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Chinese Tax Measures re Coronavirus

*by Henderson Taxand
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The coronavirus, COVID-19, has spread rapidly across China since the beginning of 2020. National state level authorities, including the Ministry of Finance (MOF), the State Taxation Administration (SAT) and the General Administration of Customs (GAC), together with provincial and local governments, have reacted quickly to set out a string of tax reliefs and other preferential measures to support enterprises and citizens.

In the face of the outbreak, the Chinese government's first priority is to ensure protective treatments and supplies. Equipment expenditures, which are incurred to increase production capacity by companies engaged in the production of key supplies for epidemic prevention and control, are allowed to full CIT deduction in a single year and apply for full refund of incremental retained VAT on a monthly basis. Allowances and bonuses obtained by individuals participating in the epidemic control and prevention, and medicines and medical supplies given out to individuals for the purpose of prevention of coronavirus COVID-19 will be exempted from China Individual Income Tax ("IIT").

In the tide of many companies and individuals are actively making donations of money and goods to help fight against COVID-19, Chinese government also quickly guaranteed the exemptions for the donors. These exemptions cover goods donated through charity organizations, government authorities, or directly donated to the hospitals which leading coronavirus containment are entitled to be exempted from VAT and Surtax. Besides, the donations made by enterprises or individuals through qualified organizations or government authorities can be fully deducted for CIT and IIT purposes as well.

Besides, under the strict control of the Chinese government and the influence of the epidemic, most cities and industries have been affected when shutting down. In order to cushion the impacts to businesses and economy, Chinese government is also working hard to reduce the tax burden on all sectors. For industries that were significantly affected during the outbreak, especially for transportation, catering, accommodation and tourism, CIT losses incurred in 2020 will be extended from five years to eight years. Going further, China's State Council has also decided to exempt VAT for small-scaled taxpayers in Hubei province (where Wuhan locates in) and reduced the VAT collection rate from 3% to 1% for small-scaled taxpayers in other areas, from March 1 to May 31 in 2020.





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The Chinese government provides a lot of Social Security deferral payment and subsidies. They responded by deferring payments and subsidized the small and medium-size enterprises' rates and the Social Security payments. For instance, the related policies in Shanghai and Beijing are,

City	Industry and size	Social Security type	Waiving Method	Period
Shanghai	All type of Business	Medical Insurance	Employer portion decrease from 10.5% to 10%	202002-202012
	Small and mid-size enterprises	Unemployment Insurance	Employer portion has been exempted; And the latest payment deadline has been postponed by 6 months;	202002-202006
		Workplace Insurance		
		Workplace Insurance		
	Big-size enterprises	Unemployment Insurance	Employer portion has been halved; And the latest payment deadline has been postponed by 6 months;	202002-202004
		Workplace Insurance		
Workplace Insurance				
Beijing	Small and mid-size enterprises	Unemployment Insurance	Employer portion has been exempted; And the latest payment deadline has been postponed by 5 months;	202002-202006
		Workplace Insurance		
		Workplace Insurance		
	Big-size enterprises	Unemployment Insurance	Employer portion has been halved; And the latest payment deadline has been postponed by 5 months;	202002-202004





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Lastly, while the length of the epidemic period is still uncertain, there might be more or less changes to Chinese tax measures regarding Coronavirus. But it should be noted that these tax and fiscal measures are aiming to support resident companies and individuals in China. While these policy measures are unlikely to be enough to completely offset the impact of the virus, they will help to strengthen the activity recovery or cushion the magnitude of slowdown.
