

# GMS Flash Alert



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## People's Republic of China - New Social Security Policies Given Coronavirus Outbreak

On 30 January 2020, the Ministry of Human Resources and Social Security ("MHRSS") of the People's Republic of China 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 help ensure appropriate measures are stipulated by local Social Security Bureaux ("SSBs"). Several local SSBs also released their own 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 on enterprises during this difficult time.

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### WHY THIS MATTERS

Reducing the rates of social security contributions for employers will have a direct impact on the cost of employment and extending payment timelines will help ease some of the burdens on said employers.

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### Government Actions

Announcement No. 7 is instrumental in providing local SSBs with a framework for 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 three months following containment of the COVID-19 outbreak without adversely impacting 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 the 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.

Between February and April 2020: Large enterprises may reduce employer contributions to pension, unemployment, and work-related injury insurance schemes by 50 percent.

## Additional Policies from Local Authorities

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

Local policies	Province/City
Deferring adjustment to social security contribution base	Shanghai, Sichuan
Adjusting employer contribution rate for certain social security schemes	Shanghai, Guangzhou, Sichuan
Payment extension on employer social security contribution	Nanjing, Suzhou, Xiamen, Chengdu, Qingdao

### Relevant Details

- *Deferring adjustment to social security contribution base*

Province/City	Adjustment to social security contribution base
Shanghai	Will be deferred for 3 months and adjusted on 1 July 2020 (instead of 1 April 2020)
Sichuan	Pension contribution base for year 2020 remains the same as that for year 2019

- *Adjusting employer contribution rate for certain social security schemes*

Reducing the rates of social security contributions for employers will have a direct impact on the cost of employment. Before the periodic reduction or exemption of the employer's contributions to the social security schemes by the Standing Committee of the State Council, some local governments announced their own related policies, including:

Province/City	Reduced contribution rate			
	Medical	Work-related injury	Unemployment	Pension
Shanghai	Reduce by 0.5% <sup>1</sup>			
Guangzhou		Reduce by 50% <sup>2</sup>	Reduce the coefficient from 0.6 to 0.4 or from 0.8 to 0.6 <sup>3</sup>	
Sichuan		Reduce by 20% or 50%;  No increase for enterprises which are otherwise subject to increment <sup>4</sup>	1% <sup>5</sup>	Decrease from 19% to 16%

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.

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 periodic reduction in 2018 for the enterprise with an accumulative balance of the work-related injury insurance fund ranging from 18 (inclusive) to 23 months and above 24 months (inclusive). For enterprises whose rate of work-related injury insurance shall be increased under the 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.

- *Payment extension on employer social security contributions*

Payment extension	Province/City
Maximum extension of 6 months <sup>6</sup>	Nanjing, Suzhou, Xiamen, Chengdu, Qingdao
Maximum extension of 1 year <sup>7</sup>	Qingdao (except for medical insurance which can be extended for 6 months at maximum)

6 Due to the COVID-19 epidemic, enterprises that have difficulties in regular production and operation and are unable to pay their social insurance premiums 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 COVID-19 epidemic, enterprises that are unable to pay the minimum wages of their employees or unable to operate normally for more than 3 months and only pay the living expenses for their employees may apply for an extension of not more than one year.

- *Refunds of Social Security contributions, Unemployment insurance*

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

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## KPMG NOTE

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 emphasise the importance of stipulating appropriate measures to administer social security contributions during the COVID-19 outbreak. The measures facilitate extensions of contribution payments and reductions/waivers of employer contributions to the PRC social security schemes so as to help ease enterprises' cash-flow constraints. Many local authorities and SSBs also announced additional policies to alleviate the burdens on enterprise.

We recommend enterprises stay abreast of applicable policies proactively and timely. They should also analyse the relevant implications and procedures so that they may benefit from any relevant relief.

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## RELATED RESOURCE

This article is excerpted, with permission, from "[Updates on China Social Security Policies during the Coronavirus Outbreak](#)" in *China Tax Alert* (Issue 15, February 2020), a publication of the KPMG International member firm in the People's Republic of China.

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