

Dezan Shira & Associates: How to Use China's Preferential Policies Rolled Out amid COVID-19

To contain the impact of **COVID-19**, authorities at all levels of government have been rolling out policies aimed at bringing Chinese society and economy back to normal. The various policies include fiscal support for the fight against the coronavirus, measures to ensure resumption of businesses, tax waivers, relaxations in social insurance obligations, subsidies for firms, and financial stimulus.

We have compiled a comprehensive list of policies ([see here](#)) issued by China's central and local governments for your easy reference, so interested parties can easily find the original government policy documents, their English versions, and the explanatory articles published on our website.

To help our readers better understand and leverage these policies, this article provides a holistic look on the policy directions of the Chinese government and explains key incentives of benefit to foreign investors.

We dissect the policies from five aspects – work resumption, tax breaks, social insurance cuts, financial stimulus, and support for special industries and entities.

We advise businesses and individuals to first pay attention to the national policies, such as those released by the State Council and central ministries and then keep a watchful eye on whether the local government departments have released corresponding implementation measures (you may navigate the [National Government Service Platform](#) or our [comprehensive list](#)).

Work resumption

For measures on work resumption, companies can focus on four documents:

- State Council: [Guang Fa Ming Dian \[2020\] No.4 \(EN\)](#) issued on February 21, 2020. The document proposed 16 measures in four areas – strengthening staff health testing, ensuring workplace safety, instructing staff in self-protection, and handling abnormal situations. Enterprises can use it as a checklist to ensure that the requirements for work resumption are met.
- State Council: [Guo Ban Fa Ming Dian \[2020\] No.6](#) issued on March 3, 2020. This document announced 10 measures to streamline approval proceedings, lift unreasonable personnel and logistics controls, and optimize services to encourage enterprises to resume work.
- MOST: [Guo Ke Ban Han Qu \[2020\] No.21](#) issued on February 28, 2020. The document issued by the Ministry of Science and Technology (MOST) includes eight measures to support enterprises in the National High-tech Zones to resume operation. Enterprises in the Zones can pay attention to information on the service platform (<https://gxq.Chinatorch.org.cn>) built by the MOST.
- MIIT: [MIIT Zheng Fa \[2020\] No.29](#) issued on February 24, 2020. The Ministry of Industry and Information Technology (MIIT) puts forward classified guidance on the resumption of production in different risk-level regions, different industries, and different enterprises.

Tax breaks

Businesses can pay attention to two documents – [MOF and STA announcement \[2020\] No.8 \(EN\)](#) and [STA Announcement \(2020\) No.4 \(EN\)](#) issued by the Ministry of Finance (MOF) and State Taxation Administration (STA) on February 6 and February 10, respectively, for preferential corporate income tax (CIT) and value-added tax (VAT) policies.

Related China Briefing Article: [China's Preferential Tax Policies to Help Businesses Overcome Coronavirus Stress](#)

Corporate income tax

The STA Announcement (2020) No.8 and No.4 mentioned two major preferential CIT policies.

The first is to allow full deduction of new equipment purchase cost without depreciation for eligible enterprises producing key supplies and materials.

The eligible enterprises are determined by the provincial government, NDRC, and MIIT. You may refer to [Fa Gai Ban Cai Jin \[2020\] No.176](#) and [No. 145](#) to see if you're qualified.

The second is to offer five- to eight-year of loss carry over extension for enterprises in difficult industries, including transportation, catering, accommodation, and tourism (the main business of eligible enterprises needs to account for more than 50 percent of their total revenue in 2020).

Value-added tax

The STA Announcement (2020) No.8 also proposed to monthly refund the incremental input VAT for eligible enterprises producing key supplies ([Fa Gai Ban Cai Jin \[2020\] No.176](#)), exempt VAT of public transportation services, living services, courier delivery services, and transportation of key emergency supplies (the key emergency supplies list can be found in the [Fa Gai Ban Cai Jin \[2020\] No.145](#)).

Individual income tax

According to [MOF STA Announcement \[2020\] No.10 \(EN\)](#), medicines, medical supplies, and protective equipment (excluding cash) issued by the enterprises to individuals for the prevention of COVID-19 are not included in wages and salaries and are exempted from personal income tax (IIT).

Tax cuts on donations

According to [MOF STA Announcement \[2020\] No.9 \(EN\)](#), any individual or enterprise that donates cash or materials responding to the COVID-19 outbreak through qualified social organizations, governments or their departments above the county level, or directly to the designated hospitals are able to enjoy a full deduction on their corporate income tax or individual income tax.

Enterprises, individual industrial and commercial households that donate self-produced, commissioned, or purchased goods through the eligible channels mentioned above can receive exemptions on their VAT, consumption tax, urban maintenance and construction tax, and education surcharge.

Import duty

Based on [MOF GACC STA Announcement \[2015\] No.102 \(EN\)](#), the [MOF GACC STA Announcement \[2020\] No.6 \(EN\)](#) expanded the scope of duty-free imports. Imported supplies used for COVID-19 epidemic prevention and control can be exempted from import duties, VAT, and consumption tax.

China's Preferential Tax Policies Under COVID-19			
Name	Reference code	Authority	Date of issuance
Corporate income tax and value-added tax			
Announcement on Tax Policies to Support Prevention and Control of Pneumonia Caused by Novel Coronavirus	MOF and STA Announcement [2020] No.8	MOF, STA	February 6, 2020
Announcement on Matters Concerning the Administration of Tax Levy in Support of Prevention and Control of Novel Coronavirus	STA Announcement [2020] No.4	STA	February 10, 2020
Individual income tax			
Notice on Financial Support on Individual Income Tax to Support Prevention and Control of the Novel Coronavirus	MOF STA Announcement [2020] No.10	MOF, STA	February 6, 2020
Tax cuts on donations			
Announcement on Tax Policies for Donations to Support Prevention and Control of the Novel Coronavirus	MOF STA Announcement [2020] No.9	MOF, STA	February 6, 2020
Import duty			
Announcement about Tax-free Policies on Imported Products Used to Prevent and Control Novel Coronavirus	MOF GACC STA Announcement [2020] No.6	MOF, GACC, STA	February 1, 2020

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Social insurance cuts

Phased reduction of the payment of three social insurances

Based on [Ren She Bu Fa \[2020\] No.11 \(EN\)](#) and [Shui Zong Han \[2020\] No.33](#), eligible insured enterprises can be exempted from, reduce, or postpone the collection of three social insurances – pension insurance, unemployment insurance, and work injury insurance.

Related China Briefing article: [China to Reduce Corporate Social Insurance Premiums, Defer Housing Provident Fund Payment](#)

From February 2020, small- and medium-sized enterprises (SMEs) (referring to [MIIT \[2011\] No.300, EN](#)) outside Hubei province can be exempted from paying the three social insurances for no more than five months.

For large companies outside Hubei, the payment of the three social insurances can be halved for no more than three months.

All insured enterprises in Hubei province, irrespective of sizes, can enjoy the exemption of premiums of the three social insurances not exceeding five months.

For enterprises found in difficulties due to the epidemic, they can apply for a deferred payment for no more than six months without any overdue fee.

Phased reduction of basic medical insurances payment

According to the [Yi Bao Fa \[2020\] No.6 \(EN\)](#), employee basic medical insurance payment can be reduced by 50 percent for no more than five months since February 2020.

Financial stimulus

Here, enterprises should attach significance to four government documents – [Yin Fa \[2020\] No.29 \(EN\)](#) issued by People's Bank of China (PBOC), [Cai Jin \[2020\] No.3](#) and [Cai Jin \[2020\] No.5](#) issued by MOF, and [Yin Bao Jian Fa \[2020\] No.6 \(EN\)](#) issued by the China Banking Regulatory Commission (CBRC).

Preferential loans and financial interest subsidies

According to the above documents, the PBOC will provide low-cost funds to nine national banks and some corporate banks located in key affected areas through relending, assisting them to provide credit support of preferential interest rates to key enterprises (referring to Yin Fa [2020] No.29).

Optimizing financing guarantee services

The governmental financing guarantee or re-guarantee institutions at all levels should cancel counter-guarantee requirements and reduce the guarantee and re-guarantee fees. The national financing guarantee fund will halve the re-guarantee fees for all governmental financing guarantee and re-guarantee institutions in worst-hit areas.

Temporary extension of loan repayment

For loan principal of SMEs in difficulty (including micro business owners and individual industrial and commercial households) that are due since January 25, 2020, banking financial institutions shall grant to the enterprises the arrangement of temporary deferred repayment of principal for a certain period by means of loan extension or loan renewal. The repayment date may be extended to June 30, 2020 at most.

Support for special industries and entities

Chinese authorities are offering support to industries and entities that have been especially hit by the epidemic to stabilize the economy and employment.

Policies Supporting Different Industries and Entities			
Name	Reference code	Authority	Date of Issuance
Foreign trade and investment			
State Council: China to Take Multi-pronged Measures to Keep Foreign Trade and Investment Stable	—	State Council	March 11, 2020
Circular on Stabilizing Foreign Trade and Investment and Stimulating Consumption in Response to the Novel Coronavirus Pneumonia	Shang Zong Fa [2020] No.30	MOFCOM	February 18, 2020
High-tech industry			
Notice on Further Providing Facilitation Services for Various Science and Technology Enterprises During the Epidemic	Guo Ke Huo Zi [2020] No.38	MOST	February 6, 2020
Transportation industry			
Circular about Resuming Transport Services in Targeted and Orderly Manner and Pushing for Resumption of Production and Operation	Jiao Yun Ming Dian [2020] No.95	MOT	March 13, 2020
Aviation industry			
Circular about Capital Support Policies to Civil Aviation Enterprises During the Coronavirus Epidemic	Cai Jin [2020] No.30	MOF	March 4, 2020
Construction engineering industry			
Circular about Extending the Validity Period of Construction Engineering Enterprises' Qualifications	Jian Si Ju Han Shi [2020] No.38	MOHURD	March 6, 2020

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For instance, trading companies should pay attention to [Shang Zong Fa \[2020\] No.30 \(EN\)](#), which was issued by MOFCOM and contains measures how government departments can spur foreign trade, including simplifying the procedures of managing foreign trade, optimizing public legal services for trading firms, facilitating the development of e-commerce, and reducing import-export restrictions.

Other notices from STA and GACC may also be helpful for some trading firms, such as [STA Announcement \[2020\] No.28 \(EN\)](#), which promotes paperless export tax rebate process, [GACC Announcement \[2020\] No.24](#), which allows the consignee or consignor to be excused from being present when the goods are examined by the customs, [GACC Announcement \[2020\] No.21](#), which permits extension of the time limit of verification and cancellation of manual (account) of processing trade and [notices](#) encouraging paperless applications for import and export license and opening online channels for technological import-export.

Related China Briefing Publication: **China's Support for Foreign-Invested Enterprises to Cope with the Covid-19 Outbreak**

To leverage these policies, we suggest investors pay attention to the central government's policy announcements as well as relevant local policies. This will enable them to assess their eligibility and accordingly get informed of the time and process of application. You are welcome to consult with our professionals on the ground by reaching us at China@dezshira.com.

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