



SOUTH CHINA BUSINESS JOURNAL

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INTERNATIONAL ISSUE



2020 | NPC & CPPCC SESSIONS

Annual Legislative and Political Advisory Sessions

Two Sessions Pledge Over US\$559 Billion to Help Domestic Economy

DEPTH

China's Greater Bay Area in 2020: Opening up the Financial Industry, Promoting Integration

D.C. TODAY

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Please contact AmCham event department for more details:

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AMCHAM 25TH ANNIVERSARY

Dear Members,

Just as the rainy spring season is a thing of the past, the heat of the Guangzhou summer is slowly descending upon us once again, giving us yet one more reason to stay inside.

The good news is this month we are looking forward to several very interesting AmCham South China webinars. As many of you are worried about your daughters, sons, or relatives attending US universities our education webinar series will continue with U.S. University education amid COVID-19. We have already lined up some excellent speakers from top universities in the United States who will provide you with all the inside scoops.

The webinar How to Best Protect Your Trademark and Trade Secret in China is especially important as we continue to study the new laws and rules coming out of this year's Two Sessions.

Last year, Beijing made a concerted effort to reassure foreign investors of a level playing field in response to widespread international pushback against market restrictions. The passing of the Foreign Investment Law was a positive step, but its success hinges on the government's ability and willingness to enact the law through concrete measures.

The heart of this year's sessions was a concern over the pace of the economic slowdown. As China continues to transition from a low wage, export-orientated economy to a high-end manufacturing and consumption power, policymakers need

to find ways to both stabilize and stimulate the economy.

The International Monetary Fund estimated in April that China's economic growth rate could be around 1.2% in 2020, which is higher than the projected fall of 5.9% in the United States, but much lower than last year's 6.1%. Most private economists put China's 2020 gross domestic product (GDP) growth rate at between 1.5% and 2.5% this year.

High-end technological development remains at the heart of China's development strategy and will likely continue to cause disputes with the foreign business community and major trading partners. While the Foreign Investment Law promised equal treatment for foreign companies and pledged better IP protection, we still need to pay close attention to the follow-up measures. Realistically, favoritism of domestic companies and discrimination against foreign players will continue, especially in sectors crucial to China's industrial upgrading efforts.

Foreign multinationals continue to require more clarity in their regulatory landscape and should grasp every opportunity to engage their government stakeholders early on as policy agendas are being formulated under new ministry leadership.

You can read more concerning this year's Two Sessions in our cover story on page 5.



Dr. Harley Seyedin
 President, AmCham South China
 Winner of the 2017 Oslo Business for Peace Award
 Awarded by the Award Committee of Nobel Laureates in Peace and Economics
 Visiting Scholar, Jinan University

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PRC Fiscal Policies in Response to the COVID-19 Epidemic

To alleviate the impact of the COVID-19, the Chinese government has introduced a series of supporting policies at both central and local level. In the following, we have summarized some of the key relief measures.

Measures at Central Level

Policies Related to Foreign Investment

Tariff on self-use equipment imported for foreign investment projects encouraged by the Catalogue of Industries Encouraging Foreign Investment will continue to be waived within the investment quota. For projects beyond the investment quota, project companies can make applications with the provincial development and reform commission to enjoy tariff exemptions.

Postponement in Principal and Interest Repayment for Loans to SMEs and Micro Enterprises

SMEs and micro businesses affected by the epidemic can make applications with banks to defer repayment of principal and interest expenses payable from January 25 to June 30, 2020. Overdue loan repayments in the period will not be subject to penalties. Before the end of June, enterprises can also apply for deferred payment of the housing fund.

Extension of Tax Filing Deadline

According to the latest Circular issued by China's State Administration of Taxation, the tax declaration deadline in May is postponed to May 22, 2020, nationwide. Taxpayers who still have difficulties in meeting the new deadline due to the severe impact of the epidemic can apply to the relevant tax authorities for further extensions.

Supporting the "Difficult Industries"

Transportation, catering, accommodation, tourism industries are categorized as "difficult industries". For losses incurred by enterprises in difficult industries seriously affected by the epidemic in 2020, the maximum carryover period may be extended from five years to eight years.

Measures at Local Level (Selected cities in Guangdong Province)

Overview

Local governments mainly formulate policies from the following two aspects:

- Reducing labor cost, social insurance premium and housing fund, e.g. SMEs are exempted from pension, unemployment and industrial injury insurance expenses borne by enterprises from February to June 2020.
- Launching preferential tax policies, e.g. the VAT rate of small-scale taxpayers will be reduced from 3% to 1%; Measures for tax deduction and exemption will be provided for

manufacturers of key materials for epidemic prevention and control.

Shenzhen

- Enterprises producing epidemic prevention materials are encouraged to expand investment in technological transformation. The enterprises can receive a maximum subsidy of 20 million yuan for not exceeding 50% of the investment in equipment.
- The housing provident fund contribution rate is reduced, in which the minimum deposit rate is reduced from 5% to 3%; the housing provident fund payment is also postponed. The period of enjoyment cannot exceed 12 months.

Guangzhou

- Require all banking institutions to ensure that the credit balance and the number of households of small and micro businesses and individuals in the first half of 2020 are not lower than that of the same period in 2019.
- For catering, accommodation, tourism, trade, transportation and other industries that are greatly affected by the epidemic, banks are encouraged to reduce the original loan interest rate by more than 10%.
- Policy-based financing guarantee companies at the municipal and district levels will cancel the counter-guarantee requirements, and the guarantee rate of the affected enterprises will be lowered by 1% point compared with the same period last year.
- In 2020, the Bank of Guangzhou and the Rural Commercial Bank of Guangzhou plan to increase loans to micro, small and medium-sized enterprises by 57 billion yuan and cut the interest rate for new loans to micro, small and medium-sized enterprises across the board, by no less than 10% compared with the same period last year.

Dongguan

- The qualified enterprises, including the "Made In Dongguan" brand exhibition and sales center outside the province, shall be given subsidies of up to 1 million yuan.
- Provide employment subsidies to enterprises that directly recruit employees who are employed in Dongguan for the first time, expand social insurance subsidies for small and micro enterprises to college graduates within two years after graduation, and provide one-time employment subsidies to enterprises that recruit employees who register unemployment for more than half a year.
- 30 million yuan arranged for the development of local mask production equipment enterprises, providing subsidies for enterprises to produce and sell mask machine.
- Set up 10 million yuan of special funds, giving no more than 12% of the subsidies to insurance products related to resuming work and production of the enterprise products.

Following the implementation of various measures, we believe that China's domestic market and its competitive advantages in attracting foreign investment will remain unchanged. The central and local governments are expected to roll out further stimulus measures for various industries. Companies should keep a close eye on these developments, evaluate their operations in China, and make prompt applications if they are eligible to benefit from these incentives and supporting measures.



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