



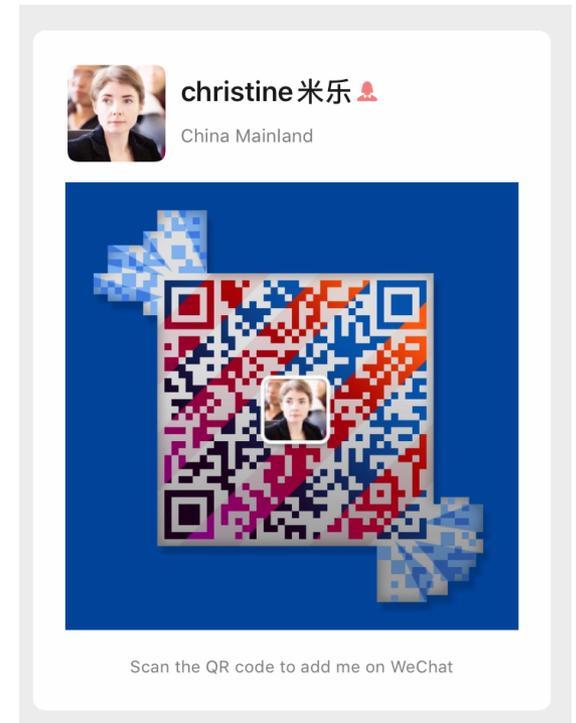
北京德和衡律师事务所  
BEIJING DHH LAW FIRM  
Since 1993

## Financial tools and policies for SMEs facing COVID-19 China support policies for SMEs

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Webinar CCIFC SME Working Group  
6 March 2020  
Christine Miles 米乐

[www.deheng.com.cn](http://www.deheng.com.cn)



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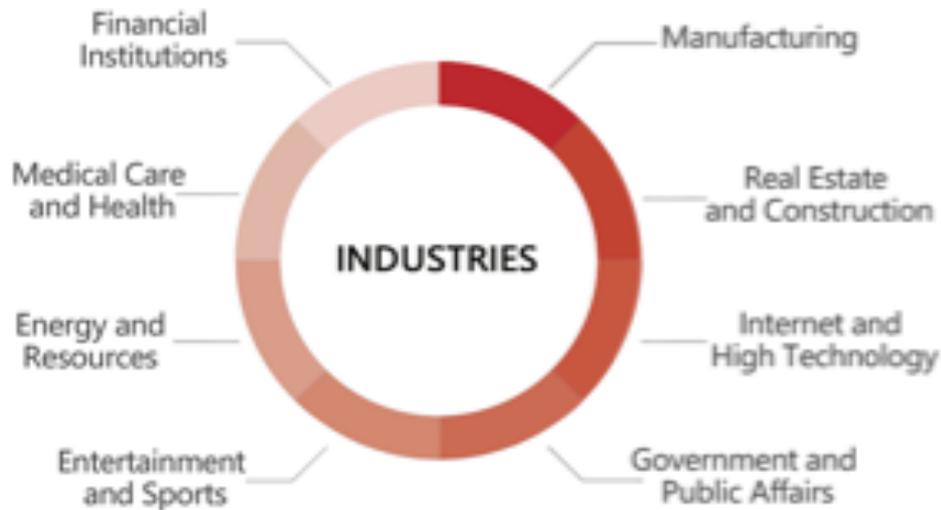
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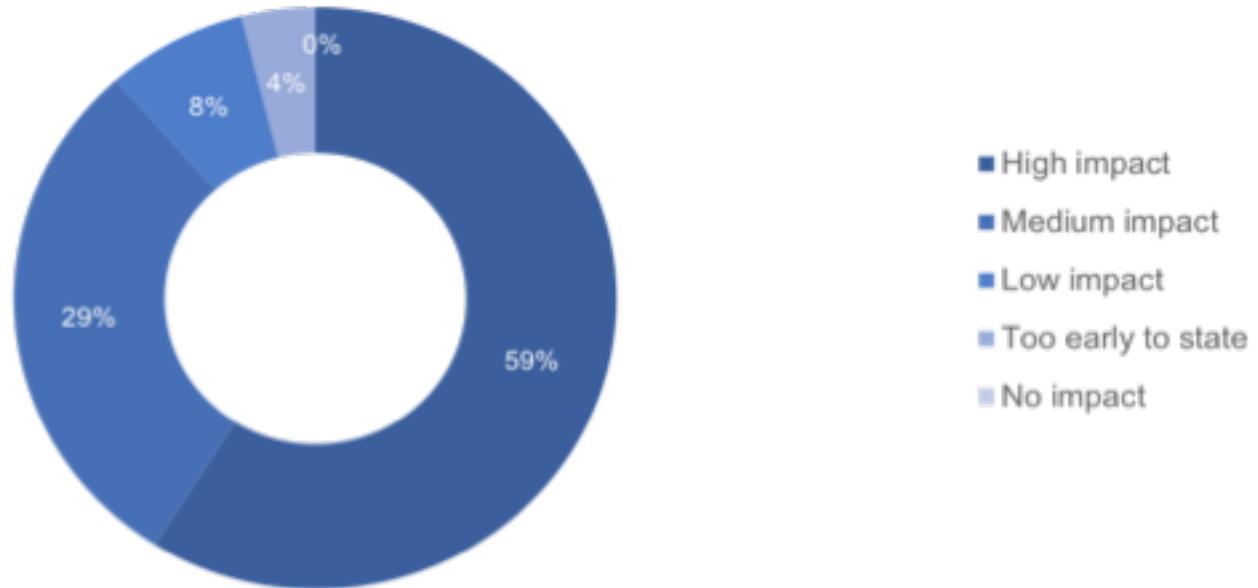
- Challenges faced by companies in the COVID-19 crisis
- Support from Chinese authorities to SMEs



# CHALLENGES FACED BY COMPANIES IN THE COVID-19 CRISIS

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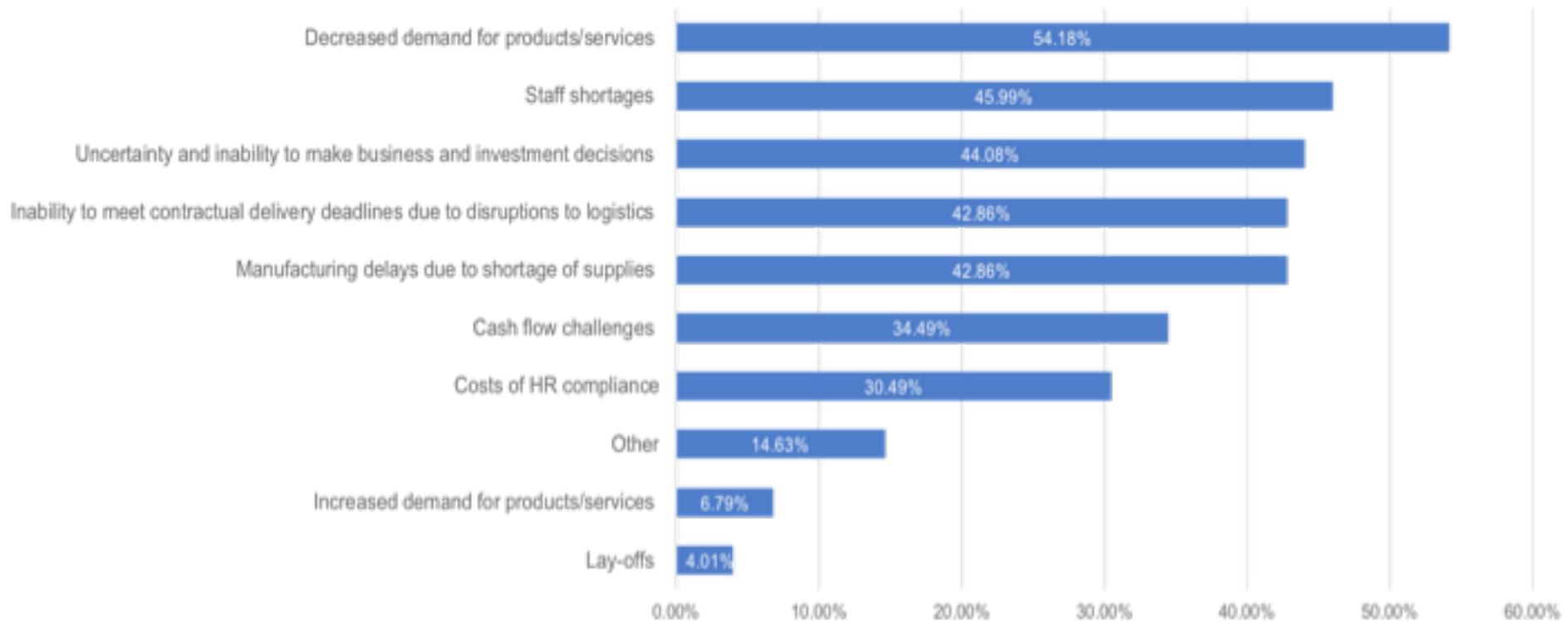
Is the novel coronavirus outbreak, and the resulting prevention-and-control measures, having any current impact on your business? (n=576)





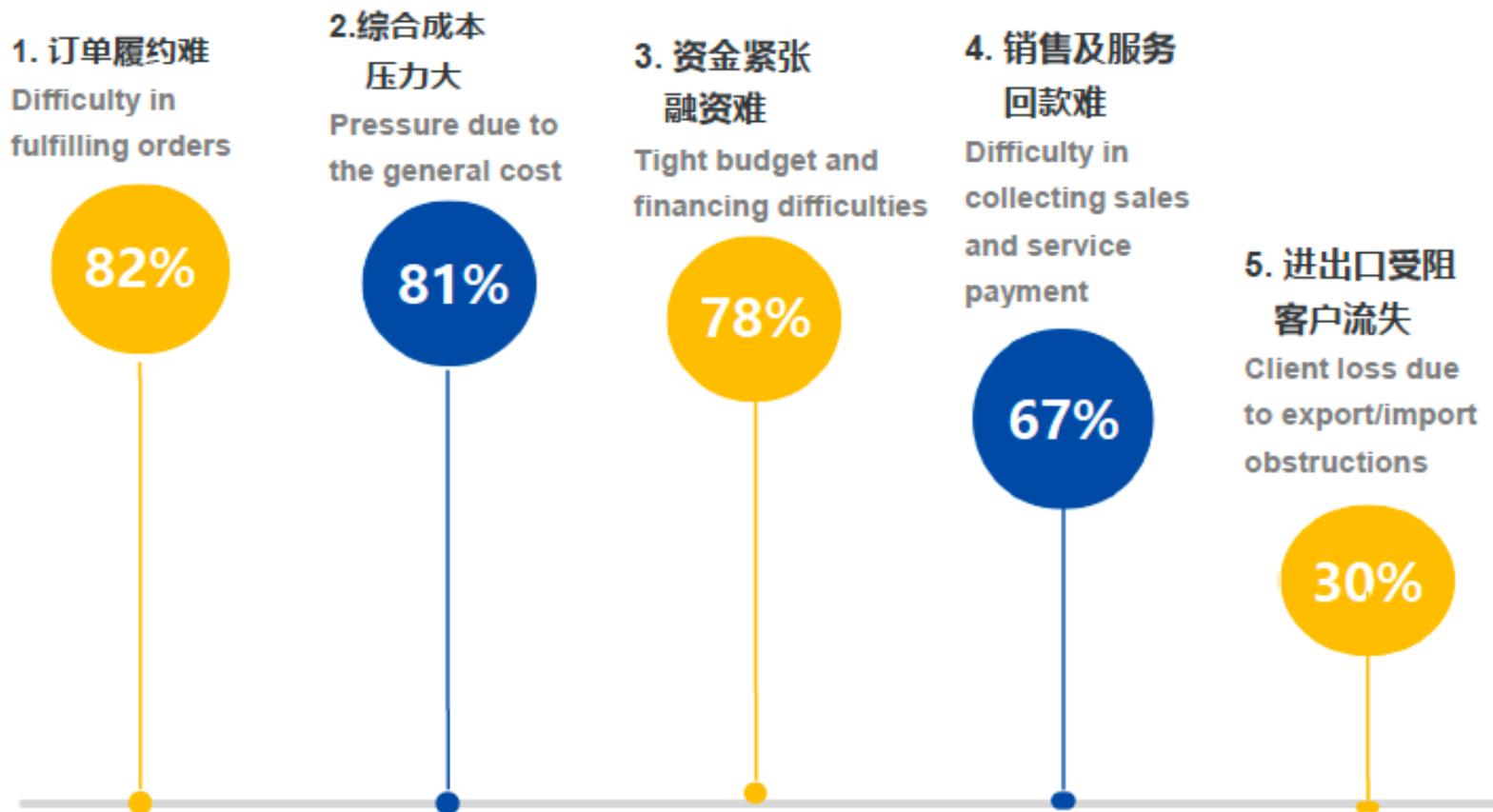
# CHALLENGES FACED BY COMPANIES IN THE COVID-19 CRISIS

Please specify how your business in China has been affected by the novel coronavirus outbreak so far?  
(n=574)



EUCS Survey / COVID-19: THE IMPACT ON EUROPEAN BUSINESS IN CHINA

Main Challenges to be faced by SMEs after the Epidemic Situation

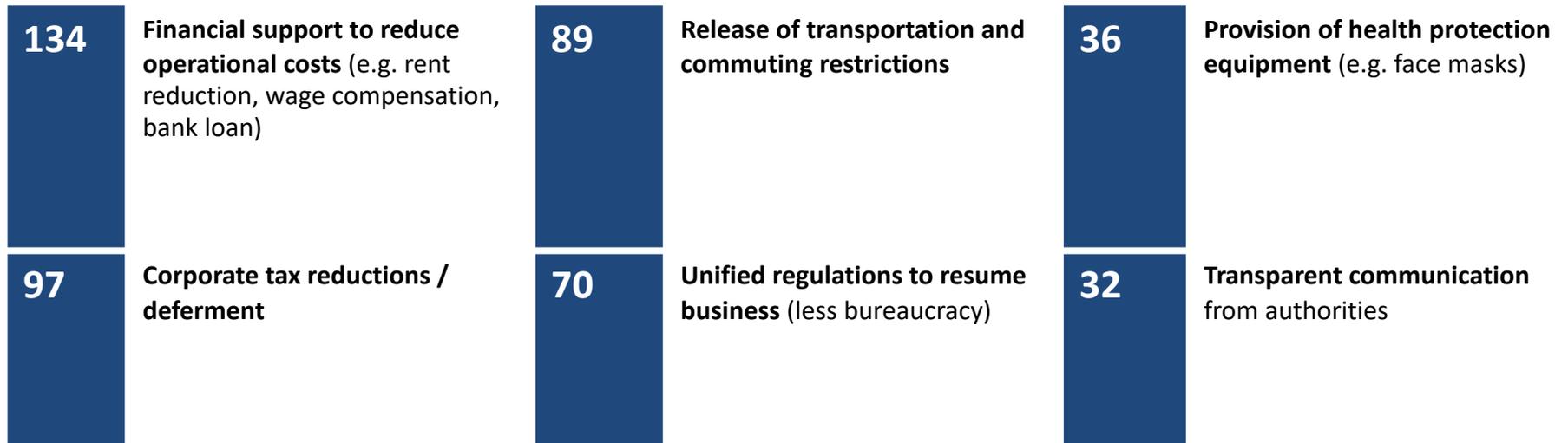


China Centre for Promotion of SME Development survey / Impact of Covid-19 on Chinese SMEs - Feb. 2020



# CHALLENGES FACED BY COMPANIES IN THE COVID-19 CRISIS

Regarding the novel coronavirus outbreak, what kind of support measures would you like to see introduced by the Chinese Government for your specific business?



EUCS Survey / COVID-19: THE IMPACT ON EUROPEAN BUSINESS IN CHINA



# SUPPORT FROM CHINESE AUTHORITIES TO SMEs IN THE COVID-19 CRISIS



# SUPPORT FROM CHINESE AUTHORITIES TO SMEs

- China maintains its target of 2020 GDP at 5,5%
- Chinese government will increase its support to sustain the economy
- It has repeatedly indicated that support to SMEs and FIEs is extremely important in this context
- National treatment for foreign invested companies
- Measures for SMEs applicable to companies as defined by the 2011 MIIT classification (MIIT Enterprise [2011] No.300)



# SUPPORT FROM CHINESE AUTHORITIES TO SMEs

- China has issued numerous measures to support companies amid the COVID-19 crisis
  - at the national level and local level
  - for all companies as well as specifically for SMEs
  - in the following fields
    - ✓ Resumption of work and production
    - ✓ Taxation
    - ✓ Financing
    - ✓ Customs, imports & exports
    - ✓ Support to FIEs
    - ✓ Support to SMEs
    - ✓ Social Security
    - ✓ Energy costs reduction
    - ✓ IPR services
    - ✓ Public legal services
  
- **The following summarizes and highlights measures applicable specifically to SME but cannot be exhaustive. SMEs need to check other measures which could benefit to them given their industry and their location.**

# SUPPORT FROM CHINESE AUTHORITIES TO SMEs

## National policies

Nationwide application  
General principles

- ❖ State Council
- ❖ PBOC
- ❖ MOFCOM
- ❖ CBIRC
- ❖ MOF
- ❖ NDRC
- ❖ MIIT

*About 20 measures for SMEs  
at the national level...*

*...more than 200  
measures for SMEs issued  
by more than 10 local  
provinces or cities*

## Local policies

Local application  
Far more detailed

- ❖ Beijing
- ❖ Shanghai
- ❖ Districts of Shanghai
- ❖ Shandong
- ❖ Guangdong
- ❖ Chongqing
- ❖ Hunan
- ❖ Sichuan
- ❖ Liaoning
- ❖ Fujian
- ❖ (...)



# SUPPORT FROM CHINESE AUTHORITIES TO SMEs

## Examples of National Policies (non-exhaustive)

(1/2)

### Tax

- Delayed Tax Recollection for Enterprises in Operational Difficulties
- Temporary reduction and exemption of real estate tax and urban land use tax
- Pre-tax deductions for charitable donations
- VAT: For small taxpayers (VAT rate set at 3%) – From March 1, 2020 to May 31, 2020:
  - exemption of small taxpayers in Hubei province from VAT
  - Small taxpayers in other regions will pay a lower tax rate of 1% on taxable sales revenue



# SUPPORT FROM CHINESE AUTHORITIES TO SMEs

## Examples of National Policies (non-exhaustive)

(2/2)

### Financing

- Postponement of repayment of principal and interest expenses payable from January 25 to June 30, 2020.
- trim electricity charges by five percent for industrial and commercial companies not from high energy-consuming industries

### Social security

- Reduction and postponement of social security contributions for corporate employees / Registrations for participating in the social insurance plans can be postponed after the end of the epidemic



# SUPPORT FROM CHINESE AUTHORITIES TO SMEs

## Examples of Local Policies (non-exhaustive)

- Allowing deferred tax payment for SMEs in difficulty
- Extending the payment period of social insurance premiums
- Reducing rent for SMEs
- Waiving administrative fees for SMEs
- Subsidizing research and development (R&D) costs for SMEs
- Increasing financial support for SMEs
- Refunding unemployment insurance premiums
- Offering social insurance subsidies for SMEs
- Providing SMEs other subsidies for employee training and purchasing teleworking service products
- (...)

# CONCLUSION

- Practical applicable measures are at the level of the local governments - **need to follow-up very closely**
- Implementation can be unclear in some cities – **need to negotiate locally**
- Probability that banks offer discount rates / local government offer subsidies to attract clients / investors – **need to enter into a dialogue with banks / local authorities**
- Timing: these measures are temporary – they will end quickly when the crisis will end – **need to analyze and take steps to negotiate these incentives before end-March**

**Keep a watchful eye on policies and consult with local government departments/banks in a timely manner to ease the financial burden on the enterprise and restart activity in a better position**

- Apart from these policies, make sure you also protect your company and monitor your obligations on other topics raised by this crisis:
  - **Contractual obligations / force majeure / Hardship**
  - **Employment matters**
  - **Data privacy issues**
  - **(...)**



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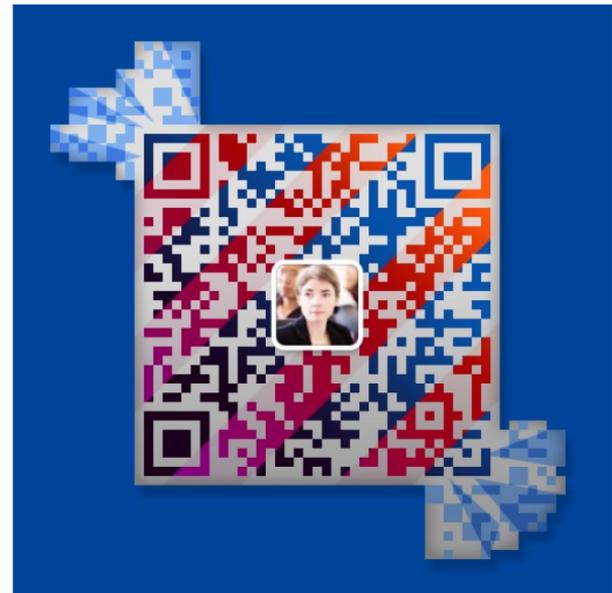
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