The following information can help you get started in learning about the tax treatment of short-term lettings of residential premises located in the People's Republic of China ("PRC") ("Short-Term Lettings") and the tax requirements that apply to you when you provide Short-Term Lettings.

Tax can be tricky and it is very important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely filing and payment of taxes are your legal responsibility.

If you are providing Short-Term Lettings, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you according to PRC laws and regulations. Even though you post your letting information on the Airbnb platform and you and your guest reach an agreement on the proposed letting on the Airbnb platform, the Short-Term Letting is provided by you rather than the Airbnb platform. As the provider of the Short-Term Letting, you are the legal taxpayer of the following taxes.

- value-added tax and value-added surtaxes (including urban maintenance and construction tax, education surtax, and local education surtax);
- individual income tax; and
- real property tax.

We should point out that this guide does not aim to provide comprehensive legal advice on the tax treatment of all the circumstances that Short-Term Lettings could involve. If you are unsure about the tax obligations relating to your Short-Term Lettings, we encourage you to check this with the tax authority in charge of the location where the let premises are located (the "Tax Authority In-charge") or to seek professional advice from qualified providers of tax-related services.

Please note that we don’t update this information in real-time, so you should confirm that the laws or procedures relating to Short-Term Lettings have not changed recently. If they have changed, please follow the most recent ones.
1. **Value Added Tax and Value Added Tax Surtaxes**

1.1 **Value Added Tax**

What income from Short-Term Lettings requires payment of value-added tax?

Since the accommodation you are letting is located in PRC, your Short-Term Letting requires payment of value-added tax ("VAT"). Then again, if your income from Short-Term Lettings ("Rent") during the month adds up to not more than RMB¥150,000, you will not need to pay VAT on the Rent you collected assuming you also meet all the other conditions set by the relevant tax regulations (if any). If the Rent you collected during the month exceeds RMB¥150,000, you will need to pay VAT on the **entire amount**. If you collect Rent for several months in one payment, you may spread the amount over the rental period for which the payment was made; if the average monthly Rent income during that period is not more than RMB¥150,000, you will still not need to pay VAT.

Please note the following in addition to the general rule mentioned above: If you request the Tax Authority In-charge to issue Special VAT Fapiaos ("Special Fapiaos") to your guests for the Rent, you must pay VAT on the Rent regardless of the amount (even if the average monthly Rent spread over the period covered by the Rent payment does not exceed RMB¥150,000). How to request the Tax Authority In-charge to issue VAT Fapiaos ("Fapiaos") on your behalf is explained below.

**If VAT is payable on the Rent, how do I calculate the taxable amount?**

If you need to pay VAT on the Rent, you should collect it from your guests together with the Rent (i.e., The Rent should be a "tax-inclusive" price.). The current VAT rate for Rent is 5%. As an individual, you can pay VAT at a preferential rate of 1.5%. The following is an example of how to calculate the VAT payable on Rent:

Suppose you and your guest agreed on a Rent of RMB¥200,000, inclusive of the VAT that you should collect from your guest (i.e. The Rent is "tax-inclusive"). The VAT payable by you on that Rent would be as follows:

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[200,000/(1+5%)] \times 1.5% = (RMB¥) 2,857.14
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**How do I report and pay VAT?**

If you need to pay VAT on the Rent, then, since you’re an individual, you theoretically would need to report and pay VAT to the Tax Authority In-charge each time you receive Rent income. Nevertheless, if you frequently receive Rent income during a certain period, the Tax Authority In-charge may permit you to report and pay VAT at fixed intervals (e.g. monthly or quarterly). You can click on this link for a general guide on filing VAT returns. Furthermore, as an individual, you will need to report and pay VAT in the tax service office of the Tax Authority In-charge (the "Tax Service Office"). Therefore, we recommend that you confirm the specific VAT filing requirements with the relevant Tax Service Office staff or seek professional advice from qualified providers of tax-related services. You can click this link for the contact details of the Tax Service Offices around the country.

1.2 **VAT Surtaxes**

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1. In this guide we have assumed that you don’t do other things that require payment of VAT.
If the Rent received by you is exempt from VAT, it will also be exempt from VAT surtaxes. If VAT is payable, you will need to calculate and pay the following VAT surtaxes based on the actual amount of VAT when you make your VAT payment:

- urban maintenance and construction tax; the standard rate could be 7%, 5%, or 1% of your actual VAT payment, depending on the location of the let accommodation;
- education surtax, at a standard rate of 3% of your actual VAT payment; and
- local education surtax, at a standard rate of 2% of your actual VAT payment.

As an individual, you are currently eligible for a 50% reduction of the amount of VAT surtaxes payable (if any). According to current tax legislation, this reduction will be granted until 31 December 2021. It is still unclear whether such tax incentive will be extended after 2021. The VAT surtaxes should be reported and filed together with the VAT. For details of the reporting and payment procedure, please see the VAT procedures mentioned above.

2. **Issuance of the VAT Fapiaos**

If your guest requests a formal Fapiao from you, you may apply to the Tax Service Office, requesting the Tax Authority In-charge to issue Fapiao to your guest on your behalf. Please find below the key points about the issuance process for your reference:

- Fapiaos are divided into Special Fapiaos and Ordinary Fapiaos. If you have already paid VAT on the Rent, you may request the Tax Authority In-charge to issue a Special Fapiao or an Ordinary Fapiao on your behalf.

- However, if the invoiced party (i.e. the party identified on the Fapiao as the "purchaser") is an individual, you may only apply for the issuance of an Ordinary Fapiao. If the Rent is exempt from VAT, you may only apply for the issuance of an Ordinary Fapiao.

- You can click on these links for details of the general procedure and documentation requirements for requesting the Tax Authority In-charge to issue Fapiaos (Special Fapiaos or Ordinary Fapiaos) on your behalf. It is worth noting that when you apply for the issuance of Fapiaos on your behalf (particularly Special Fapiaos), the Tax Authority In-charge will request some information about the invoiced party (i.e., your guest). Therefore, when your guest requests a Fapiao from you, you should ask the guest for the information necessary for your application to the Tax Authority In-charge.

- In practice, the Tax Authority In-charge will usually ask you to declare and pay the individual income tax ("IIT") and real property tax payable on the Rent when you request it to issue Fapiaos on your behalf. The Tax Authority In-charge could in practice use a “comprehensive tax rate” consisting of both IIT and real property tax to calculate the IIT and real property tax that you need to pay on the Rent. For the details of the IIT and real property tax calculation, please refer to Sections 3 and 4 below.

- We would like to emphasize again that although you post your letting information on the Airbnb platform and you and your guest reach an agreement on the proposed letting on the Airbnb platform, the Short-Term Letting is provided by you rather than the Airbnb platform. Therefore, you are the provider of the Short-Term Letting and you are the legal taxpayer of the relevant taxes. You should provide the VAT Fapiaos to your guest for the
full amount of the Rent. For the service fees paid by you to the Airbnb platform, you can apply for the service fee Fapiaos issued by Airbnb.

We recommend that you confirm the specific requirements for the VAT issuance with the relevant Tax Service Office staff or seek professional advice from qualified providers of tax-related services. You can click this link for the contact details of the Tax Service Offices around the country.

3. Individual Income Tax

Since the accommodation let by you is located in PRC, you will need to pay IIT in PRC on the Rent collected, whether or not you are a PRC tax resident. The Rent belongs to the scope of income from lease of property for IIT purposes. You should pay IIT for the Rent pursuant to the relevant regulations in the PRC IIT Law.

In practice, the Tax Authority In-charge will usually ask you to declare and pay the IIT and real property tax payable on the Rent at the time when you request it to issue Fapiaos on your behalf. The Tax Authority In-charge could use a comprehensive tax rate consisting of both IIT and real property tax to calculate the IIT and real property tax that you need to pay on the Rent. The specific comprehensive tax rate is determined by each Tax Authority In-charge following the local rules. Therefore, we recommend that you confirm the specific IIT filing requirements with the relevant Tax Service Office staff or seek professional advice from qualified providers of tax-related services. You can click this link for the contact details of the Tax Service Offices around the country.

4. Real Property Tax

As you are an individual, the rate of the real property tax on the Rent you collect is 4%. In addition, you are entitled to a 50% reduction of the tax payable. Specifically, the real property tax payable on the Rent is the amount of Rent (exclusive of VAT) multiplied by 2%. According to current tax regulations, this reduction will be granted until 31 December 2021. It is still unclear whether such tax incentive will be extended after 2021. As mentioned earlier, in addition to the above calculation method, the Tax Authority In-charge in practice will usually ask you to declare and pay the IIT and real property tax payable on the Rent at the time when you request it to issue Fapiaos on your behalf. The Tax Authority In-charge could use a comprehensive tax rate consisting of both IIT and real property tax to calculate the IIT and real property tax that you need to pay on the Rent. The specific comprehensive tax rate is determined by each Tax Authority In-charge following the local rules. Therefore, we recommend that you confirm the specific real property tax filing requirements with the relevant Tax Service Office staff or seek professional advice from qualified providers of tax-related services. You can click this link for the contact details of the Tax Service Offices around the country.

Finally, we should point out in particular that the above tax calculation methods are the conventional ones. If the Tax Authority In-charge believes that the amount of Rent reported by you is obviously on the low side and that there is no justifiable reason for such a low amount, it has the right to increase (according to the law) the amount of Rent that you reported, to bring it up to a fair market level for tax filing purposes. In such event, all taxes and surtaxes payable by you on the Rent will be calculated on the amount as revised by the Tax Authority In-charge.

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4 In this guide we have assumed that you are not renting out any property other than the accommodation involved in your Short-Term Lettings.