

HR Solutions and Preferential Policies by the Local Government

Presented by

Ms. Jeanette Yu, CMS, China

Mr. Gilbert Shen, CMS, China

2 April 2020

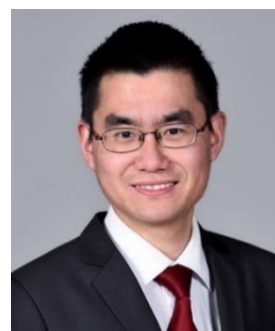


Ms. Jeanette Yu

Partner and Head of
Employment &
Pensions Practice
Area Group

 +86 21 6289 6363

 jeanette.yu@cmslegal.cn



Gilbert Shen

Counsel and Head of
Tax Practice Area
Group

 +86 21 6289 6363

 gilbert.shen@cmslegal.cn

Impact on Employers

Obligations in the prevention and control of virus

✦ **Adopt protective measures as required by government**

! Legal liabilities

✦ **Pay full salary to employees subject to quarantine measures**

What the employer can ask the employee to do

- Work from home
- Take leave

Employers-What they can do

Actions in HR management



Work from home

- Completion of work
- Confidentiality risks
- Work-related injury risks



Short-time- work

- Arrange employee to work and rest with rotation
- Shorten the working hours
- Reduce salary
- Collective consultation



Suspension of work/business

- Suspension of business
- Suspension of work of individual employee



Arrange flexible working hours for employees

- Take annual leave/rest day
- Adopt comprehensively calculated working time system

Employers-What they can do

Actions in HR management



Termination of employees

- Mass lay-off
- Termination of employment contract due to change of objective circumstances
- Other statutory termination reasons



Restrictions on termination of employees

- Employees subject to quarantine measures
- Employees under Article 42 of the PRC Employment Contract Law



Getting support from government

- Apply for government subsidies for stabilizing employment relations
- Apply for training subsidies
- Apply for delaying payment of contributions for social insurance and housing funds

Financial and Tax

Support by the Central Government

✦ Import tax exemption for donated supplies

- Foreign-donated supplies for preventing and controlling the COVID-2019 pneumonia (“**Key Supplies**”):

exempt from import taxes during the period from 1 January 2020 to 31 March 2020

✦ Policies in respect of key protective supplies

- Enterprises producing Key Supplies which acquire new equipment in order to enhance the production capacity:

*cost of equipment deductible in a one-off manner for PRC Corporate Income Tax (“**CIT**”) purposes*

- Revenues obtained by taxpayers for transporting Key Supplies:

exempt from VAT

Financial and Tax

Support by the Central Government

📌 Policies supporting adversely affected industries

- Enterprises of such industries as transportation, food serving, catering and tourism:
carry the tax loss of 2020 forward to the following 8 years, compared with 5 years under the CIT Law, for credit
- Revenues obtained by taxpayers from providing public transportation services, lifestyle services and courier services delivering life necessities:
exempt from VAT.

📌 Policies for donations for preventing and controlling the COVID-2019

- Donating cash and supplies through social welfare organizations, governments at county level or above and other government bodies for preventing and controlling COVID-2019:
cost fully deductible for CIT or Individual Income Tax ("IIT") purposes
- Directly donating supplies to hospitals which prevent and treat the COVID-2019:
cost fully deductible for CIT or IIT purposes

Financial and Tax

Support by the Central Government

✦ Relevant IIT policies

- Medicines, healthcare supplies and protection supplies offered by employers to employees for prevention of the COVID-2019:

exempt from IIT

✦ VAT rate reduction for small-scale enterprise

- Starting from March 1st to May 31st 2020, VAT of small-scale enterprises in Hubei Province can be exempted
- In other provinces of China, the VAT rate of small-scale enterprise will be reduced from 3% to 1%.

Financial and Tax

Support by the Local Governments – Overview

- ✦ **Real property tax exemption / reduction**
- ✦ **Reduction of energy costs**
- ✦ **Reduction / exemption of rental of state-operated real properties**
- ✦ **Subsidies for expansion of production of Key Supplies**
- ✦ **Postponing the tax declaration**
- ✦ **Reduction of financing costs**
- ✦ **Subsidies in relation to employee training and hiring**
- ✦ **Miscellaneous support for severely affected enterprises and small-scale enterprises**

Financial and Tax

Support in Shanghai

✦ Reduction of financing cost

- Provide preferential interest for key enterprises supporting the prevention of the COVID-2019 :
Government offers more discounts to ensure corporate loan interest rates lower than 1.6%

✦ Policies in respect of key suppliers to expand production and increase imports

- *50% to 100% of the total project investment as financial subsidies*

✦ Postponement of tax declaration

- Postponing tax declarations is permitted in accordance with law, *for a maximum postponing period of no more than 3 months with no late payment fee*

Financial and Tax

Support in Shanghai – cont'd

✦ Potential exemption of real property taxes

- Enterprises whose real estate was expropriated by the government and have difficulties in paying the real estate tax and urban land use tax can apply for exemption of the real estate tax and urban land use tax

✦ Policies in respect of training fee allowance

- Subsidy at 95% of the training cost incurred by affected enterprises which organize online training during the epidemic period

Financial and Tax

Support in Suzhou, Jiangsu

✦ Reduction of financing cost

- Key small-scale enterprises' corporate loan rate reduced by more than 10% of the original rate
- Interest rate of special project loans granted to key enterprises reduced by more than 30% of the original rate

✦ Potential financial and tax support for affected medium- and small-scale enterprises

- For small-scale VAT payers with monthly sales of less than RMB 100,000 or quarterly sales of less than RMB 300,000, VAT can be exempted
- 50% reduction on resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, stamp tax, cultivated land occupation tax, education surcharge, and local education surcharge
- Enterprises which have difficulties in paying real estate tax and urban land use tax, can apply for exemption of the real estate tax and urban land use tax
- Rental exempted for 1 month and half-reduced for 2 months for leasing state-operated real estate
- Extension of tax filing period of no more than 3 months

Financial and Tax

Support in Kunshan, Suzhou, Jiangsu

✦ **Supporting policies granted by Suzhou government**

- All supporting policies granted by Suzhou government are applicable

✦ **Specific policies encouraging foreign trade enterprises**

- For enterprises that have been affected by the epidemic and received the foreign trade awards of 2020 “*Kunshan City's Open Economy High Quality Development Policy Measures*”, the original grants awarded will be increased by 20%.

Financial and Tax

Support in Taicang, Suzhou of Jiangsu

✦ Supporting policies granted by Suzhou government

- All supporting policies granted by Suzhou government are applicable

✦ Reduction of port fees

- For heavy containers that entered the port from 00:00 on January 24 to 24:00 on February 9, the free-live period was extended by 20 days

✦ Extension of loan credit period for adversely affected medium and small-scale enterprise

- No corporate application is required, banks proactively extend credit period to small and medium-sized enterprises for 3 months

Financial and Tax

Support in Changzhou, Jiangsu

✦ Reduction of financing cost

- Key Suppliers' and small-scale enterprises' corporate loan rate lower than 1.6%
- Extend the loan period for severely affected enterprises

✦ Policies in respect of training and vocational cost allowance

- 100% cost subsidy to enterprises whose employees participate in vocational training and obtain certificates
- RMB 500 per employee granted to enterprises hiring incremental employees

✦ Policies supporting adversely affected and medium and small-scale enterprises

- Real estate tax, urban land use tax can be applied for tax reduction or exemption
- Rental exempted for 3 months for medium and small enterprises leasing state-operated real estate

Financial and Tax

Support in Changzhou, Jiangsu – cont'd

✦ Reduction of energy costs

- Reduction of water, electricity and gas costs
- 12% of the cost of new equipment as subsidies purchased for expanding production of key stuff preventing and controlling the epidemic; up to RMB 15 million per enterprise

✦ Support for expansion of production of Key Supplies

- 12% of the cost of new equipment as subsidies purchased for expanding production of key stuff preventing and controlling the epidemic; up to RMB 15 million per enterprise

✦ Support for severely affected industries and high-tech enterprises

- Severely affected enterprises in such industries as catering, hotel, cultural tourism, trading, transportation and key exports: financial subsidies on a case-by-case basis
- High-tech enterprises contributing to the prevention and control of epidemic: financial subsidies on a case-by-case basis

Financial and Tax

Support in Science and Education Town, Changzhou of Jiangsu

✦ Rental subsidies for R&D institutions and small-scale enterprises

- Rental exempted for 1 month and half-reduced for 2 months for public R&D institutions and small-scale enterprises
- Rental exempted for 1 month and half-reduced for 2 months for incubated entrepreneurial enterprises
- Rental exempted for 1 month and half-reduced for 2 months for institutions or talents leasing talent apartments in the SET

✦ Reduction of financing cost

- High-tech enterprises get 10% of Loan Prime Rate as subsidies, up to RMB 100,000 per enterprise
- Enterprises facilitating the financing activities for small-scale and high-tech enterprises entitled to 10% of the loan rate as subsidies

Financial and Tax

Support of Zhejiang

✦ Policies supporting adversely affected medium and small-scale enterprise

- Real estate tax, urban land use tax can be applied for tax reduction or exemption
- Asset losses of affected small-scale enterprises can be tax deductible
- Postponing tax declarations is permitted in accordance with law, for a maximum postponing period of no more than 3 months with no late payment fee
- Rental exempted for 1 month and half-reduced for 2 months for leasing state-operated real estate
- Loan financing cost reduced on a case-by-case basis

✦ Reduction of energy costs

- Electricity, gas and water prices adjusted downwards by 10% for three months

Financial and Tax

Support in Jiaxing, Zhejiang

✦ Supporting policies granted by Zhejiang government

- All supporting policies granted by Zhejiang government are applicable

✦ Reduction of financing cost

- Extension of loan period for at least one month after the epidemic period for heavily affected enterprises
- Loan rate downwards by at least 7% for key small-scale enterprises
- Loan rate downwards by at least 30% from the LPR rate for key enterprises launching special approved projects
- 50% financial interest discount is offered to incremental loans applied by severely affected enterprises

✦ Rental subsidies

- Rental exempted for 2 months for leasing state-operated real properties
- Encourage other landlord to provide 50% discounted rental

Financial and Tax

Support in Jiaxing, Zhejiang – cont'd

✦ Support for Key Suppliers' production expansion

- 50% of the cost of new equipment as subsidies purchased for expanding production of key stuff preventing and controlling the epidemic; up to RMB 15 million per enterprise

✦ Reduction of energy costs and postponing the payment of energy costs

- Heat and water prices adjusted downwards by 10% till May 2020
- Delayed payment of electric, heat and water fees allowed during the epidemic period

Thank You!