

French Chamber of Commerce in China

Finance Working Group

"Feedback on government support for companies in China in the context of Covid-19"

Time: 11am, April 21st, 2020

Moderators: Alexandre BEAUDOUX (deVere Group) & Joan WU (Mazars)

Guest speakers:

- Aimee Huang (HR & Admin Supervisor - Zhongshan Forsee Industry Co., Ltd)
- Christine SU (North Asia CFO - IDEMIA Group)
- Jonathan DAHAN (Co-founder - Red Pony Wines)
- Min DENG (HR & Accounting Manager, Guangzhou Casino Trading CO., Ltd)
- Queenie XU (CFO China, Sagemcom)

Disclaimer:

The following contents are the result of a consolidated feedback from our guest speakers in Guangdong province. Please refer to national and local authorities for relevant regulation, as they are subject to change and may vary between different regions, cities and districts. This report is for your information only and no liability will be held as per the accuracy of the details provided. Please contact the French Chamber of Commerce in China if you would like to reach out to the moderators and guest speakers.

Key highlights and feedback from all guest speakers:

❖ **Social charges exemption** (Tax Bureau and Human Resources and Social Security Bureau)

All the companies participating have benefited automatically from a total exemption of corporate social contribution for pension, unemployment and workplace injury. No application was required to relevant authorities and the exemption will last from February to June.

❖ **Social charges refund** (Tax Bureau and HRSS Bureau)

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Most companies have applied and benefited from a partial or full refund of 2019 unemployment fund payments. The refund program may only apply if the full contributions were paid over the 12 months of 2019 and requires a near full employment or layoff rate lower than 5,5% for most companies concerned.

In some cities such as Zhongshan, the application was submitted online which facilitates the communication and approval from relevant authorities.

❖ **Rental exemption or discount & Utility cost reduction**

Although renting from a private company does not entitle to a rental exemption or discount, it is a work in progress and up to negotiation between all parties. In most cases, a discount over a period of one month or payment deferral were agreed on, notably in the manufacturing sector.

If the property owner is a State-Owned enterprise (SOE), private companies can apply for rent reductions or exemptions for two or three months. Nevertheless, it has been the most challenging benefit to argue over as distinct layers are in play at the state, provincial, and city level. Some SOE's consider they are not concerned by this specific regulation. However, some of our members managed to get a 2 months deferral for rental payment.

Electricity power and gas costs have been cut by 5% for all companies except in high-pollution sectors.

❖ **Interest subsidies for new loan**

Since an additional quota of RMB 350bn were given by the State Council to banks in 2020 designated for support of SME's in the private sector, small-sized subsidies have been made available.

Banks are required to indulge with companies have troubling servicing their debts. Outstanding loans should be renewed, rather than withdrawn to ensure enterprises keep stable.

Although most of our members do not consider getting a loan, those who have required it benefited from very low interest rate (50% interest subsidy for 6 months).

❖ **Other benefits (tax, incentives, training, ...)**

- VAT has been cut to 1% from the normal 3% for small tax payers during March to May, including for sales of second hand machines.

- CIT deduction:

- One lump sum deduction for acquiring equipment from enterprises producing key anti-epidemic supplies
- Donation via NGO's or directly to hospitals)

- CIT loss carry-over: affected industries including transport, catering and tourism can write of the loss over a period of 8 years

- VAT Exemption/Excess VAT refund: basically for those relevant to epidemic prevention and control

- IIT deduction and exemption: for donation or support to medical staff

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- Incentive for early return to work: 300 RMB bonus for each employee back to work in the company before Feb. 28th, 2/3 supported by local government
- Bonus of 500 RMB for each new employee hired after Sept. 2019 and before Feb. 28th
- Employees training refund: 1000 RMB/person/year. An official receipt (fapiao) must be provided and training costs within normal price range.
- Import Tariff: although not entirely Covid-19 related, our members have benefited from an import tax refund for products/commodities imported from the US, based on prior trade war rates in 2019 and corresponding HS code.
- Additional remarks: 2019 social insurance 25% refund for a company facing two consecutive quarters of revenue, or Import or export value decreases over 15%, it requires that this company should have the status "affected company". The company should apply it from the District-level public employment service agencies where enterprises participate.

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