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Highlights of Chinese Government's Policies in Light of COVID‑19

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Since the outbreak of the coronavirus disease (COVID-19), the China central government has issued policies and guidelines in various aspects to help enterprises and individuals during the epidemic. Following the central government's step and within the central government's framework, the local governments at provincial and/or municipal levels have also published policies and implementation rules to guide the resident enterprises and individuals through this period.

The following is a high-level summary of policies published by the central government recently, which may have practical implications to the daily operations of the clients who have business presence in China or have business connection with China. For enterprises and individuals within different provinces and municipalities, we recommend reading through the local policies and rules as well.

Tax

1. **Tax filing**: The tax return filing deadline for taxpayers and withholding agents may be extended upon application.
2. **Tax exemption and reduction**: Enterprises/Individuals who are providing COVID-19 related services, e.g. participating in COVID-19 prevention and treatment, transportation of COVID-19 related materials, manufacturing COVID-19 related materials, or who are donating COVID-19 related materials, may enjoy certain favorable tax treatment (e.g., tax exemption, tax deduction, etc.). For enterprises within the industries adversely impacted by COVID-19, such as transportation, tourism, hotels, etc., the losses incurred in 2020 may be made up by its income during the following up to eight years. Such eight-year period is extended from the original five-year period.

Employment

1. **Employment agreement**: Employers shall pay salaries to employees who are suspected or confirmed to be infected with COVID-19 or who are in intimate contact of the foregoing. Employers are not allowed to terminate the employment agreement with the foregoing employees pursuant to Article 40 (Termination of Non-Fault Employees) and Article 41 (Economic Layoff) of the PRC Employment Contract Law.
2. **Salary**: The government, in principle, discourages the employer to layoff its employees during the COVID-19 period. If the employer's operation is adversely impacted by COVID-19, it is allowed to adjust the employee's salaries based on the actual situation.
3. **Social security and housing funds**: Subject to certain conditions, employers are allowed to adjust the amount of or delay or cancel the payment of employees' social security and housing funds contribution.
4. **Subsidies**: Some local government, e.g. the Government of Shanghai, grant subsidies to enterprises supporting the prevention and control of COVID-19 for their efforts in creating jobs. The Shanghai government also grant subsidies to employers within the industries adversely impacted by COVID-19 (hotels and catering, culture, sports and entertainment, transportation and tourism) for their efforts in keeping employment stability.

Financial

Financial institutions are allowed to grant loans to such enterprises that are at lower interest rate and are encouraged to provide additional financial assistance to such enterprises.

Real Estate

With respect to real estate that belongs to state-owned assets, landlords are required to reduce the rent. With respect to real estate that are privately owned, landlords are encouraged to reduce the rent, and the government may offer other beneficial policies to such landlords.

Healthcare

New drugs and medical devices that are for the purposes of preventing and controlling COVID-19 are entitled to go through the "green channel" application process, where the procedures are simplified and the time is shortened.

Exit and entry of China

China is not currently prohibiting people from outside the country to enter. However, those entering into China have to comply with the relevant disease control measures at the entry point. For certain cities, the disease control measures are stricter. For example, all arriving passengers should expect basic testing, and all international passengers arriving at Beijing will be subject to a 14-day quarantine at a central isolation facility.

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