

GOVERNMENT

Beijing surprises Chinese expat citizens with new tax

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Beijing announced it will tax Chinese citizens residing abroad, requiring them to report their 2019 earnings so they can be taxed on their worldwide income. Image credit: Shutterstock

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In a move that surprised Chinese citizens residing abroad, Beijing has started taxing overseas income.

According to [Bloomberg](#), state-owned enterprises operating in [Hong Kong](#) asked mainland Chinese expats to report their 2019 earnings so they can be taxed on their worldwide income.

Employees working in other countries, such as Singapore, were also briefed on the change.

With this new roadblock looming for the [Chinese expat](#) community, it is expected that many individuals will reconsider moving to places that enjoy low effective personal and corporate tax rates such as Hong Kong or Singapore.

Jing take:

Luxury and premium goods have a high income elasticity of demand. Thus, demand for discretionary goods will decrease when there is a drop in disposable income due to such things as a tax hike.

Furthermore, many [luxury products](#) are often seen as long-term investments, but high taxes reduce saving, investments and capital gains.

Equally important, higher taxes also have a negative impact on consumer confidence, so it is expected that some consumers will forego shopping at non-essential businesses given this new policy.

The silver lining, if there is one, is that some short-term Chinese expats will decide to return home.

Evidently, the repatriation of expats in China could also incentivize purchase repatriation.

China being a collective society, [consumers](#) could feel the social pressure to buy visible symbols of status and success, and this would hike demand for luxury goods in China.

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