

Rödl & Partner

STRENGTHEN RELATIONS

Quick Check for CFOs:

Liquidity protection in times of the corona-virus pandemic



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The Chinese government initiated several helping measures in order to reduce the economic impact of the corona-virus pandemic.

The measures were published as a general guideline by the central government on 5. March 2020 on a national level. The implementation of individual measures can be different on the level of local provinces. The measures as described below are especially referring to the cities Shanghai, Beijing and Taicang. The guidelines are primarily related to the fields of social security, tax, and financing measures.

Area	Measure
<u>TAX</u>	<u>CORPORATE INCOME TAX</u> <ul style="list-style-type: none">- Companies in certain industries, that have been strongly affected by the epidemic, are allowed to carry the tax loss arising in 2020 forward to the following 8 years, instead of the prevailing 5 years.- Equipment for the manufacturing of protective materials for the prevention and control of the epidemic can be deducted for CIT calculation completely in the year of purchase.- Donations of money and in kind from companies to hospitals or designated charitable organizations can also be entirely deducted for CIT calculation.
	<u>VALUE-ADDED TAX</u> <ul style="list-style-type: none">- For companies with the small scale VAT payer status, a reduced VAT rate of 1 % instead of the prevailing 3% is applicable for the time period March – May 2020.- Small scale VAT payer in the province Hubei are completely exempt from VAT during the time period.
	<u>DEADLINES</u> <ul style="list-style-type: none">- The deadline for the submission of the tax declaration for the time period March is extended until 24 April 2020, further extension can be granted on the basis of special circumstances upon application. However, the extension of the deadline in Shanghai is only extended up until 3 months. For Beijing, there is currently no specific regulation about the length of the extension for the tax declaration. It will be decided by the local tax authorities.
	<u>FINANCING</u> <ul style="list-style-type: none">- The Chinese government provided additional liquidity, which shall be handed out by the banks on reasonable conditions. Commercial banks are instructed to grant increasing credits for SMEs, that are especially affected by the epidemic. The regular interest rate will be reduced by 1/4 during the epidemic control period.- For companies whose cash flow is severely affected by the epidemic, the repayment period may be extended for loans or a grace period agreed. <p><i>The implementation can differ depending on the district or the bank. We therefore recommend a direct consultation with the local bank.</i></p>

Area	Measure		
<u>SOCIAL-SECURITY</u>	<u>PILLAR</u>	<u>BEIJING / SHANGHAI</u>	<u>TAICANG</u>
	<ul style="list-style-type: none"> - Pension insurance - Unemployment insurance - Accident insurance 	<ul style="list-style-type: none"> - Small and medium-sized enterprises (SMEs): Exemption of employers contribution during Feb. – June 2020 (max. 5 months). - Accident insurance: 50% of contributions paid in 2019 will be reimbursed, if employees are not laid off or only to a limited extent. - Large enterprises*: Reduction of employers contribution by 50% for the time period Feb. – April 2020 (max. 5 months). 	<ul style="list-style-type: none"> - SME: Exemption of employers contribution during the time period Feb.- June 2020 (max. 5 months). - Delay of payment is generally allowed for a maximum of 6 months upon application. - Other measures could be applicable, however differing on a district level.
	<ul style="list-style-type: none"> - Health insurance including maternity insurance 	<ul style="list-style-type: none"> - Reduction of employers contribution of 50% during the time period Feb. – June 2020 (max. 5 months). 	Measures can vary on the level of districts.
	<ul style="list-style-type: none"> - Housing fund 	<ul style="list-style-type: none"> - Payments can be delayed upon application. 	Measures can vary on the level of districts.
<p>* Various areas have different distinctions and requirements as follows: Industry: Revenue ≥ RMB 400m or employee count ≥ 1000; Trade: Revenue ≥ RMB 400m or employee count ≥ 200. If the social security contributions are not paid through the own social security account, the classification of the assigned service provider is applicable.</p> <p>Moreover, Shanghai delayed the yearly adjustments of the social security basis from April to July 2020. Since the yearly adjustment generally leads to a higher assessment base, companies are will have an additional relieve. For companies especially affected by the epidemic, the payment of social security contributions can be delayed.</p> <p>Further information about other provinces and the particularly affected province Hubei can be found here.</p>			
<u>OTHER MEASURES</u>	<u>RENT EXEMPTION</u>		
	<ul style="list-style-type: none"> - Shanghai urged governmental landlords, to exempt the rent for commercially used properties of SMEs during the time period February to March 2020. At the same time, private landlords were encourage to offer similar regulations. - In Beijing, the rent exemption of governmental landlords apply only for the month February. 		
	<u>REGISTRATION FEE FOR TRADE FAIRS (TAICANG)</u>		
	<ul style="list-style-type: none"> - Trading companies in Taicang, that are not able to attend trading fairs during the epidemic, will be granted a financial aid of 50% of the registration fee paid. The limit of the financial aid is RMB 50.000 per company and RMB 20.000 per booth. 		
<u>FORCE MAJEURE</u>			
<ul style="list-style-type: none"> - In any single case, it should be examined whether a company can refer to “Force Majeure” as a result of the corona-virus epidemic. 			