

China Legal Briefing*279

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1. Measures to Stabilize Foreign Trade and Investment in reaction to Covid-19

The Ministry of Commerce on February 18, 2020, issued a Circular about stabilizing foreign trade and investment and stimulating consumption in response to the Covid-19 outbreak. A circular is an administration document that has legal effect.

The highlight of the circular is to simplify the procedures in foreign trade management. Companies are encouraged to apply for import & export permits through online channels. Communication channels like online negotiations, video conference and online project signing are available to attract investors and investment projects.

However, the impact of the Covid-19 virus could be serious since the whole Chinese economy was and still is heavily affected by quarantine efforts of the government. Such efforts became necessary after the infection rate exploded particularly in the province of Hubei and its capital Wuhan, in early February 2020. The Chinese government assumes the plunge to be short-termed and controllable and announced efforts to cushion the blow. As Chinese consumers stay away from shops and travel plans, it is expected that the transport and hospitality business, luxury goods industry and retail will face the most severe damage caused by the Covid-19 coronavirus.

2. Measures to Support Foreign Trade Companies to Resume Production and Operation

On February 19, 2020, *the General Administration of Customs* announced ten measures to support foreign trade companies to resume production and promote steady trade growth.

Amongst other actions, the custom clearance procedure is speeded-up for imported production equipment and materials, so-called green channels for imported agricultural goods and food products are set up and inspection procedures are simplified.

These measures apply to trade companies registered in China. Green channels are channels that simplify the procedures of approval and examination. According to the *General Administration of Customs*, the number of foreign trade companies should be increased by the simplifications of their entry procedure.

3. Multiple Tax Policies to Support Enterprises and Individuals

To support companies in the fight against the Covid-19 coronavirus outbreak and reduce the risks of bankruptcy and unemployment, the *Ministry of Finance and the State Taxation Administration* released three documents on February 7, 2020 on preferential policies for corporate income tax, value-added tax (VAT) and individual income tax.

According to the “Announcement about Tax Policies to Support the Prevention and Control of Novel Coronavirus Epidemic”, companies that produce goods that can be used for epidemic prevention and control are allowed to make a one-off deduction before income tax. Furthermore, revenues from transporting emergency supply goods can be excluded from VAT.

According to the “Announcement about Tax Policies on Donations to Support the Prevention and Control of Novel Coronavirus Epidemic”, companies and individuals making donations of cash or materials to fight the coronavirus epidemic will enjoy deductions of such donations under the condition that they pay corporate or individual income tax.

According to “the Announcement about Individual Income Tax Policies to Support the Prevention and Control of Novel Coronavirus Epidemic”, provisional work subsidies and bonuses offered to medical staff and anti-epidemic workers during the fight against the coronavirus would be exempted from individual income tax.

4. Deduction of Social Insurance Premium

On February 20, 2020, the *Ministry of Human Resources and Social Security* and the *Ministry of Finance and the State Taxation Administration* published the “Circular about Provisional Reduction and Exemption of Corporate Contributions in Social Security” (the “Circular”).

According to the Circular, micro and small and medium-sized businesses can apply for exemption from old-age insurance, unemployment insurance and workplace safety insurance contributions between February and June 2020. All types of companies in Hubei province, can enjoy the same exemption from February to June 2020. For the large-sized enterprises outside of Hubei, the above three contributions can be reduced by half.

Neither the *Ministry of Finance* nor the *State Taxation Administration* announced, how the losses resulting from such exemptions are planned to be covered.

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