

# China Business Advisory

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## TABLE OF CONTENTS

### 1. China Updates

- Corporate Income Tax (“CIT”) exemption for enterprises who have produced and assembled special products for the injured and disabled
- Shanghai’s minimum salary and wage increase
- Extension of reduced social insurance rates in Shanghai

### 2. Service Highlight

**Corporate Income Tax (“CIT”) exemption for enterprises who have produced and assembled special products for the injured and disabled**

The Ministry of Finance (“MOF”), the State Taxation Administration (“STA”) and the Ministry of Civil Affairs (“MOCA”) have

jointly made the Announcement 2021 No.14 on 17<sup>th</sup> May 2021 which stipulates that CIT can be exempted for eligible enterprises who have produced and assembled special products for the injured and disabled.

The CIT exemption takes effect from 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2023. The government is aiming to encourage the related enterprises to offer better products at a cheaper price for the disadvantaged people. The applicable requirements are listed below:

1. The enterprise produces and assembles the special products for the injured and disabled, and those products are within the scope of “The category of the special products for the injured and disabled in China” issued by the MOCA.

2. The main business of the enterprise should be selling the products assembled or produced by itself. And the annual revenue related to those sales (excluding the export revenue) should be above 60% of the total annual revenue, which is defined by the Article 6 of the CIT Law of the People's Republic of China ("PRC").
3. The accounting book and relevant documents are complete and accurate. Documents required by tax filings could be available to the in-charge tax authority with completeness and accuracy. Moreover, all the accounts and records with respect to the sales of those special products should be maintained separately and precisely.
4. The enterprise should employ no less than one technician who owns the qualification certificate of a prosthesis maker or an orthosis maker. If the number of production employees are more than 20, the number of such technicians should be no less than one sixth of the total number of production employees.
5. The enterprise should have adequate relevant equipment and tools compatible to its business for measuring, modeling, molding, processing, shaping, grinding, line assembling and functional training.
6. The enterprise should have a reception room, a production room for the prosthesis and orthosis and a functional training room independently, the usage area of which should be no less than 115 square meters.

## **Shanghai's minimum salary and wage increase**

Starting from the 1<sup>st</sup> of July 2021, Shanghai will increase the standard minimum monthly salary from CNY 2,480 to CNY 2,590 and the minimum hourly wage from CNY 22 per hour to CNY 23 per hour, announced by Shanghai Municipal Human Resources and Social Security Bureau on 23<sup>rd</sup> June 2021.

With respect to the monthly minimum salary, it is applicable to full-time employees. If the employees work within time stipulated by the laws or the legally signed employment contracts, the employer should pay them the monthly salary which should be no less than the standard minimum monthly salary.

Furthermore, the standard minimum monthly salary does not include the social welfare and various allowances and the employer should pay for them separately. Those welfare and allowances are listed as below:

1. The social insurance and housing fund;
2. The overtime compensation;
3. The shift allowance;
4. The compensation because of working under the difficult and toxic conditions: such as the high temperature, the polluted working environment;
5. The meal allowance;

6. The allowance for commuting;
7. The rental assistance.

In terms of the standard minimum hourly wage, it is applicable for people who work on a part-time or a casual basis, usually no more than four hours per day and no more than 24 hour accumulatively per week for one employer. The minimum hourly wage should not comprise the social insurance and housing fund payable by both the individuals and their employers.

### **Extension of reduced social insurance rates in Shanghai**

Shanghai Municipal Human Resources and Social Security Bureau, Shanghai Municipal Finance Bureau and Shanghai Municipal Tax Bureau have jointly released the Circular 2021, No. 12 on 29<sup>th</sup> April 2021, in which the local government extends the reduced social insurance rates. The detailed application are listed as below:

1. From 1<sup>st</sup> May 2021 to 30<sup>th</sup> April 2022, the unemployment insurance rate of 1% continues to apply. The employer and employee are responsible for 0.5% each.
2. From 1<sup>st</sup> May 2021 to 30<sup>th</sup> April 2022, the work-related injury insurance rate related to industries from Category 1 to Category 8 remains 20% lower than the national basic rate.

## Service Highlight

China has been recovering steadily since the outbreak of Covid-19 in December 2019. Now the main focus is on helping and supporting companies and individuals to get back on track. Recently, the Chinese government and related authorities have released new policies to exempt corporate income tax for eligible enterprises to reduce their tax burden. In the meantime, for individuals, the minimum salary and hourly wage have been raised since 1<sup>st</sup> July 2021 and some social insurance rates have been kept low until April 2022.

We are committed to providing our clients comprehensive advice on how to take good advantage of every opportunity in China for the success of their operation in this dynamic economic environment. For any assistance or support, please feel free to contact our marketing executive, Ms. Miumiu Chan, by email [miumiuchan@sinobridge-consulting.com](mailto:miumiuchan@sinobridge-consulting.com) or call (852) 3579 8745.

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