is also being actively encouraged, with local government departments providing guidance and support. Favourable policies have been promised for successful examples of cooperation and local governments will also offer funding support as well as tax deductions for expenses incurred on enterprises participating in vocational education collaboration.[19] Modes of cooperation include employee training programmes, apprenticeship cooperation, provision of internships, the setting up of continuous education institutions. Social forces and enterprises will also be encouraged to establish vocational education and training centres, as well as operate innovative training bases.[20] The government will also support private institutions through establishing an open and transparent system for the admission and approval of private vocational education, exploring the negative list system, and establishing a sound exit mechanism.[21]

In addition to the plans outlined above, the government is also setting out to comprehensively reform the national vocational education sector through the implementation of nationwide standards, which includes mandatory national standards as well as industry specific and local standards. These standards cover a wide range of areas, including the construction of schools, the provision of educational equipment, teacher training and qualifications, and digital resources.[22] Efforts will be made to create a system of standards that 'has an international vision' and 'Guiding Opinions' specifically calls for greater levels of international cooperation and exchange. This includes participating in international standards organisations, learning from international experience and strengthening the mutual recognition of standards with major countries.[23] International collaboration has also been encouraged through the training of overseas workers under the 'Go Global' strategy and through the development of Luban Workshops abroad.[24]

Advice to key stakeholders in the industry

Explore new methods of collaboration: The recent policies concerning TVET promise to open up new areas of the market by developing the sector through increased industry collaboration, provision of resources, employee training and continuous education. In addition, there is greater impetus for vocational education institutions to pursue international partnerships so as to gain international experience and meet international standards. This may create new potential for China-UK TVET collaboration and British TVET providers should stay vigilant to new opportunities. Given the market scale of certain project opportunities, UK TVET stakeholders might also consider forming groups to increase competitiveness when collaborating with Chinese partners.

Focus on areas that align with development plans: The government has clearly laid out the direction it would like its vocational education system to develop in and British providers are more likely to find success in carrying out cooperation if it sticks closely to plans outlined in the above policies. Cooperation in majors where China that support industries relevant to national economic development, such as advanced manufacturing, service industry, modern agriculture, new strategic industries and social management, as well as provision of staff training and resources are more likely to receive government approval.

Ensure high-quality partnerships are carried out: Greater attention is being given to the quality of TVET provision and low-quality courses and partnerships may face greater restrictions. British providers who give due attention to the quality of any collaboration and provide tangible value to their Chinese partners are more likely to receive government support.

Further Reference (Hyperlinks redirect to full Chinese version of documents)

- Guiding Opinions of the Ministry of Education on Improving the Education Standardisation Work'
- The Implementation Plan for China's National Vocational Education Reform
- Measures for the Promotion of School-enterprise Cooperation in Vocational Education
- Opinions on Implementing the Plan for the Construction of High-standard Higher Vocational Colleges and Vocational Majors

K-12

Policy Interpretation

The major recent policy developments in K-12 private education have focused around 'The 3rd Amendment to the Chinese Private Education Promotion Law' ('The Private Education Law') and 'The Chinese Private Education Promotion Law Implementation Plan (Draft)' ('The Implementation Plan'). While the updates to these laws are still in draft form, they have indicated a number of potential trends for the future development of the private K-12 education sector in China. These include:

1. Ensuring the 'healthy development' of the private education sector: The future development of the private education sector should primarily be motivated by the provision of high quality and accessible education. There will be a clearer differentiation between for-profit (FP) and not-for profit (NFP) institutions. Schools will be encouraged, or in the case of compulsory education, required, to run a NFP model, and those who do can expect a higher degree of government support through favourable policies.

2. Closer regulation of the compulsory education sector: Schools which operate in the compulsory education sector are expected to follow the relevant standards and laws concerning national curriculum. FP models will be prohibited from the compulsory education sector and fees in compulsory education are expected to reflect operation costs, with profits being used to invest in raising education quality. The inclusion of foreign curriculum is allowed but limited and foreign investment will be prohibited in compulsory education

3. Stricter regulations on investment in NFP education: In order to control the risk of non-qualified sponsors in private education, 'groups' are prohibited from running NFP schools through M&A, franchise or 'contractual agreements'. In addition, the prohibition of foreign parties running private schools in compulsory education has been extended to 'participating in running schools' and exercising 'control through contractual agreements'.

Impact on the education sector

One of the main focuses of the recent draft updates to 'The Private Education Law' and 'The Implementation Plan' has been creating a more rigid differentiation between NFP and FP schools, as well as the regulations on how each school may operate. Schools are able to register as either NFP or FP, and the two forms of profit models have their own corresponding regulations.[25]

NFP schools are allowed to participate at all levels of education, including compulsory education, and have the same legal status as public schools. As such, they are eligible for the same favourable policies concerning taxation, land usage and recruitment as Chinese state schools.[26] However, they must adhere to stricter regulation regarding tuition, and fees must be set in accordance with operating costs and market demand. All tuition must also be approved by the relevant local municipal government.[27] In addition, tuition and other income payments must be carried out under a bank account filed with the relevant education bureau and schools must build affiliated transaction information disclosure systems.[28] All affiliated transactions are to be reviewed by the local Education Bureau or Human Resources Bureau. These stricter regulations on finances hopes to put an end to cases where schools run as NFP in name, but FP in practice.

FP schools are prohibited from operating in compulsory education but will receive more autonomy in setting tuition.[29] They may also receive a certain degree of support from favourable policies, although it has not been clarified what this would entail.

As the regulations strictly prohibit FP schools from running compulsory education, K12 schools who wish to run a FP model in their senior high schools will have to separate their compulsory education phase and senior high school, with each adhering to different financial and management regulations.

The latest updates to the 'Private Education Promotion Law' also introduce stricter regulations on ownership of NFP schools and schools running compulsory education. The current version of the 'Implementations' has added to its fifth clause, which stipulates that foreign parties 'are not allowed to run compulsory education' in private schools, adding that they may not 'participate in running' compulsory education or 'control (private schools providing compulsory education) through contractual agreements'. The term 'contractual agreements' is not clearly-defined and there is concern that this addition reflects an intention to restrict foreign investment in compulsory education through VIE structures. While there is still a need for clarification, if this is the case, the changes would have a significant impact on education groups listed in Hong Kong and abroad who operate in compulsory education through VIE structures.

Additionally, clause 12 of 'Implementations' has added that 'groups' are 'not allowed to control non-profit private schools through M&A, franchise or contractual arrangements'. Again, there is a lack of clarity around the term 'contractual arrangements' and whether or not this will prohibit VIE structures from NFP education in the future. The term 'groups' is equally vague and concerns have been raised that separate holding companies under the same listed company will face restrictions in NFP education. However, according to the clause, groups are still permitted to provide of materials, curriculum and other services to NFP schools. Therefore, for the time being, it seems likely that the provision of services such as student recruitment, teacher training and course development will still be allowed.

Advice to key stakeholders in the industry

Keep an eye on developments: The policies discussed above are currently still in draft form and may still be subject to updates and changes before they are finalised. Stakeholders should be careful to monitor any future policy updates. This is particularly important in areas in the existing laws which lack clarity, such as those regulating education 'groups' and 'contractual agreements'.

Ensure Compliance: From the most recent policy updates, it is evident that the government intends to more strictly enforce new and existing regulations on NFP schools and schools providing compulsory education. It is therefore essential that any stakeholders operating in these parts of the market ensure full compliance with existing measures, particularly in the areas of investment, curriculum, tuition and affiliated transactions.

Careful selection of Chinese partners: As foreign participation in the education sector relies on a Chinese partner, British stakeholders are advised to practice due diligence when selecting a Chinese partner, ensuring partners have a strong understanding of the market and regulatory environment and are able and willing to comply with restrictions on FP models.

Explore other modes of collaboration: There is potential opportunity for international K-12 providers to provide curriculum content and teacher training, which could allow for larger scale cooperation while avoiding the growingly complex regulatory challenges of setting up international private schools.

Further Reference (Hyperlinks redirect to full Chinese version of documents)

- The 3rd Amendment to the Chinese Private Education Promotion Law (Draft)
- The Chinese Private Education Promotion Law Implementation Plan (Draft)

Early-years Education

Policy Interpretation

China's burgeoning early-years sector has received increased attention from the Chinese government over the past couple of years and the relatively unregulated market is experiencing higher levels of oversight as regulators attempt to ensure the healthy development of the market. A number of national and local policies over the past couple of years have highlighted a number of trends, including:

Focus on accessibility: Growth in the preschool education market has been particularly concentrated in private kindergartens, leading to a disproportionate number of high tuition private kindergartens. As the government strives to universalise preschool education throughout the country, there has been a drive to raise the 'accessibility' of preschool education through promoting the development of public kindergartens and low-fee private kindergartens. The government aims for these types of kindergartens to account for 80% of all kindergartens by 2020.[30] Not for profit (NFP) kindergartens can expect preferential policies and government support while for profit (FP) kindergartens have begun to face certain restrictions.

Regulation on curriculum: The government has expressed a number of concerns with the content taught in private kindergartens as well as the quality of education at early-years institutions. Recent regulations have set out to standardise the early-years education sector, ensuring students are receiving high-quality education.[31] In addition, efforts are being made to ensure all learning content is age appropriate, with a focus on play-based learning and attempts to curb the premature teaching of primary school content.[32] In an effort to raise standards, the government has also promised support in provision of teacher-training to accessible kindergartens.[33]

Development of new markets: As the 3-6 early-years education sector begins to mature, the government has begun to turn its attention to the 0-3 market. In order to promote growth in this area, non-state institutions are being encouraged to provide daycare and face fewer restrictions than they would in the kindergarten market. Another new area which has begun to see development is football specialised kindergartens. In April, the MoE laid out plans to start a 2019 pilot programme of special football focused kindergartens, setting a target of 50-200 schools for each province.[34]

Impact on the education sector

As preschool education falls outside of the years of compulsory education in China, kindergartens will be permitted to register as either NFP or FP, although FP kindergartens are not permitted to run kindergartens affiliated to urban residential communities.[35] Schools who choose to register as NFP will be eligible for same favourable policies concerning taxation, land usage and recruitment as public schools, but must adhere to stricter regulation regarding tuition, which according to the 'Opinions on Deepening Reform and Standardising Development of Preschool Education 2018' will need to be in accordance with local government regulations on tuition.[36] FP kindergartens will not be eligible for the same favourable policies as NFP kindergartens, but will be able to independently set their own tuition. The financial management of private kindergartens will also receive closer government oversight under new regulations. NFP kindergartens will have to carry out all transactions under a bank account filed with the relevant education bureau and must build affiliated transaction information disclosure systems. All affiliated transactions are to be reviewed by the local Education Bureau or Human Resources Bureau. In addition, all private kindergartens (including FP) will be required to establish a financial, accounting and asset management system, set up accounting books in accordance with relevant state regulations, primarily reinvest profits into improving education standards, and submit an audited financial report annually to the relevant regulator.[37]

New regulations concerning FP and NFP kindergartens have also had an impact on investment into the early-years education sector. In 2018, it was announced that listed companies will not be allowed to invest in for-profit kindergartens via stock market or purchase the kindergarten shares through stock issue or cash.[38] It has not yet been clarified how this will impact existing listed school operators and whether or not they will be required to sell preschool businesses or delist in order to comply. However, since the announcement there has been evidence that listed education groups are beginning to look to overseas to acquire new assets. In February, NYSE listed education group RYB Education acquired 70% of Singapore-based private early-years education group while in April, SEHK listed Greentown Education acquired 56% of Australia's Montessori Academy.

Chinese kindergartens are also facing tighter regulations and the government is bringing in clearer standards with regards to curriculums, facilities and learning environments. Efforts have been made to ensure preschool education builds good moral character[39] and that learning is primarily play-based and does not focus on testing or topics more suitable for primary education. A recent policy concerning the phenomenon of primary school education topics in preschool education has called for the restriction of teaching English at preschools, although the intention of this seems to be to avoid English language lessons with an excessive focus on the memorisation of grammar and vocabulary.[40] A response from the Shenzhen Education Bureau concerning this restriction has indicated that teaching English through activities that 'are based on the life experience and cognitive development level of young children' are considered acceptable.[41]

A final impact that can be expected from the recent policies concerning early-years education is the opening up of the 0-3 education sector. Both Shanghai and Sichuan have released guidances on 'Promoting and Strengthening the Nursery Service' which actively call for private institutions to set up 0-3 daycare services. Although the directives do call for the distinction of FP and NFP institutions and introduce a number of standards and regulations concerning staffing, facilities and health & safety, the market appears to be much more freely regulated than private kindergartens in the area of investment. Importantly, listed companies do not face restrictions in investing in for-profit daycare centres.

Advice to key stakeholders in the industry

Explore the new markets: Government support for the development of 0-3 education, as well as the more favourable regulations concerning investment and profit-making, offer strong opportunity in the daycare education sector. Many are optimistic that this could be a potential future area of growth for international early-years providers. The development of special football kindergartens throughout the country also presents a unique opportunity to UK providers.

Explore other modes of collaboration: The increased focus on developing high standards in preschool education offers potential for other modes of cooperation outside of setting up schools. There is potential opportunity for international early-years providers to provide curriculum content and teacher training, which could allow for larger scale cooperation while avoiding the regulatory challenges of setting up international preschools.

Ensure compliance: As new standards concerning investment, tuition and curriculum content are introduced, it is essential that any stakeholders operating in the early-years education market ensure full compliance with new measures.

Keep a close eye on updates: The announcement that listed companies would be prohibited from investing in private kindergartens shook the markets and could have strong repercussions for future market development. Stakeholders should aim to be prepared for potential significant changes in the future and keep a close eye on any updates to existing policies to see how they develop.

Further Reference (Hyperlinks redirect to full Chinese version of documents)

- The 3rd Amendment to the Chinese Private Education Promotion Law
- Opinions on Implementing the Action Plan for Preschool Education: Phase III
- Several Opinions on Deepening Reform and Standardising the Development of Preschool Education
- Guidance on Promoting and Strengthening the Nursery Service for Children Under 3 of Shanghai City
- Guidance on Accelerating the Nursery Service under 3 released by Sichuan Province
- Notice on Conducting the Surveillance to Control on 'The Primary School Education Phenomenon' in Kindergartens
- Notice of the State Council on Carrying Out the Management Work of Kindergartens in Urban Property Projects
- Notice of the General Office of the Ministry of Education on Launching the Pilot Work of Football Specialised Kindergartens

The 2018 Individual Income Tax Law

In 2018, the newest version of the Individual Income Tax (IIT) Law brought the biggest changes to China's IIT system in nearly a decade, including the revision of tax brackets, the expansion of deductibles, and the alteration of tax residency status laws for foreign workers. The newest version of the law stands to impact international education providers in two key ways:

Taxation of expatriates: The changes to a number of regulations concerning the taxation of expatriates stands to impact a number of international education providers, most of whom hire a high number of foreign staff.

Increase in consumption: The tax law, which widens the tax bracket for lower income workers and increases the allowances for tax exemption, aims to boost consumption in response to recent fears of an economic slowdown, which could have positive implications for education products and services.

Taxation of expatriates

Tax brackets:

The new tax update has widened the tax bracket for low to mid income earners (both local and foreign). Under new laws, any employee making an annual taxable income of less than RMB300,000 a year will enjoy a lower IIT rate, with the 3% tax bracket covering incomes of 36,000 or less, the 10% bracket covering incomes of 36,000 to 144,000 and the 20% bracket covering earners of 144,000 to 300,000. The upper three income tax brackets for earners of more than 420,000 have remained unchanged.[42]

Old bracket (monthly income in RMB)	New bracket (monthly income in RMB)	IIT rate
<1,500	<3,000	3%
1,500-4,500	3,000-12,000	10%
4,500-9,000	12,000-25,000	20%
9,000-35,000	25,000-35,000	25%

Tax residents will now be assessed annually. Advance tax payments will be withheld monthly, and an adjustment / settlement will be carried out annually after the year end.

The new annual tax income rates are as follows.

Annual Taxable Income	IIT Rate	Quick deduction (RMB)
≤36,000	3%	0
36,000 - 144,000	10%	2,520
144,000 - 300,000	20%	16,920
300,000 - 420,000	25%	31,920
420,000 - 660,000	30%	52,920
660,000 - 960,000	35%	85,920
>960,000	45%	181,920

The formula for annual income tax is as follows: Taxable Income (Annual Pre-tax Income - Social Insurances - 60,000 - IIT) * IIT Rate - Quick Deduction

Tax residency:

The new IIT law has made changes to the rules concerning tax residency of foreign individuals. According to the new law, foreign individuals residing in the country for more than 183 days are now considered 'tax residents', as opposed to the one-year threshold set in the past. However, the preferential exemption policy on outside income has been extended from five to six years, meaning employees will only be taxed on their global income after residing in China for six consecutive years. Foreigners will be able to 'reset' this six year countdown if they leave for more than 30 consecutive days in a year, in contrast to 90 days cumulatively as in the previous IIT laws.[43]

Tax exempt allowance: The new IIT system will phase out deductions of special tax-empt 'allowances' when calculating the income tax of foreign residences. Under previous laws, expatriates have been able to deduct a number of expenses including travel, housing, meals, language training, children's' education, business trips and personal trips. Under the new system, foreigners will only be able to apply for these allowances for a further three years before they are removed on the 31st of December, 2021.[44]

However, the new IIT system has introduced 'special additional deductions for specific expenditures' which will provide deductions to taxpayers for children's education expenses, continuing education expenses, healthcare costs for serious illness, housing mortgage interest, expense for supporting the elderly and housing rent. These deductions are provided on a monthly standard basis.[45]

The available deductions are as follows:

Item	Applicable scope	Quick deduction (RMB)
Children's education expenses	Preschool education Diploma education	RMB 1,000/month for each child (or RMB 12,000/year for each child)
Continuing education expenses	Diploma education	RMB 400/month, up to 48 months (or RMB 4,800/year, up to four years)
	Professional qualification	RMB 3,600 in the year when related certificate issued
Healthcare costs for serious illness	Expenses recorded in social medical insurance management system	RMB 15,000 - RMB 80,000 based on actual basis
Housing mortgage interest	First housing loan under taxpayer or spouse's name	RMB 1,000/month up to 240 months (or RMB 12,000/year, up to 20 years)
Expense for supporting the elderly	Parent over 60 years old Other legal dependent	RMB 2,000/month (or RMB 24,000/year)
Housing rent	Taxpayer and spouse do not have house in the city where they work	Three applicable deduction amounts based on working locations: • RMB 1,500/month (or RMB 18,000/year) • RMB 1,100/month (or RMB 13,200/year) • RMB 800/month (or RMB 9,600/year)

Increase in consumption

One of the major changes to the IIT Law is an increase to the personal exemption that taxpayers may claim from their comprehensive income. Residents can now claim a personal exemption of RMB60,000 per year, nearly a 50% increase from the previous exemption of RMB42,000 a year.[46]

As mentioned above, the IIT Law also includes 'special additional deductions for specific expenditures' which provides monthly deductions for children's education expenses, continuing education expenses, healthcare costs for serious illness, housing mortgage interest, expenses for supporting the elderly and housing rent.

The aim of these tax deductions is to increase consumption in China's domestic market and the ability to claim a number of educational expenses is likely to have a positive impact on China's education market. However, considering the high cost of international education, it seems unlikely that the new IIT Law will have a huge impact on the customer base for international education. In the areas of private early-years and K-12 education in particular, school fees far eclipse the monthly personal exemption for education (and even the combined exemption total of all expenses). If the new exemptions do have an impact on the education industry, it is more likely to be in sectors with relatively lower monthly expenses, such as after-school tutoring, higher education or vocational training.

Further Reference (Hyperlinks redirect to full Chinese version of documents)

- Individual Income Tax Law of the People's Republic of China
- Regulation on the Implementation of the Individual Income Tax Law of the People's Republic of China
- Interim Measures for the Additional Special Deductions for Individual Income Tax
- (No. 164 [2018] of the Ministry of Finance) Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Connection of Preferential Policies after the Individual Income Tax Law Is Amended

EdTech

[1] Regulations on the Protection of Critical Information Infrastructure, Article 18. Although not every operator in this sector necessarily qualifies as a CII operator, but only those where a data leak 'may gravely harm national security, the national economy, the people's livelihood and the public interest'

[2] Cyber-Security Law, Article 37

[3] 2018 Education Informatisation 2.0 Action Plan, 4.2

[4] 2018 Education Informatisation 2.0 Action Plan, 4.5

[5] 2018 Education Informatisation 2.0 Action Plan, 4.5

[6] The Code for the Construction of Digital Campuses in Primary and Secondary Schools, 5.3

[7] The Code for the Construction of Digital Campuses in Primary and Secondary Schools, 3

[8] 2018 Education Informatisation 2.0 Action Plan, 4.4

[9] The Code for the Construction of Digital Campuses in Primary and Secondary Schools, 5.4

[10] The Code for the Construction of Digital Campuses in Primary and Secondary Schools, 5.5

[11] The Code for the Construction of Digital Campuses in Primary and Secondary Schools, 5

[12] The Code for the Construction of Digital Campuses in Primary and Secondary Schools, 7.4

[13] The Code for the Construction of Digital Campuses in Primary and Secondary Schools, 7.5 and The 2018 Education Informatisation 2.0 Action Plan, 3.2

[14] 2018 Education Informatisation 2.0 Action Plan, 5.4

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