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China Taxation

Analysis of Preferential Policies for Shenzhen Enterprises during the Epidemic

Updated to February 2020

Since the outbreak of the “Novel Coronavirus Pneumonia” (hereinafter referred to as NCP) in China, the central and local governments have issued a series of policies aimed at easing the difficulties and burdens of enterprises. For the preferential policies generally enjoyed by small and medium-sized enterprises in Shenzhen, Kaizen sorted out the important contents that enterprises should pay attention to and deal with promptly in the near future and hereby listed below for your reference.

I. Reduction or Exemption of Property Rent

Non-state-owned enterprises, scientific research institutions, medical institutions and individual industrial and commercial households that lease the properties (including factory buildings, innovation industrial buildings, office buildings, agricultural products wholesale markets, commercial shops, storage and logistics facilities and supporting service buildings) owned by municipal and district governments and district-owned, stated-owned enterprises shall be exempted from rent for 2 months..

Kaizen Suggests that eligible enterprises should make inquiries to their property owners or apply for rent exemption. Kaizen could provide assistance for such application, please contact us if you need our professional assistance.

II. Deferred Payment of Social Insurance

1. Application Method

According to the newest regulation of Human Resources and Social Security Bureau, the enterprises that cannot pay the social insurance on time due to the epidemic (including individual industrial and commercial households), shall report to social security department, and apply for deferred payment of social insurance and pay the social insurance within 3 months after the epidemic is resolved without any surcharge for late payment.

II. Deferred Payment of Social Insurance –Cont'd

2. Application Time

- a. If the report is made on or before 26th February 2020, the deferred payment period is from February to the month that the epidemic is resolved; if the report is made from 26th to 29th February, the deferred payment period is from March to the month the month that the epidemic is resolved.
- b. If the report is made on 26th of every month from 1st March to the month that the epidemic is resolved, the deferred payment period is from the current reporting month to the month that the epidemic is resolved; if the report is made after 26th of every month, the deferred payment period is from next month to the month that the epidemic is resolved.

Kaizen Reminder

1. Provided that an enterprise completes the application for deferred payment of social insurance, it will not affect the use of medical insurance card and other rights and interests of the insured employees. However, the enterprise cannot apply for maternity allowance during this period until it has paid the social insurance in full.
2. According to the relevant notification obligations stipulated in the social security law, the enterprises shall inform the employees of the social insurance declaration and payment during the epidemic.

Kaizen Suggestions

1. Enterprises can choose the deferred payment period according to their actual situation. When the enterprises apply for deferred payment, they shall pay attention to the above application time.

Important reminder: The enterprises that intend to apply for deferred payment from February 2020, must arrange it as soon as possible as the application deadline is 26th February 2020. Please inform us in time if you need our assistance.

2. In order to avoid possible disputes of labor relationship, the enterprises shall inform the employees of relevant situations of social insurance payment timely during the deferred payment period. Kaizen could provide professional consultation and assistance services, please contact us if you need our professional assistance.

III. Reduction and Exemption of Social Insurance on a Phased Base

In accordance with the “*Notice of Reduction and Exemption of Social Insurance for Enterprises on a Phased Base*” (no. 11 [2020]) issued by Ministry of Human Resources and Social Security of the PRC, Ministry of Finance and State Administration of Taxation on 20th February 2020, the social insurance shall be reduced and exempted on a phase base from February 2020 as follows:

| Province | Enterprise Type | Period | Reduction & Exemption | Method |
|-----------------|---|-------------------|---|-------------------------|
| Hubei | All Enterprises | February to June | The company part of pension insurance, unemployment insurance and employment injury insurance | Reduction and Exemption |
| Other Provinces | Small, Micro and Medium-sized Enterprises | February to June | | Reduction and Exemption |
| | Large Enterprises | February to April | | Reduction by half |

Kaizen Reminder

1. Social insurance, including pension insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance, in which maternity insurance and employment injury insurance are fully borne and paid by the employer, the pension insurance, medical insurance and unemployment insurance are jointly borne and paid by the employer and employees. However,
2. In accordance with the foregoing policy, the exempted social insurance is restricted to the pension insurance, unemployment insurance and employment injury insurance contributed by the employer. That is,
3. The medical insurance and maternity insurance contributed by the employer are not exempted and must be paid as normal. And,
4. The pension insurance, medical insurance and unemployment insurance contributed by the employee are not exempted and must be paid as normal. Employees’ social insurance benefits should not and will not be affected. That is,
5. The employer shall perform their obligations to withhold and pay employees’ contribution in accordance with the law when calculating and paying employees’ salaries.

III. Reduction and Exemption of Social Insurance on a Phased Base –Cont’d

Kaizen Suggestions

1. According to the newest information, the declaration and payment of social insurance (i.e., pension insurance, unemployment insurance, employment injury insurance) in February are suspended by the related departments. For those enterprises that have paid social insurance in February, the paid social insurance will be refunded in accordance with the related regulations.

Kaizen will continue to focus on the newest policies and regulations. Enterprises should give priority to the application of deferred payment of social insurance before the detailed implementation rules are published in order to avoid the application of refund and to stabilize the cash flow.

2. For the identification criteria of large enterprises, small, medium and micro enterprises, please contact Kaizen professionals or visit our website for the *“Identification Criteria of Large, Medium and Micro Enterprises in China”*.

IV. The Deferred Payment and The Reduction of Contribution Proportion of Housing Provident Fund

Enterprises that are affected by the epidemic, and have difficulties in paying the housing provident fund, after approval by the employees’ congress or trade union, ***before the end of the year 2020***, may:

1. Apply for deferred payment of housing provident fund for a period not exceeding 12 months.
Or,
2. Apply for reducing the housing provident fund contribution proportion to 3% for a period not exceeding 12 months.

Kaizen Reminder

1. As the detailed implementation rules have not been published yet, the impact of delaying the payment on the use of the housing provident fund by employees cannot be predicted for the time being. Kaizen will continue to focus on to the newest policies and the further impact.
2. Enterprises can only apply for one of the policies for deferred payment and reduction of the contribution proportion of housing provident fund. And,
3. The application for deferred payment or reduction of the contribution proportion of housing provident fund shall be approved by the employees congress or the trade union of the enterprise.

IV. The Deferred Payment and The Reduction of Contribution Proportion of Housing Provident Fund –Cont’d

Kaizen Suggestions

1. Enterprises shall make timely choices on whether to apply for deferred payment or reduction of the contribution proportion of housing provident fund before the end of the year 2020 according to their actual situations.
2. For the small and micro enterprises without employees’ congress or trade union, the specific requirements of the application need to be further verified with the Human Resources and Social Security Bureau. Kaizen will continue to focus on the newest information. Please contact us for professional assistance.

V. Exemption of Basic Electricity Charge

According to the “*Notice on the Implementation of financial Funds to Pay the Basic Electricity Charges of Shenzhen Industrial and Commercial Enterprises for February 2020*” issued by Shenzhen Power Supply Bureau, Shenzhen industrial and commercial enterprises which satisfy the requirements can apply for basic electricity charges exemption for February 2020. For details, please pay attention to our WeChat official accounts, or visit our website for the “*Regulations of Exemption of February’s Basic Electricity Charges for Shenzhen Enterprises*”.

Annex: Reference Policies and Regulations

1. *Supporting Measures for Enterprises Taken by Shenzhen Government to Over the Difficulties Caused by Novel Coronavirus Pneumonia.*
2. *Notice of Reduction and Exemption of Social Insurance for Enterprises on a Phased Base*
3. *Guidance of Reduction of Medical Insurance on a Phased Base*
4. *Notice on the Deferred Payment of Enterprises Social Insurance and Related Treatments of Medical Insurance during the Epidemic.*

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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