

China Business Advisory

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Further Bailout with Stage Taxes Deferrals for Micro, Small, and Medium-scaled Manufacturing Enterprises

Mr. Keqiang Li, the prime minister (“PM”) of People’s Republic of China, announced

on 10th October 2021 measures to support micro, small, and medium scaled enterprises (“MSMEs”) in manufacturing industry by delaying taxes payments such as corporation income tax (“CIT”), value-added tax (“VAT”), consumption tax and urban construction and maintenance tax (UCMT). He also announced to extend the current tax incentives to overseas investors investing in bond market in China.

The policy is to encourage growth and well-being of the manufacturing industry, in particular MSMEs and privately-owned businesses which have played key roles in the economy, providing employment, expanding market coverage and enhancing the quality of people’s lives. CIT, VAT, consumption tax and UCMT of MSMEs and individual income tax (IIT) of those privately-owned businesses, sole proprietorships and partnerships for the fourth quarter of 2021 will be postponed up to three months effective from 1st November 2021.

The postponement has the following restrictions:

1. Businesses with annual sales (including privately-owned businesses) below CNY 20 million, full amount of tax payable can be postponed.
2. Businesses with annual sales between CNY 20 million and CNY 400 million, 50% of tax payable can be postponed. Those who have difficulties could make special applications.

Foreign investors are encouraged to participate in China's bond market. CIT and VAT on bond interest income earned by foreign institutional investors would be exempted till 31st December 2025.

Employment in the first three quarters of 2021 is better than expected

Ministry of Human Resources and Social Security ("MHRSS") announced on 27th October 2021 that newly created employments has reached 10,450,000 nationwide from January to September 2021. In comparison with that in prior year, additional 1,470,000 people have got jobs this year and the increase rate is 16%.

According to the statistics of the unemployment rate in July, August and September 2021, the rate has been stable and decreased a little. The monthly average unemployment rate nationwide in Q1, Q2 and Q3 of 2021 is 5.0%. In comparison with that of 2019, it has been dropped by 0.2%. New graduates and agricultural workers are the two groups who have had most job security and the

overall status has been quite steady. From statistics, agricultural worker who migrated from rural areas has reached 183,030,000 people. It has gone back to that of 2019 level. Especially, in September, it has reached 31,030,000 people which exceeded that of last year.

The supply and demand for the job market in Q1-Q3 2021 has been balanced. Statistics showed that 100 organizations providing recruiting services in cities have showed a recruiting rate of 1.53. This has increased by 13% comparing with the rate in Q1-Q3 2020. Among those, the top ten on the list of occupations that are in need in PRC are sales assistants, restaurant attendants, shop assistants, security guards, postmen, housekeepers, cleaners, marketing and sales assistants, welders and account managers who provide client services. There are 24 new occupations appearing on the list, among those, 17 are in the manufacturing sector.

Service Highlight

The Chinese government has been continuously making efforts to improve conditions to ensure an advantageous and stable business environment for local businesses and foreign investors, especially during this challenging pandemic time. From the employment statistics we note that the economy is recovering steadily. 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 during this special period and beyond. For any assistance or support, please feel free to contact our marketing executive, Ms. Miumiu Chan, by email miumiuchan@sinobridge-consulting.com or call (852) 3579 8745.

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