

Key Risks After Obtaining a Work Permit and Residence Permit in China



Important! A residence permit in China can be cancelled automatically!



Rule:

183+ days of continuous absence from China = Cancellation of Residence Permit. (Even if the card's validity period still has 2 years left!)



Applies throughout China (Zhejiang, Beijing, Shanghai, etc.)



The counter resets upon any entry into China - even for 1 day

What happens if the limit is exceeded?



Cancellation of Residence Permit

Occurs automatically in the PSB system



Loss of Legal Status

Cannot renew, work, open an account



Complete Re-application



→ Departure from China → New Visa (Z/R) → New Work Permit → New Residence Permit

Official Solution: Permission for Long-Term (more than 183 days) Exit to Preserve Residence Permit in China in Case of Valid Reasons

What	"Certificate of Temporary Exit" (Temporary Exit Permit)
For Whom	Foreigners with a Residence Permit, leaving for >183 days (business trip, study, medical treatment)
How to Obtain	Apply to PSB Exit-Entry Administration: <ul style="list-style-type: none">• Application + explanatory letter from employer (with seal)• Passport and valid Residence Permit
Validity Period	Up to 1 year (as decided by PSB)
Fee	~ 200 yuan
Effect	Time of absence is not counted — status is preserved!



Risk: Tax Audit Due to "Formal" Director's Salary

Example of a red flag for the STA (State Taxation Administration of China)

-  Company's annual profit - 10 million yuan
-  Official salary of the general director (foreigner) - 10,000 yuan/month

This can be classified as "sham employment" → intentional understatement of PIT (Personal Income Tax). Recalculation of PIT and penalties


Also,

-  Company's annual profit - 0 yuan
-  Official salary of the general director (foreigner) - 10,000 yuan/month

This can be classified as "non-compliance with Category A investor status" → non-renewal of work permit

Key Countermeasures: How to Avoid Risks of Non-Renewal of Work Permit in China

Set a market salary

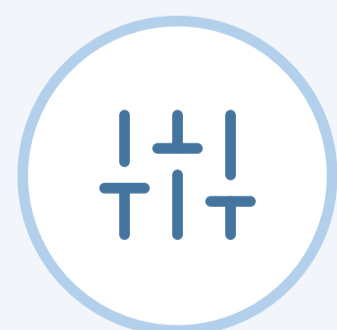
Position	Market (Hangzhou, IT, 2026)
 General Director (foreigner, Category A)	from 35,000 to 70,000+ yuan/month

How to confirm?

Internal memorandum: market analysis, area of responsibility, KPIs

The main point - logic: the higher the profit/turnover → the higher the justified salary of the director. However, at the same time, for A-category investors, there is a minimum below which the question arises: "Are you really an A?"

Clearly fulfill the role of a tax withholding agent. The employer is obliged to:



Monthly calculate PIT according to the progressive scale



Withhold from the salary



Remit to the STA (State Taxation Administration) - on time, with the correct budget classification code (BCC)



Keep the payment slips - they = proof of real employment relationships

The tax authorities primarily check: "Was it paid at all?"



Complete the Annual Tax Settlement

Every year (March–June) — via the 个人所得税 app.

Mandatory if:

- ✓ Annual income > 120,000 yuan
- ✓ There are multiple income sources (dividends, bonuses, consulting, etc.)

3 Key Principles for the Safe Salary of a Foreign Director-Investor in China

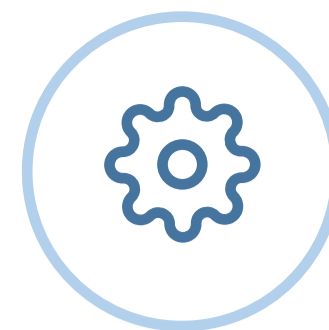
Proper Salary Level

Market-based, justified, regular



Timely Tax Payment



PIT paid, payment slips saved






Annual Tax Settlement

Annual tax settlement completed



-  Conditionally not allowed: "salary 10k + dividends 500k"
-  Conditionally allowed: "salary 50k + bonuses 300k" - all declared and tax paid

If you are a foreign founder + director, do not treat your salary as a "formality". This is a key element of your legality in China: it affects not only tax security but also:

-  The possibility of renewing the Work Permit / Residence Permit
-  Access to the "green channel" for Category A
-  Reputation with banks and partners

The family obtains a Residence Permit in China, but the child cannot study

A Work-type Residence Permit grants the right to study in private and international schools (e.g., Harrow, Wellington, Yew Chung). But not in state schools - those are only accessible with a "Residence Permit for Family Reunion," which requires a father-resident for ≥ 1 year



Countermeasure:

1. Choose a school in advance and clarify:



- Do they accept students with a Work-type RP?
- Is a Temporary Residence Permit for Accompanying Family Members needed (it is issued by the PSB when applying for the main RP).



2. In Hangzhou and Shanghai - there is a special program "Global Talent Children Education Pilot," where children of A-category specialists are enrolled in the best state schools (e.g., Shanghai Foreign Language School)

Risk during Work Permit Renewal in China (after 1-2 years)

What happens?

The authorized bureau (SAFEA/FEB) may request confirmation of the company's real economic contribution - especially for foreign managers and experts

Purpose of the inspection:

"Are you hiring the foreigner for real benefit - or just formally?"

What can be requested during work permit renewal in China?

Category	Examples of Documents
Taxes	Certificates from the STA (State Taxation Administration): VAT paid, corporate income tax, PIT for employees paid
Employment	Data on Chinese employees: employment contracts, social insurance contributions, number of staff positions
Social Insurance	Confirmation of contribution payments for all employees (including the foreign one)

Lack of evidence → delay, refusal of renewal, request for re-evaluation of the specialist's category



Strategic Solution: Obtain a "Contribution Certificate" in Advance!

This is not mandatory, but it is a powerful protective tool. It reduces the subjectivity of the decision and speeds up approval.

Authority	What it Confirms	Document Format
Chamber of Commerce and Industry (CCI)	Export/import, foreign trade activity	Certificate/statement with the CCI seal
Statistics Bureau (NBS)	Revenue growth, value added, investments	Official statistical statement
Technology Park / Development Zone Administration	Innovations: patents, software, R&D, Hi-Tech Enterprise status	Recommendation letter / "Certificate of Participation in the Innovation Ecosystem"

CONTACTS

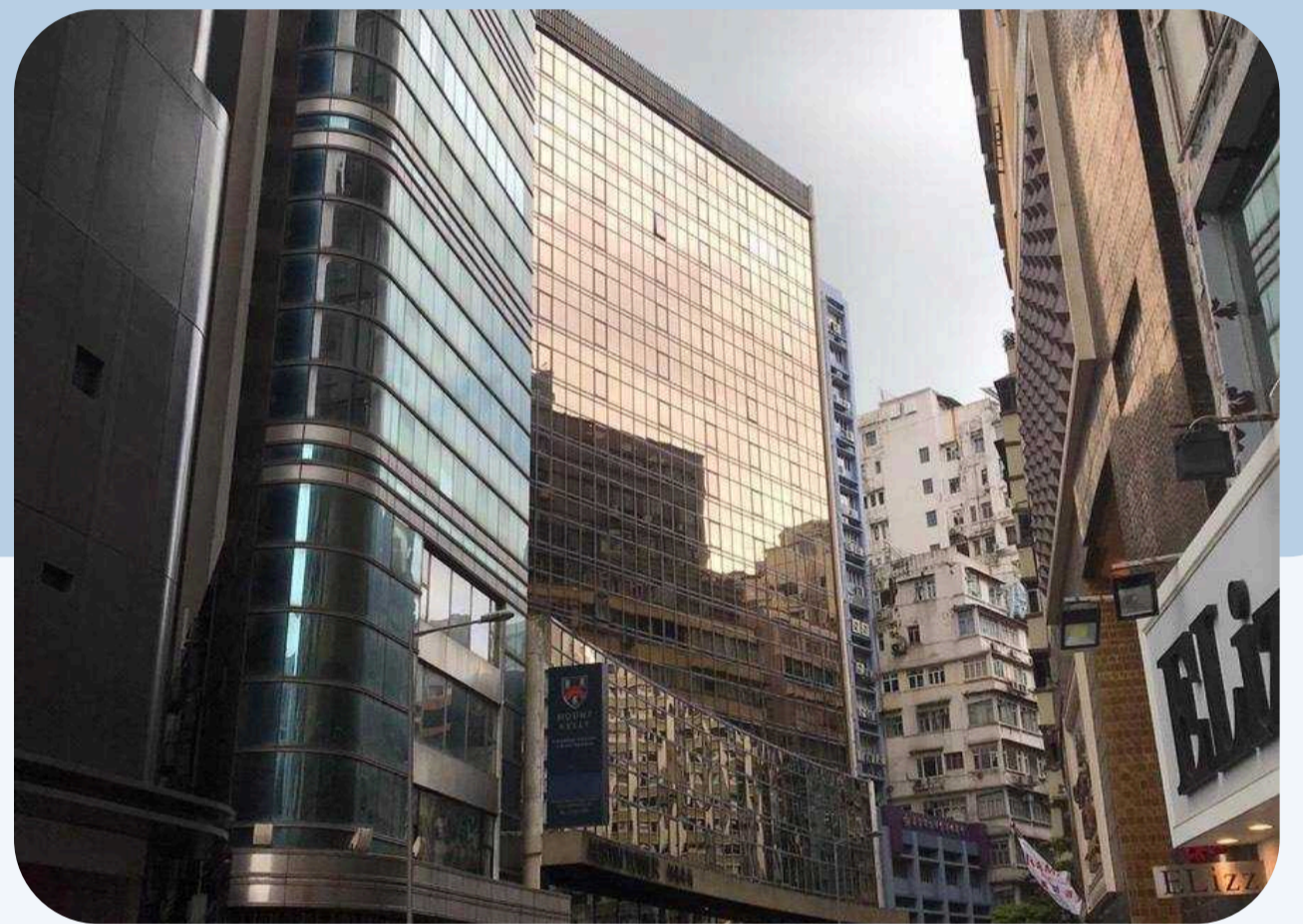
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