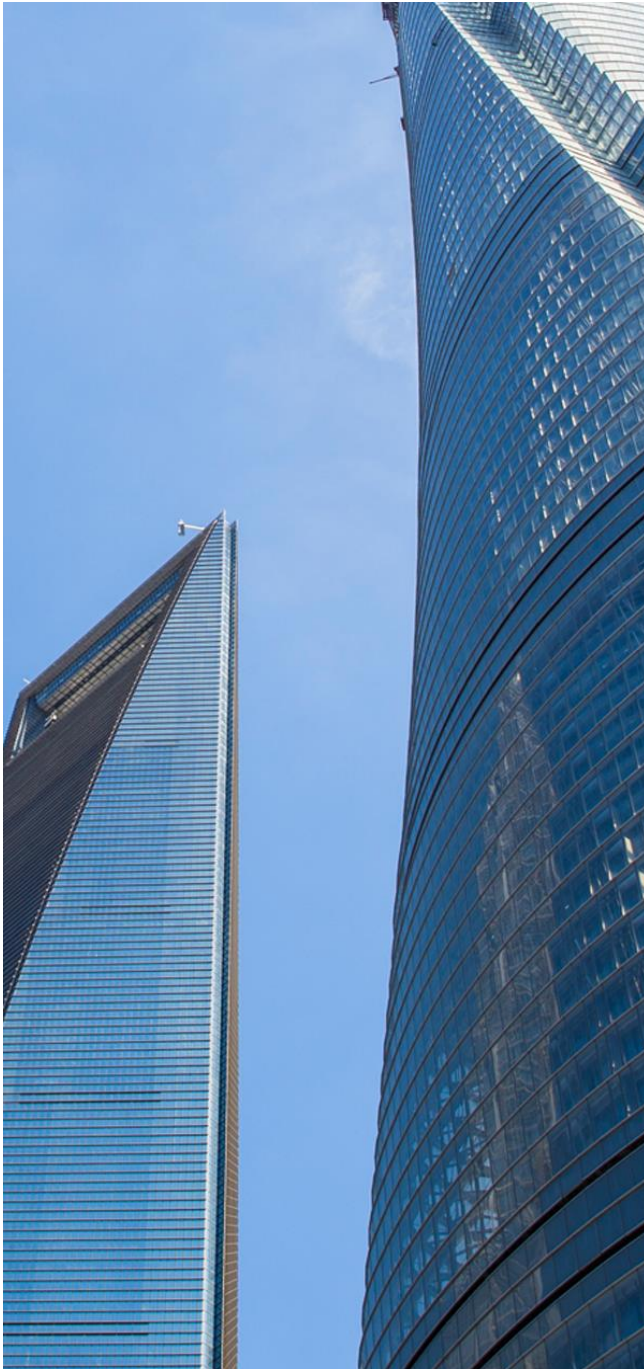

China offices

Legal flash

February 2020



Introduction

Due to the severe impact of the coronavirus outbreak, work resumption has been delayed nationwide. Despite the preferential policies the Chinese government has issued so far, it has been a devastating blow to many companies, especially medium-and-small-sized enterprises.

Even without normal operation, companies still have to bear employment costs. To relieve this burden, on February 18, 2020, the State Council decided to periodically reduce and exempt companies' contributions to social securities and defer the housing fund payment.



Social security reduction and exemption polices

On February 20 and 21, 2020, the Ministry of Finance and the State Administration of Taxation, jointly with the Ministry of Human Resources and Social Security and the National Healthcare Security Administration, released the following two circulars to periodically reduce and exempt companies' contributions to social security for employees, effective February 2020:

- Notice on periodically reducing and exempting companies' social security expenses (Ren She Bu Fa [2020] No. 11)
- Guidance on periodically reducing employees' basic medical insurance expenses (Yi Bao Fa [2020] No.6)

Although some local governments have issued several policies to relieve companies' social security burden, they are not at such a large scale.

Summary of policies:

Location	Company type	Company contribution	Policy	Period
Outside Hubei province	Medium-small-micro	Basic pension, unemployment and work-related injury insurances	Exemption	≤ 5 months
		Basic medical insurance	50% reduction	≤ 5 months
	Large	Basic pension, unemployment and work-related injury insurances	50% reduction	≤ 3 months
		Basic medical insurance	50% reduction	≤ 5 months
Hubei province	Medium-small-micro	Basic pension, unemployment and work-related injury insurances	Exemption	≤ 5 months
		Basic medical insurance	50% reduction	≤ 5 months
	Large	Basic pension, unemployment and work-related injury insurances	Exemption	≤ 5 months
		Basic medical insurance	50% reduction	≤ 5 months



Furthermore, companies whose operation is severely affected by the outbreak can apply to defer the payment; deferral should not exceed six months. No late payment surcharge will be imposed during this period.

The division between large and medium-small-micro enterprises should follow the notice of classification standards for small and medium enterprises (Gong Xin Bu Lian Qi Ye [2011] No. 300). For example:

Industry	Standards for medium-small-micro enterprises
Manufacturing	Up to 1,000 employees or up to RMB 400 million revenue
Construction	Up to RMB 800 million revenue or total assets
Wholesale	Up to 200 employees or up to RMB 400 million revenue
Retail	Up to 300 employees or up to RMB 200 million revenue
Leasing and commercial services	Up to 300 employees or up to RMB 1.2 billion in total assets

Housing fund deferred payment policy

On February 21, 2020, the Ministry of Housing and Urban-Rural Development, the Ministry of Finance and the People's Bank of China jointly released a notice implementing periodic support policies for the housing fund to handle the coronavirus outbreak (Jian Jin [2020] No. 23), as follows:

- > Companies affected by the outbreak can apply to defer payment of the housing fund up to June 30, 2020. No late payment surcharge will be imposed during this period.
- > The payment period will be calculated continuously during the deferral period, without affecting employees' normal use of the housing fund.

Following the release of these circulars, local governments are preparing detailed local implementing rules, which will be published soon. For this reason, many local authorities are suspending the social security declaration work.

Companies should closely follow the notice from the local authorities in the next few days and, in the meantime, confirm with the competent authorities their intention to suspend the declaration (if they have not issued any notice on this) before the local implementing rules are released.



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