

China Business Advisory

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Tax Policies to Fight against the ‘COVID-19’ Epidemic

At the end of 2019, the epidemic ‘COVID-19’ emerged in Wuhan and quickly spread to other cities in China. In order to avoid widespread community spread, drastic measures were adopted affecting people’s daily life as well as the economy. To alleviate the impacts, Ministry of Finance (“MOF”) and State Administration of Taxation (“SAT”) jointly

announced guidelines [2020] No. 4, [2020] No. 8, [2020] No. 9, and [2020] No. 10, in early February 2020.

The guidelines take effect from 1st January 2020, and the expiration date will be determined at a later stage depending on the epidemic situation. The key points of the announcements are summarized as follows:

Tax Categories	Scope of Application	Relevant Policies
Individual Income Tax (“IIT”)	A. Staff participated in epidemic prevention obtaining temporary work subsidies and bonuses	IIT Exempted
	B. Staff obtaining medical protective supplies from enterprises	IIT Exempted
	C. Individuals donating cash or goods to specified entities or hospitals	IIT Deductible

Tax Categories	Scope of Application	Relevant Policies
Value Added Tax ("VAT")	A. Taxpayers' revenue deriving from transportation of critical goods for epidemic prevention and control purposes	VAT and Surcharges Exempted
	B. Taxpayers who organise production of critical goods for epidemic prevention and control purposes	Full refund of increment in VAT credit compared to the end of December 2019
	C. Taxpayers' revenue deriving from public transportation, livelihood services and express collection and delivery service for household necessities	VAT and Surcharge Exempted
Corporate Income Tax ("CIT")	A. Relevant equipment newly purchased by eligible major manufacturers of materials for epidemic prevention and control to expand production capacity	One-off deduction
	B. Losses in 2020 of taxpayers in certain industries affected by the epidemic severely	Carry-forward period extended from 5 to 8 years
	C. Taxpayers donating cash or goods through charitable entities or certain governmental departments	100% deductible
Customs Duty	Imported goods directly used for epidemic prevention and control organized by relevant authority	Customs Duty Exempted

Although the current situation and the outbreak will probably slow down economic growth in 2020, in the long run, China's economy will stabilize and it's position in the global economy won't be affected.

Relevant statistics show that the epidemic is gradually under control, and we expect the authorities will release additional financial and tax supportive policies to support affected individuals and businesses in due course.

Temporary Reduction of Social Security Contributions of Employers

The Ministry of Human Resources and Social Security (“MHRSS”) and Medical Insurance Bureau (“MIB”) respectively issued announcements jointly with MOF and SAT in late February regarding lowering social security burdens for certain employers. The key points of the announcements are summarised below:

Social Security Categories	Scope of Application	Relevant Policies	Issued by
Basic Pension Insurance, Unemployment Insurance, and Injury Insurance	A. Employer contribution of micro, small, and medium-sized enterprises	Exempted up to 5 months from February 2020	MOF, SAT, and MHRSS
	B. Employer contribution of large enterprises and other registered entities (excluding government agencies and institutions)	Halved payment not exceeding 3 months from February 2020	
	C. Employer contribution of all registered entities in Hubei Province (excluding government agencies and institutions)	Exempted up to 5 months from February 2020	
	D. Enterprises with serious difficulties in production and operation caused by the COVID-19 outbreak	Apply for deferred payment of employer contribution up to 6 months in principle without any late fee	
Medical Insurance	Half and/or deferred payment of employer contribution	To be decided by the provincial governments; Half-payment up to 5 months from February 2020; Deferred payment is no more than 6 months in principle without late fee.	MOF, SAT, and MIB

The Guidelines take effect from 1st February 2020. According to the requirements from MHRSS and MIB, each city should issue detailed rules for the implementation no later than 5th March 2020.

Non-Contact Administration on Export Tax Refund during the ‘COVID-19’ Epidemic

In order to contain the spread of disease, State Administration of Taxation (“SAT”) announced the “Notice on export tax refund procedures during the outbreak of COVID-19” on 20th February 2020.

The specific measures include:

- Export tax refund application and review can be processed using scanned documents or videos by emails and official support is available through hot line, Wechat, and online meeting;
- Where the above non-contact means are not available, supplementary submission of required documents could be done after the outbreak ends;
- From 3rd February 2020 to the end of the prevention and control of the epidemic, late reply or handling of tax authorities are allowed if it is caused by the impact of the epidemic;
- During the epidemic prevention and control period, tax authorities will inform taxpayers of results of related matters online and paper documents are available by mail if taxpayers request;
- Post-epidemic review and supplementary filing will be organized after the outbreak ends.

Service Highlight

It is evident that the Chinese government is putting continuous effort to create a business environment that is more open and relaxed. Also, the Chinese government keeps improving the domestic regulations and simplifying the administrative processes to lighten the compliance requirements for foreign investors.

We are committed to providing clients with advice on how to leverage on the changes in the business environment of China. Our Marketing Executive, Ms Rika Wong, would like to hear from you at (852) 3579 8745 or rikawong@sinobridge-consulting.com to learn of how we could assist you with your business.

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