Updates on China Social Security Policies during the Coronavirus Outbreak

Since the start of 2020, people across China have been working together to fight against outbreak of Coronavirus Disease 2019 (COVID-19). On 30 January 2020, the Ministry of Human Resources and Social Security ("MHRSS") issued an announcement regarding the administration of Chinese social security contributions during the period of prevention and containment of the spread of COVID-19 (Renshetingmingdian [2020] No. 7, hereinafter referred to as “Announcement No. 7”), to ensure appropriate measures are stipulated by local Social Security Bureau ("SSB"). Several local SSBs also released their respective local practices for the administration of social security contributions in response to Announcement No. 7. In addition to Announcement No. 7, the Standing Committee of the State Council met on 18 February 2020 and decided to reduce or waive employer obligations on social security contributions for a specified period of time to ease the burden of enterprises during this difficult time.

Salient points

Announcement No. 7 is instrumental in providing local SSBs with a framework on administering social security contributions during the outbreak of COVID-19. In particular, allowing enterprises to make catch-up employer social security contributions within a period of 3 months following containment of COVID-19 outbreak without adversely impact the employee’s rights to social security benefits.

The Standing Committee of the State Council also determined that it was appropriate to reduce or waive employer contributions to pension, unemployment and work-related injury insurance schemes for enterprises in the following areas:

- **Hubei Province**
  
  Between February and June 2020: All enterprises enrolled in China Social Security Schemes are exempt from making employer contributions to pension, unemployment and work-related injury insurance schemes.

- **Other Provinces & Cities (except Hubei)**
  
  Between February and June 2020: Micro, small and medium size enterprises are exempt from making employer contributions to pension, unemployment and work-related injury insurance schemes.

Regulations discussed in this issue:

- Related announcements issued by the local Social Security Bureau.
Between February and April 2020: Large enterprises may reduce employer contributions to pension, unemployment and work-related injury insurance schemes by 50%.

In addition, many local authorities have introduced policies in accordance with outbreak situation in the respective city/province in order to support local enterprises during the outbreak. The following table outlines some of the local policies announced to date.

<table>
<thead>
<tr>
<th>Local policies</th>
<th>Province/City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferring adjustment to social security contribution base</td>
<td>Shanghai, Sichuan</td>
</tr>
<tr>
<td>Adjusting employer contribution rate for certain social security schemes</td>
<td>Shanghai, Guangzhou, Sichuan</td>
</tr>
<tr>
<td>Payment extension on employer social security contribution</td>
<td>Nanjing, Suzhou, Xiamen, Chengdu, Qingdao</td>
</tr>
</tbody>
</table>

Relevant details are as follows:

- **Deferring adjustment to social security contribution base**
  
<table>
<thead>
<tr>
<th>Province/City</th>
<th>Adjustment to social security contribution base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai</td>
<td>Will be deferred for 3 months and adjusted on 1 July 2020 (instead of 1 April 2020)</td>
</tr>
<tr>
<td>Sichuan</td>
<td>Pension contribution base for year 2020 remains the same as that for year 2019</td>
</tr>
</tbody>
</table>

- **Adjusting employer contribution rate for certain social security schemes**
  
  Reduce the rates of social security contributions for employer will have a direct impact on the cost of employment. Before the periodical reduction or exemption of the employer’s contributions to social security schemes by the Standing Committee of the State Council, some local governments have announced the relevant policies, including:

<table>
<thead>
<tr>
<th>Province/City</th>
<th>Reduced contribution rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Medical</td>
</tr>
<tr>
<td>Shanghai</td>
<td>Reduce by 0.5%¹</td>
</tr>
<tr>
<td>Guangzhou</td>
<td>Reduce by 50%²</td>
</tr>
</tbody>
</table>

¹ Reduced rate of employer contribution to medical insurance temporarily by 0.5% for 2020.
² The rate of work-related injury insurance is reduced by 50% until 30 April 2021.
³ Adjustment on the rates of unemployment insurance until the end of December 2020.
<table>
<thead>
<tr>
<th>Province/City</th>
<th>Reduced contribution rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Medical</td>
</tr>
<tr>
<td>Sichuan</td>
<td></td>
</tr>
</tbody>
</table>

**Payment extension on employer social security contributions**

<table>
<thead>
<tr>
<th>Payment extension</th>
<th>Province/City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum extension of 6 months⁶</td>
<td>Nanjing, Suzhou, Xiamen, Chengdu, Qingdao</td>
</tr>
<tr>
<td>Maximum extension of 1 year⁷</td>
<td>Qingdao (except for medical insurance which can be extended for 6 months at maximum)</td>
</tr>
</tbody>
</table>

Furthermore, in some cities, such as Shenzhen, Changsha, Xi’an, restrictions on applying for refund of unemployment insurance have been relaxed to lessen the burden of enterprises. Zhejiang Province also announced to refund of 1 to 3 months’ employer social security contributions to enterprises based on the specific situation of each location within the province.

**KPMG Observation**

Announcement No. 7 along with the decision of the Standing Committee of the State Council on administration of social security contributions during their meeting on 18 February 2020 emphasize the importance of stipulating appropriate measures to administer social security contributions during the COVID-19 outbreak, in order to facilitate extension of contribution payments and reduction/waiver of the employer contributions to social security schemes to ease enterprises’ cashflow constraints. Many local authorities and SSBs also announced additional policies to alleviate the burden of enterprise.

We recommend enterprises to ascertain applicable policies proactively and timely, as well as analyse the relevant implications and procedures in order to enjoy the relevant relief.

---

⁴ The rate of work-related injury insurance shall be reduced by 20% or 50% respectively on the basis of the actual rate before the periodically reduction in 2018 for the enterprise with accumulative balance of work-related injury insurance fund ranging from 18 (inclusive) to 23 months and above 24 months (inclusive). For the enterprises whose rate of work-related injury insurance shall be increased under floating rate policy, the rate will not be increased for now.

⁵ The reduced social security contribution rate will be implemented until 30 April 2020.

⁶ Due to the Coronavirus epidemic, enterprises that have difficulties in regular production and operation and are unable to pay the social insurance premium temporarily can apply for an extension, which is subject to approval for the maximum of 6 months. During the extension period, the surcharge will not be imposed.

⁷ Due to the Coronavirus epidemic, enterprises that are unable to pay the minimum wage of the employees or unable to operate normally for more than 3 months and only pay the living expense for the employees may apply for an extension of not more than one year.
KPMG will pay close attention to the latest tax and social security policies and announcements. We also welcome companies and individuals to contact us for the latest information and practices.
Contact us

National

Murray Sarelius
People Services Leader
KPMG China
T: +852 3927 5671
E: murray.sarelius@kpmg.com

Northern Region

Vincent Pang
Tax Partner
KPMG China
T: +86 (10) 8508 7516
E: vincent.pang@kpmg.com

Sheila Zhang
Tax Director
KPMG China
T: +86 (10) 8508 7507
E: sheila.zhang@kpmg.com

Vivian Zhou
Tax Director
KPMG China
T: +86 (10) 8508 3360
E: v.zhou@kpmg.com

Eastern and Western Region

Michelle Zhou
Tax Partner
KPMG China
T: +86 (21) 2212 3458
E: michelle.b.zhou@kpmg.com

Joyce Wang
Tax Director
KPMG China
T: +86 (21) 2212 3387
E: joyce.t.wang@kpmg.com

Jimmy Jiang
Tax Director
KPMG China
T: +86 (21) 2212 3459
E: jimmy.jiang@kpmg.com

Robin Xiao
Tax Director
KPMG China
T: +86 (21) 2212 3273
E: robin.xiao@kpmg.com

Southern Region

Grace Luo
Tax Partner
KPMG China
T: +86 (20) 3813 8609
E: grace.luo@kpmg.com

Sophie Lu
Tax Director
KPMG China
T: +86 (20) 3813 8236
E: ss.lu@kpmg.com

Kelly Liao
Tax Partner
KPMG China
T: +86 (20) 3813 8668
E: kelly.liao@kpmg.com

Fiona Wu
Tax Director
KPMG China
T: +86 (20) 3813 8606
E: fiona.wu@kpmg.com

Hong Kong

Murray Sarelius
People Services Leader
KPMG China
T: +852 3927 5671
E: murray.sarelius@kpmg.com

David Siew
Tax Partner
KPMG China
T: +852 2143 8785
E: david.siew@kpmg.com

Gabriel Ho
Tax Director
KPMG China
T: +852 3927 5570
E: gabriel.ho@kpmg.com

Kate Lai
Tax Director
KPMG China
T: +852 2978 8942
E: kate.lai@kpmg.com
For any enquiries, please send to our public mailbox: taxenquiry@kpmg.com or contact our partners/directors.

National Leader

Lewis Lu
Head of Tax, KPMG China
+86 (21) 2212 3421
lewis.lu@kpmg.com

National Tax Markets Leader

Lilly Li
Partner-in-Charge, KPMG China
+86 (20) 3813 8999
lily.li@kpmg.com

National Tax Operations Leader

Anthony Chau
Partner-in-Charge, KPMG China
+86 (21) 2212 3206
anthony.chau@kpmg.com

Regional Leaders

Curtis Ng
Regional Tax Partner-in-Charge, Northern Region
+86 (10) 8508 3208
curtis.ng@kpmg.com

Jennifer Weng
Regional Tax Partner-in-Charge, Eastern & Western Region
+86 (21) 2212 3431
jennifer.weng@kpmg.com

John Timpany
Regional Tax Partner-in-Charge, Hong Kong (SAR)
+852 2143 8790
john.timpany@kpmg.com

Karmen Yeung
Regional Tax Partner-in-Charge, Southern Region
+852 2143 8818
karmen.yeung@kpmg.com

Management Leaders

Services

Legal & Indirect Tax

Research & Development Tax

Global Transfer Pricing Services

M&A Tax

People Services

Trade & Customs

Global Tax Technology

Tax Managed Services

Tax Transformation & Tax Technology

International Tax

Accounting & Payroll

US Corporate Tax

Lachlan Wolters
+852 2685 7791
lachlan.wolters@kpmg.com

Bin Yang
+86 (20) 3813 8605
bin.yang@kpmg.com

Xiaoyue Wang
+86 (10) 8508 7090
xiaoyue.wang@kpmg.com

Michael Wong
+86 (10) 8508 7085
michael.wong@kpmg.com

Murray Sarelius
+852 3927 5671
murray.sarelius@kpmg.com

Eric Zhou
+86 (10) 8508 7610
ec.zhou@kpmg.com

Bin Yang
+86 (20) 3813 8605
bin.yang@kpmg.com

Tony Feng
+86 (10) 8508 7531
tony.feng@kpmg.com

Tax Dispute Resolution

Maggie Mao
+86 (21) 2212 3020
maggie.y.mao@kpmg.com

Michael Li
+86 (21) 2212 3463
michael.y.li@kpmg.com

Lachlan Wolters
+852 2685 7791
lachlan.wolters@kpmg.com

Global Compliance Management Services

Stanley Ho
+852 2826 7296
stanley.ho@kpmg.com

Sector / Market segment Leaders

Auto

Financial Services

Real Estate

US Desk

William Zhang
+86 (21) 2212 3415
william.zhang@kpmg.com

Tracey Zhang
+86 (10) 8508 7509
tracey.h.zhang@kpmg.com

Jennifer Weng
+86 (21) 2212 3431
jennifer.weng@kpmg.com

David Ling
+1 609 874 4381
davidxlwing@kpmg.com

Grace Luo
+86 (20) 3813 8609
grace.luo@kpmg.com

John Timpany
+852 2143 8790
john.timpany@kpmg.com

Ricky Gu
+86 (20) 3813 8620
ricky.gu@kpmg.com

Shirley Shen
+1 669 208 5352
yinghuashen1@kpmg.com

Jessica Xie
+86 (10) 8508 7540
jessica.xie@kpmg.com

Karmen Yeung
+86 (21) 2212 3481
karmen.yeung@kpmg.com

Private Enterprise

Domestic Chinese Market

Japanese Market

Korean Market

Koko Tang
+86 (755) 2547 4180
koko.tang@kpmg.com

Wayne Tan
+86 (21) 2803 3915
wayne.tan@kpmg.com

Naoko Hirasesawa
+86 (10) 8508 7023
naoko.hirasesawa@kpmg.com

Ling Lin
+86 (755) 2547 1170
ling.lin@kpmg.com

Koko Tang
+86 (755) 2547 4180
koko.tang@kpmg.com

Koko Tang
+86 (755) 2547 4180
koko.tang@kpmg.com

Vivian Chen
+86 (755) 2547 1198
vivian.w.chen@kpmg.com

Technology, Media & Telecommunications

Technology, Media & Telecommunications

Asset Management Private Equity

Learning & Development Tax

Sunny Leung
+86 (21) 2212 3488
sunny.leung@kpmg.com

Kelly Liao
+86 (20) 3813 8668
kelly.liao@kpmg.com

Darren Bowdern
+852 2826 7166
darren.bowdern@kpmg.com

Irene Yan
+86 (10) 8508 7508
irene.yan@kpmg.com

Operations

China Tax Centre

China Tax Centre

Learning & Development Tax

Conrad Turley
+86 (10) 8508 7513
conrad.turley@kpmg.com

Carol Cheng
+86 (10) 8508 7644
carol.y.cheng@kpmg.com

Irene Yan
+86 (10) 8508 7508
irene.yan@kpmg.com

kpmg.com/cn

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG, KPMG Advisory (China) Limited, a wholly foreign owned enterprise in China and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. Printed in China.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.