INTERNATIONAL BONNARD LAW FIRM SON

China – China's Epidemic Policies: Helping Companies Survive COVID-19

While China still faces new cases of Covid-19 in certain places in the northeast and south, and as a rule foreigners have been forbidden entry since 28.03, life is steadily getting back to normal in most regions (including Shanghai). As part of China's efforts to deal with economic aspects of the virus government policies meant to support local and foreign-invested businesses have been put in place. We provide a sample below.

To minimize COVID-19's influence on businesses, China's government (at multiple levels) issued supporting policies to enable companies to survive through the outbreak. We would like to focus on certain national policies and especially their implementation in Shanghai through Shanghai's 28 Measures[1] . These policies apply equally to local and foreign-invested enterprises ("**FIEs**")[2].

Tax

According to State Administration of Taxation's Announcement No. 8[3], businesses in the transportation, catering, accommodation and tourism sectors are now allowed to carry forward losses for 8 years (instead of 5); furthermore, these industries as well as businesses providing daily life services and express daily necessities delivery are now exempted from VAT.

Shanghai's 28 Measures allow taxpayers to apply and extend the time limit for tax filings in case of Covid-19 related difficulties. Upon approval, they may defer payments for up to 3 months or be exempted from overdue fines.

Social Insurance

Regarding employees' social insurance, Shanghai's local government refunds 50% of the total amount of unemployment insurance premiums actually paid in 2019, to SMEs who only laid off a relatively small percentage of their employees during the crisis.

Medical insurance premium to be paid by employers will be reduced by 0.5% for 2020, while employers failing to pay social insurance premium, after informing the competent department, are allowed to pay the premium within 3 months after the epidemic's termination, without negative consequences.

Financing

Shanghai's government implements favorable financing policies including lower loan rates, more lenient repayment rules and increased loan guarantees. Banks operating in Shanghai are encouraged to extend more credit at lower rates to businesses on the frontier of combatting Covid-19, hard-hit sectors and SMEs.

Companies in sectors like tourism and retail are further provided with more lenient repayment plans according to Shanghai's 28 Measures, such modified repayment schedules and renewing loans without principal repayment. Shanghai's municipal loan guarantee fund increased its guarantees by more than RMB 3 billion compared to 2019, with SMEs and start-ups paying reduced or no fees. Shanghai's government took a proactive approach in relation to FIEs, sharing information of more than 140 Shanghai FIEs with the People's Bank of China, allowing them to benefit from relevant financing support.

Other Concessions

SMEs renting properties from Shanghai municipal government owned-companies were exempted from February 2020's rent. Lessors are encouraged to make as much concessions as possible to their lessees in the form of rent reduction or waiver, in return for tax incentives.

Payments for electricity, water and gas by SMEs can be postponed and their supply would be continued even during arrears. Finally, SMEs (including FIEs) can apply for government-issued Force Majeure certificates if their foreign trade orders failed to be delivered or meet deadline due the epidemic.

Please note the above is only a high level summary of some of the policies put in place. To find out more, feel free to contact our Shanghai office. These policies demonstrate Chinese government's determination to reignite the economy in these troubled times. According to certain reports, China will even allow nationals of some countries back in within the (supposedly near) future. You are encouraged to follow developments, as we sure will.

[1] Measures on Effective Prevention and Control of the Epidemic as well as Support for the Steady and Healthy Operation of Enterprises, entering into force on 07.02.2020.[2] See: Article 5 of the Notice by the General Office of the Ministry of Commerce of Proactively Responding to the Outbreak of COVID-19 and Strengthening the Services for Foreign-Invested Enterprises and Investment Attraction.[3] See: Announcement on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of Novel Coronavirus Pneumonia (COVID-19). Announcement No. 8 actually applies retroactively from 01.01.2020, around the beginning of the outbreak.

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