

Chinese Government Actions towards SMEs

Feb.18th Meeting of the State Council Standing Committee

1. **Phased reduction of enterprise payment in pension, unemployment and work insurance.**

Except for Hubei, the above three fees can be exempted for micro, small and medium-sized enterprises from February to June, and can be reduced by half for large enterprises from February to April; Hubei Province can exempt all kinds of insured enterprises from February to June. At the same time, before the end of June, the enterprise can apply for deferral of housing fund payment. During this period, the housing fund loans that the employees fail to repay normally due to the impact of the epidemic will not be treated as overdue.

2. **Issuance of epidemic prevention measures to support the resumption of work, and guidance to all localities to determine the reasonable conditions for the return to work.**

In order to organize migrant workers to return to work, in addition to the areas with serious epidemic situation and high risk of diffusion, the unreasonable provisions restricting workers to return to work shall be corrected. We need to work out plans to delay the enrollment of college graduates and increase online recruitment. Grasp the policy of supporting individual businesses.

3. **Measures to ensure the basic living of unemployed people.**

Ensure that unemployment insurance benefits are paid in full and on time. We will support the development of temporary public welfare posts in areas with severe epidemics, and use unemployment insurance funds to provide unemployment benefits to the unemployed.

2. Support policies at the National Level

1. Tax policies

- **VAT exemption for incomes related to the key production of epidemic protection items and the provision of public services.**

The enterprises in the most affected and difficult industries suffered losses in 2020, and the longest carry-forward period was extended from 5 to 8 years. For the outbreak prevention and control key protection material production enterprises, newly purchased related equipment for expanding production capacity is allowed to be included in the current cost and deducted before corporate income tax; the outbreak prevention and control key protection material production enterprises can apply for a full refund of VAT on a monthly basis Incremental tax credits; losses incurred by companies in difficult industries (including transportation, catering, accommodation, and tourism) affected by the epidemic in 2020 will be extended from 5 to 8 years; public provision for taxpayers Income from transportation services, living services, and the provision of courier services for the delivery of essential living materials to residents is exempt from VAT.

- **Enterprises and individuals that donate cash and articles for the cause against COVID-19 through public welfare social organizations, governments at the county level and above, and other state agencies, are allowed to full deductions when calculating taxable income.** Enterprises and individuals that donate cash and articles for the cause against COVID-19 through public welfare social organizations, governments at the county level and above, and other state agencies, are allowed to full deductions when calculating taxable income; direct medical devices donations to main hospitals responsible for the epidemic prevention task are allowed of full deductions when calculating taxable income.
- Extend tax reporting period according to epidemic prevention needs;
Actively expand "contactless" tax payment services.

2. Financial Support

- Support financial institutions to increase credit support through special re-loans;
- The central government arranges discount funds to support enterprises to reduce their financing costs;
- Strengthen the supervision and management of emergency security funds.

3. Employment Support

- Encourage consultation to resolve employment issues before returning to work, and flexibly arrange working hours;
- Supporting companies in need to negotiate wages and benefits, and pre-resumption of benefits;
- Help companies to conduct online recruitment and other methods to reduce recruitment costs and crack down on labor price increases;
- Make good use of the unemployment insurance policy for stable job return.

4. Operational Support – 20 Policies Released by MIIT

I. Fully guarantee the orderly resumption of production and production of enterprises

- 1. Strengthen the classification guidance.** Ensuring the resumption of work of key enterprises, then promote the orderly resumption of production in general enterprises in a timely, active and steady manner.
- 2. Promote the implementation of measures to resume work and resume production.** Guide enterprises to formulate resumption of work and production plans and emergency plans, and implement the main responsibilities and measures of the epidemic prevention and control.
- 3. Strengthen the guarantee of the elements for resuming work and production.**
- 4. Give play to the role of SMEs in preventing and controlling service epidemics.** For SMEs that have the conditions and are willing to switch to production of epidemic prevention materials, "one enterprise, one strategy" must be provided, and all efforts should be made to help coordinate and solve the problems in the process of switching.

II. Further strengthen financial support for SMEs

5. **Promote the implementation of national fiscal and taxation support policies for key enterprises in epidemic prevention.** Assist local small and medium-sized enterprises included in the list of key enterprises in the central epidemic prevention and control to apply for discount support and tax incentives. Encourage local finance to provide further support on the basis of discounts on central bank loans.
6. **Encourage local governments to introduce relevant financial support policies.** Encourage localities to combine the actual situation of local SMEs affected by the epidemic, reduce and exempt taxes and administrative fees in accordance with laws and regulations, and promote the introduction of reductions and exemptions on property rents, periodic deferral or appropriate return of social insurance premiums, deferred payment of taxes, and reduction of production factor costs.
7. **Promote efforts to increase government procurement and debt collection.** Guide budget units at all levels to increase their focus on SMEs and increase the amount and proportion of procurement for SMEs. Intensify the clearing of the arrears of owed SMEs by administrative organs, institutions and state-owned enterprises, and speed up the completion of the target tasks of arrears, and no new overdue payment shall be formed.

III. Further strengthen financial support for SMEs

8. **Increase credit support.** Promote the docking of financial institutions with localities, appropriately reduce loan interest rates, increase credit loans and medium- and long-term loans. Don't blindly draw down, cut off, or press down on loans. Those who have difficulty repaying due loans can be extended or renewed.
9. **Strengthen financing guarantee services.** Guide government financing guarantee and re-guarantee institutions at all levels to cancel counter-guarantee requirements and reduce guarantee and re-guarantee rates. Compensate in a timely manner, and appropriately extend the time limit for recovery according to the situation, and if the write-off conditions are met, write-off compensation losses shall be written off according to regulations.
10. **Innovative financing products and services.** Actively promote the use of financing methods such as supply chain finance, commercial factoring, receivables pledge, and intellectual property pledge to expand the financing supply to SMEs.
11. **Accelerate the promotion of equity investment and services.** Actively bring into play the synergy effect of national and local SME development funds, encourage social capital to increase investment in innovative and growth-type SMEs that have been temporarily affected by the epidemic, and accelerate investment progress.

IV. Further strengthen innovation support for SMEs

12. **Organize the innovation of related technologies and products for epidemic prevention and control.** Encourage "specialized and special new" small giant enterprises and "specialized and special new" small and medium-sized enterprises to carry out epidemic prevention

research; start the 2020 "Maker China" SME Innovation and Entrepreneurship Contest "epidemic prevention and control" category project collection.

- 13. Support the digital transformation of enterprises.** Vigorously promote Internet platform services for SMEs, actively promote online office, video conferencing, remote collaboration and digital management, accelerate the deployment of 5G and industrial Internet applications, and promote a number of industrial software applications suitable for SMEs.
- 14. Support enterprises to improve the level of intelligent manufacturing.** Guide large enterprises and professional service agencies to launch cloud manufacturing platforms and cloud service platforms for small and medium-sized enterprises, and develop products, solutions and toolkits that are suitable for the intelligent manufacturing needs of small and medium-sized enterprises. Promote cloud-based deployment of SME business systems, interface with industrial Internet platforms, guide basic and qualified SMEs to accelerate the intelligent transformation of production lines, and promote the deployment and application of low-cost, modular intelligent manufacturing equipment and systems in SMEs.
- 15. Promote the integration, innovation and development of large and small enterprises.** Accelerate the implementation of the three-year action plan to promote the integration and development of large and small enterprises. The leading role of large enterprises in the industrial chain will help SMEs communicate and cooperate with upstream and downstream enterprises in the supply chain.

V. Further strengthening public services to SMEs

- 16. Give full play to the role of public service platforms for SMEs.** Guide local SME public service platform networks to timely sort out various supporting policies for benefiting enterprises, and carry out special services such as consulting and interpretation of SME epidemic prevention and control support policies.
- 17. Strengthen training services.** By carrying out online training, etc., policies, technologies, and management will be sent to SMEs, and various preparations will be made for enterprises to resume normal production and operation.
- 18. Strengthen legal services related to the epidemic.** Assist small and medium-sized enterprises that cannot fulfill their foreign trade orders as scheduled due to the epidemic situation and apply for factual proof of force majeure to reduce corporate losses. For those companies that cannot perform their obligations normally due to the impact of the epidemic, coordination is not recorded in the credit record.

VI. Further strengthen overall coordination

- 19. Give play to the role of the coordination mechanism for promoting the development of SMEs at all levels, and request the convening of a leading group meeting for special research and deployment.** Take precise and effective measures in accordance with the actual situation, reduce the burden on enterprises, reduce production costs, stabilize personnel employment, ensure the supply of factors, help the small and medium-sized enterprises to resume work and production in an orderly manner, and effectively ensure the stable operation of the economy.

20. Strengthen monitoring and analysis of SME production. The competent departments of small and medium-sized enterprises at all levels shall effectively perform their duties, strengthen the monitoring and analysis of the production and operation of small and medium-sized enterprises, and promptly identify and promote the resolution of outstanding problems encountered in the process of resuming production and resuming production. Strengthen departmental coordination, form a joint effort, and jointly promote the implementation of national and local government's various beneficial enterprise policies.

3. Support policies at the local-level

I. Reduction of tax burden

- **Delayed Tax Recollection for Enterprises in Operational Difficulties.** SMEs with difficulties to file tax returns due to the epidemic situation may extend their tax payments for a maximum of three months. For the "regular quota" households affected by the epidemic, the quota shall be adjusted or the procedures for business suspension shall be simplified.
- **Temporary reduction and exemption of real estate tax and urban land use tax.** If enterprises affected by the epidemic experiencing interrupted production or suffering heavy losses encounter difficulties to pay property tax or urban land use tax, they may apply for a temporary reduction or exemption.
- **Pre-tax deductions for charitable donations.** The donation expenses of individuals to fight the epidemic through social units that meet the qualifications shall be deducted when calculating the taxable income. If taxpayers donate epidemic prevention materials free of charge and sign donation contracts, they shall not pay stamp tax.

II. Reduction of payment burden

a) Implementation of social security subsidies for enterprises to stabilize posts (specific indicators formulated by each region)

- **Return 50% of unemployment insurance from 2019.** For enterprises with temporary production and operation difficulties due to the epidemic that insist on avoiding or minimizing layoffs, the unemployment insurance premium can be refunded according to the standard of per capita unemployment insurance premium and the number of insured employees in the previous six months.
- **Decrease unemployment insurance.** The payment rate of unemployment insurance will be reduced in stages, with the unit rate and individual rate of employees being both kept at 0.5%.
- **Increase social insurance subsidy for employees.** By the end of April, if the average number of employees of the enterprise is increased by 20% (excluding) compared with the average number of employees the previous year, the enterprise shall be given a subsidy of 30% of the social insurance premium payable for three months at once; if the increase is of more than 20%, the enterprise shall be given a subsidy of 50% of the social insurance premium for three months at once.

- **Prologue social security insurance payment period.** For the insured units in this city affected by the epidemic, if they fail to go through the insurance registration, pay social insurance premiums and other businesses on time, they are allowed to make up within three months after the end of the epidemic without negative consequences for the business or the employees.

b) Deduction of administrative fees

- **Suspend partial Enterprise related charges.** During the epidemic period, greatly affected (M)SMEs will be exempted from levying inspection fees for special equipment, sewage treatment fees and road occupation fees.

III. Financing support

a) Credit increase:

- **Guarantee that enterprises with temporary difficulties will have continuous loans, which shall not be stopped nor pressured, with due loans extended or renewed appropriately.** In the whole year, the growth rate of (M)SME loans was higher than that of various loans. The growth rate of inclusive small and micro enterprise loans of large banks in China was no less than 20%. Loans may be extended or renewed to (M)SMEs that are facing temporary difficulties but have prospects for development, and that have not repeatedly asked for different loans or have held back on loans.

b) Reduction of financing cost:

- **Accelerate and expand the use of LPR pricing benchmark.** Reduce in 2020 the comprehensive financing cost for inclusive SME loans by 0.5% compared to 2019.

c) Fiscal discount:

- **Preferential interest rate and financial discount for special loan.** Preferential interest rate support shall be given to enterprises that are necessary for urban and rural operation, epidemic prevention and control, people's livelihood and other. Eligible (M)SMEs shall be given discount interest on loans, subsidies for bonds and financial leasing fees. For enterprises enjoying the special re loan policy support of the PBOC, the municipal and district financial departments shall give 50% discount interest according to the special re loan interest rate of the PBOC.

d) Broadening of stock financing channels:

- **Support stock pledge negotiation extension and online listing training.** If the stock pledge agreement of SMEs expires during the epidemic prevention and control period, and the enterprise applies for extension due to repayment difficulties, it can negotiate with financial institutions such as securities companies an extension period of 3 to 6 months. Actively promote the guidance and acceptance work of the selected layer applied by the IPO of the proposed listed company and the innovation layer of the new third board, and adopt flexible and efficient methods such as off-site guidance and acceptance. The construction of online services platforms in the capital market will be accelerated and trainings for listing will be provided.

e) Facilitate Financing Possibilities:

- **Strengthen the rapid response mechanism for financial services and the construction of a network platform for banks and enterprises to connect.** Measures include improving the functions of the Enterprise Renewal Service Centre, improving the “first loan” rate, developing supply chain credit and debt platform based on blockchain among others.

f) Optimisation of financing guarantee services:

- **Reduce guarantee rate.** During the epidemic, the government guarantee agency reduced the comprehensive rate by 0.5% for SMEs seriously affected by the epidemic; for enterprises providing life service guarantee during the epidemic, the guarantee rate dropped to below 1.5%; for the enterprises related to epidemic prevention and control, the guarantee rate dropped to below 1%.
- **Cancel the counter guarantee requirement and reduce the government re guarantee fee by half.** When the government institutions provide guarantees, the anti guarantee requirements shall be cancelled, and the guarantee fee shall be halved; when the government institutions provide re guarantees, the guarantee fee shall be halved, and other types of guarantee institutions shall be encouraged to implement by reference.

g) Subsidies for leasing:

- **Postpone or reduce financial lease rent and interest, and support rent extension and new financing.** Financial leasing companies carrying out leasing business related to epidemic prevention and control, such as material production equipment, medical equipment, inspection and quarantine equipment, are encouraged to slow or reduce the rent and interest, to extend the rent receivable and increase financing, and actively provide differentiated preferential leasing services.

IV. Employment support

a) Establishment of incentive mechanism for key enterprises

- **Provision of cash subsidies to human resources service institutions and vocational colleges that provide stable employment.** If the city's human resources service institutions transfer more than 30 people to key enterprises without jobs at one time and sign labor contracts for more than one year, rewards will be given (maximum RMB 600 per person according to the number of people transferred and the stable employment time); if the vocational colleges transfer more than 30 graduates or interns at one time and have been employed or interned for more than three months, a maximum RMB 1000 per person will be rewarded.

b) Implementation of subsidy policies for training fees

- **During the shutdown period, employees shall enjoy 95% subsidies for training.** Those enterprises affected by the epidemic that organize employees (including labor dispatch personnel working in the enterprise) to participate in all kinds of online vocational training during the shutdown period shall be included in the scope of enterprise employee training subsidized by local education additional special fund in each district, and shall enjoy 95% subsidy according to the actual training cost. The unemployed can enjoy free training in accordance with relevant regulations.



V. Reduce the burden of operational costs

a) Rent preference (each region shall formulate its own specific indicators)

- The state-owned operating units shall be rent free for one to three months, and private operating units shall be encouraged to negotiate for rent reduction.
- Aside from aforementioned tax reductions, during the epidemic period, the government shall give certain financial subsidies to (M)SMEs for rent reduction or exemption for renting houses.

b) Reduction of energy consumption and logistics costs

- **Reduce the price of electricity and gas for small and micro enterprises, and promote the cost reduction and efficiency increase of logistics industry.** The price of industrial electricity shall be adjusted according to the national policy for (M)SMEs. The price of industrial water and the price of natural gas shall be reduced by 10%, in a period of three months. Water and electricity subsidies shall be given to the industries affected by the epidemic. Port cities will deepen the "direct delivery to the ship" of imported goods and implement the "direct loading on arrival" of export goods. Support shall be provided for enterprises to apply the operation mode of "port gathering" and "direct loading upon arrival" within 24 hours before port clearance to further reduce the border compliance time.

VI. Others

a) Guarantee enterprise materials for the epidemic

- **Actively help enterprises to coordinate and solve the demand for epidemic prevention materials.** Authorities shall increase the guarantee for the resumption of production and employment of enterprises, actively help enterprises to coordinate and solve the demand for epidemic prevention materials, strengthen technical support for prevention and control work, and supervise and guide enterprises to carry out production and operation activities on the premise of meeting the epidemic prevention and control standards.

b) Government procurement

- **Increase support for government procurement and the purchase of products and services by SMEs.**

c) Capacity underwriting

- **The government will underwrite the surplus production capacity of anti epidemic materials.** For enterprises that are in urgent need of medical protective materials, such as medical protective clothing and N95 masks, the surplus output after the end of the epidemic will be collected and stored by the government, and will be included in the reserve system orderly after the end of the epidemic, and will continue to be collected and stored.