CLIENT ALERTS & INSIGHTS

Reduction and Exemption of Chinese Employer's Contribution to Social Insurance

FEBRUARY 21, 2020

Authors: Lianzhong Pan

On February 20, 2020, the Ministry of Human Resources and Social Security, the Ministry of Finance, and the State Taxation Administration of the People's Republic of China jointly released the Notice regarding Provisional Reduction and Exemption of Social Insurance Contributions Borne by Enterprises (the Notice).

The purpose of the Notice is to alleviate the difficulties of enterprises, promote the orderly resumption of production and business, and support the stability and expansion of employment during the period of fighting the spread of coronavirus in China.

The Notice states that, starting from February 20, 2020:

- Provincial-level governments (except Hubei province) may exempt small, medium, and micro-sized enterprises (the standards of each enterprise type are formulated in the notice of the Ministry of Industry and Information Technology [2011] No. 300) from making the premium contributions to employee basic pension insurance, unemployment insurance, and job-related injury insurance (the Three Types of Social Insurance) borne by employers for a period up to 5 months; and reduce one-half of the premium contributions to the Three Types of Social Insurance borne by large-scale enterprises (excluding government agencies and institutions) for a period up to 3 months.

- Hubei province may exempt all types of enterprises (excluding government agencies and institutions) from payment of the premium contributions to the Three Types of Social Insurance borne by employers for a period up to 5 months.
- Enterprises facing serious difficulties in production and operation due to the impact of the coronavirus epidemic may apply for deferred payment of social insurance premiums for up to 6 months, without penalty of late fee during the deferred period.

The Notice requires each provincial-level government to make its own reduction and exemption rules based on its actual situation within the scope proposed by the above-mentioned three central government agencies.

We believe that implementation rules regarding the reduction and exemption of social insurance premium payment from provincial level governments will come out soon. All Chinese employers should pay close attention to local rules applicable to them and consult with your counsels to take

full advantage of such favorable policies in order to minimize the negative impact of the coronavirus epidemic to your business operations in China.

As the situation with the 2019-nCoV is developing constantly, please contact us or other professional consultants for official advice and further discussion on any relevant topic.

Lianzhong Pan at lpan@beneschlaw.com, 86.21.3222.0388 (Shanghai), or 216.363.4500 (Cleveland).