

# **Policy Measures of Shanghai Municipal People's Government on Effective Prevention and Control of the Epidemic As well as Support for the Steady and Healthy Operation of Enterprises**

(An Executive Summary)

To provide comprehensive support for enterprises in Shanghai to fight the epidemic of Pneumonia caused by Novel Coronavirus 2019 nCoV (referred to as NCP) and to effectively reduce the burden on enterprises, Shanghai Municipality released 28 policies measures which include intensifying fiscal support for enterprises playing key roles in epidemic prevention; temporary lowering and waiving of rentals for enterprises; tax concession for enterprises and individuals that meet relevant criteria; temporary exemption of regular lump-sum tax for individual businesses; temporary cut in medical insurance contribution rate for employers and etc. The details are as follow:

## **I. Support for enterprises to navigate through this epidemic**

### **i. Intensified fiscal support for enterprises playing key roles in the epidemic prevention.**

In accordance with national policies and regulations, for companies producing key supplies for epidemic prevention and control, expenses on new purchase of equipment for capacity expansion can be accounted for as one-off deductible in income tax calculation and full refund will be granted for overpaid VAT. Corporate incomes generated from provision of services that include transportation of key supplies for epidemic prevention and control, public transport, livelihood-related sectors as well as delivery of daily necessity to ordinary citizens will be exempted from VAT levy. Registration fees are waived for NCP prevention-related drugs and medical devices. Civil Aviation Development Fund contribution will be waived for carriers. Losses incurred by governmental requisition on companies producing key prevention supplies will be compensated in full by municipal treasury. For cancellations on signed export orders of key prevention supplies as a result of governmental requisition, subsequent tax burdens shall not be borne by the companies. Enterprises and individuals who

demonstrate great courage to assume social responsibility in the prevention and control of the NCP epidemic shall be awarded with honors.

**ii. Strengthened special financial and credit support for enterprises playing key roles in the epidemic prevention.**

Shanghai branches of development banks, policy banks and large state-owned commercial banks as well as Shanghai-incorporated banks are encouraged to actively employ PBOC's Special Refinancing Policy by offering concessional loans to enterprises (including SMEs) that produce, transport and sell key prevention supplies and daily necessities. On top of the discounted loan rate, half of the interest on the loan will be subsidized by Shanghai government to make sure that the real interest rate on the loan is lower than 1.6%. Support will be given to financial institutions in Shanghai in issuing financial bonds, specific-purpose bonds as well as others to raise fund for areas related to epidemic prevention and control.

**iii. More direct financing channels for enterprises related to epidemic prevention and control**

To give a full play of the strength of Shanghai's financial markets, the city will optimize its services for companies related to the NCP epidemic prevention and control by supporting the companies' listing, refinancing, M&A, bond issuance as well as asset securitization effort. High-tech companies in the field of NCP epidemic prevention and control are encouraged to be listed at the Sci-Tech Board of Shanghai Stock Exchange. Venture capital funds and equity investment institutions are encouraged to channel funds in the market through to enterprises engaging in the R&D and production of related medical equipment, vaccines and pharmaceuticals.

**iv. Highlighted role of insurance as a safety net in the fight against the epidemic.**

Given the urgent import needs of institutions for medical supplies as well as epidemic prevention and control supplies, the Shanghai branch of China Export and Credit

Insurance Corporation is encouraged to actively engage in import prepayment insurance business and to make timely compensation of legitimate claims filed by customers affected by the epidemic. Insurance institutions are encouraged to offer free casualty insurance and life insurance for Shanghai's medical workers and disease control professionals who are in Hubei to support the prevention and control work as well as ones who have participated in the city's combat effort. Insurance institutions are also encouraged to extend the scope of coverage of casualty insurance and illness insurance to the NCP and etc.

**v. Support for key enterprises in the supply and marketing of epidemic prevention materials to increase their capacity and import.**

After evaluation, government subsidies will be granted to enterprises requisitioned to cover 50%-80% of the total cost of the subsequent technology upgrading. Up to 100% compensation will be offered by the government to cover investment made by requisitioned companies to expand manufacturing capacity of designated categories of products. When the epidemic is over, excesses due to requisition and mandated production, in the event of sales difficulty, shall be underwritten by the government or be procured by the government in accordance with relevant regulations as official reserves. For imported supplies for medical use, in case of sales difficulty with excesses after coordinated allocation, the municipality will take the excessive part into custody, in accordance with relevant regulations, as municipal strategic reserves. For imported supplies of mandated categories and quantities for civil use, in case of sales difficulty with excesses after coordinated allocation, the municipality will take the excessive part into custody, in accordance with relevant regulations, as municipal strategic commodity reserves.

**vi. Preferential tax arrangements for imported supplies for epidemic prevention.**

In accordance with national policy, supplies imported as donations to epidemic prevention and control shall be exempted from import duties and import-linked value-

added tax and consumption tax. Supplies that are imported for direct use in epidemic prevention and control, as mandated by municipal health authorities, shall be exempted from import duties and refund will be granted for previous levies.

**vii. Green access for rapid customs clearance of imports for epidemic prevention.**

Special windows and green accesses will be opened to process the import of supplies for epidemic prevention, with round-the-clock service guaranteed at major import ports. Two-step declaration, early declaration and other operations are adopted. Priority will be given to imported supplies that warrant examination at inspection check points, ensuring timely and rapid inspection. For duty-free imports of epidemic prevention, release can be granted after basic filing and relevant proofs can be submitted later.

**viii. Support for effort overcoming the obstacles in the R&D and production of innovative products for epidemic prevention and control**

A special project dedicated to the R&D and production of innovations in NCP diagnosis and treatment will be organized at the municipal level to promote rapid development of capacity and application of innovative products for the epidemic prevention and control, with funding coming from the Earmarked Fund for Strategic Emerging Industries, the Earmarked Fund for Industrial Transformation and Upgrading as well as the Earmarked Fund for Scientific and Technological Innovation Program.

## **II. Burden for all Types of Enterprises being effectively alleviated**

**ix. Rental reduction and forgiveness for enterprises**

SMEs renting non-residential properties from Shanghai-based state-owned enterprises (including all kinds of development zones and industrial parks, start-up bases and high-tech incubators, etc.) to engage in production and commercial activities will have their rentals for February and March waived off. For SME tenants with indirect lease, this policy should be ensured to be implemented on the ground. State-owned enterprises are

encouraged to make as much concessions to the SMEs as possible by means of relief or suspension of rental payment upon consultation. The impact of implementing these policies will be recognized in the annual performance appraisal of these State-owned enterprises. Large-scale commercial buildings, shopping malls, industrial parks and other market operators are encouraged to reduce rental for tenants physically operating in the buildings. Enterprises that have taken the initiative to reduce rental for their tenants and have difficulty in paying property tax and urban land use tax may apply for exemption or reduction of corresponding property tax and urban land use tax.

#### **x. Delaying in tax filing**

During the period of epidemic prevention and control, taxpayers who have difficulty in filing taxation within the statutory time limit due to the epidemic may apply for further extension in accordance with relevant laws and regulations. Taxpayers who have difficulties in making timely tax payment due to the epidemic and who meet the conditions for delay in payment shall be permitted to defer payment in accordance with relevant laws and regulations for a maximum period of 3 months. Taxpayers who fail to declare and make payment on time due to the epidemic may, upon confirmation by relevant tax authorities, be exempted from corresponding surcharge of overdue tax payment and administrative penalties.

#### **xi. Tax incentives for enterprises and individuals concerned**

During the epidemic prevention and control period, enterprises with property or land requisitioned by the government for emergency purposes and having difficulty in paying property tax and urban land use tax, can apply for corresponding tax reductions and exemptions. In accordance with national policies, enterprises in hard-hit sectors may extend the carry-forward period of annual losses in 2020 from a maximum of 5 years to 8 years. The whole society are encouraged to actively donate cash and prevention and control supplies, which can be accounted for in full value as deductibles in income tax calculation according to relevant regulations. The goods donated are

exempted from VAT, consumption tax as well as additional taxes and fees. Medical workers and disease control professionals who have participated in the epidemic prevention and control shall be exempted from individual income tax on the stipend and bonuses they receive according to the standards prescribed by the government, as well as on the protective devices they receive from their employers.

**xii. Tax burden lifted from individual businesses with regular lump-sum tax arrangements**

During the epidemic prevention and control period, individual businesses with regular lump-sum tax arrangements will be exempted from taxation.

**xiii. Temporarily refunding on Travel Agencies' Service Quality Deposit and subsidies for the patrons of Cultural Sectors Development Fee**

In accordance with national policy, from 5th February, 2020, travel agencies that have sound operational track record and creditworthiness are entitled to 80% temporary refund on their Travel Agencies' Service Quality Deposit, which shall be redeposited in full before 5th Feb 2022. For patrons of Cultural Sectors Development Fee mechanism who operate in the livelihood-related service sectors, an amount of fiscal subsidy will be offered based on the extent to which the patrons have been affected and the historic contribution to the mechanism.

**III. Increasing support from the financial community to help the enterprises overcome the difficulties**

**xiv. Diversified channels to offer financial support for enterprises**

Shanghai Pudong Development Bank, Bank of Shanghai, and Shanghai Rural Commercial Bank are encouraged to lend more and to extend more credit to businesses that are on the frontier of combating the epidemic, businesses in the hard-hit sectors as well as SMEs. The lending rate should be at least 25 base points lower than the Loan

Prime Rate (LPR) in the same period. Other financial institutions in Shanghai are encouraged to do the same. Financial service green access will be established to provide convenience for relevant enterprises that produce and transport key supplies for the epidemic prevention and control. Financial institutions are encouraged to utilize platforms such as the Shanghai Bank-Tax Platform and the Shanghai Big Data Inclusive Finance Application to adjust KPI and NPL (non-performing loans) tolerance so as to provide more credit support for SMEs.

**xv. Bigger support to enterprises that have liquidity difficulties**

Efforts will be made to increase credit and loan support to enterprises from the hardest-hit industries in the NCP outbreak like tourism, accommodation and catering, wholesale and retail, transportation, logistics and warehousing, culture and entertainment, convention and exhibition, and etc. Enterprises with difficulties in repaying the due loans will be supported by modifying repayment schedule, extending repayment period and renewing loans without principal repaid, in an effort to make sure that the loans won't be suspended, withdrawn or postponed. Online loan renewal mechanism will be established in a faster manner. In the cases of overdue loans caused by the epidemic, reasonable adjustment shall be made to related tiered rating standards.

**xvi. Stronger support for financing guarantee**

Shanghai's policy fund for financing guarantee will be given full play to ensure that financing guarantee loans added in 2020 will increase by more than 3 billion RMB over the previous year. For key enterprises producing epidemic prevention materials and for those micro, small and medium-sized enterprises severely affected by the epidemic, the policy fund for financing guarantee shall continue to play a bigger role. The rate of financing guarantee fee for new loan applications from micro, small and medium-sized enterprise is to be reduced to 0.5% per year, the re-guarantee fee rate is to be cut by half, and the fee for guarantee loans to start-ups continues to be exempted.

#### **IV. Dedicated efforts made to aid businesses and stabilize employment**

##### **xvii. Firm implementation of the policy to return unemployment insurance**

In 2020, Shanghai will continue to refund 50% of the total actual unemployment insurance premium paid by employers and their employees in the previous year to eligible employers without layoffs or reduced staffs.

##### **xviii. Postponed adjustment of the social security payment base**

Starting from 2020, the start and end dates that mark the year of the employee's social security contribution (also for the employees' medical insurance in Shanghai is adjusted to July 1st of the current year and June 30th of the following year, postponed by 3 months. (Employee's social security payment in 2019 will be extended to July 1st, 2020).

##### **xix. Extending payment period of employee's social security.**

Shanghai's social security scheme participating units, flexible employment personnel and the urban and rural residents who fail to complete the registration, payment of social security premium and other formalities on time, due to the epidemic impact, are allowed to reapply afterwards. If the insured units fail to pay to the social insurance pool on time, they will not be fined for delaying payment after filing with the local bureaus of Human Resources and Social Security in Shanghai, and the personnel credit record will not be affected, neither. Relevant procedures of payment can be completed within 3 months after the epidemic is over.

##### **xx. Adoption of training fee subsidy**

For all kinds of enterprises in Shanghai affected by the epidemic, those who organize employees (including dispatched workers) to participate in various online vocational training during the operation suspension period are entitled to training subsidies of up to 95% of the actual training cost, provided by district-level additional special fund for



education for enterprise employees. This also applies to platform enterprises (e-commerce companies) and new forms of businesses.

#### **xxi. Reasonable reduction of employee's medical insurance premium rate**

In accordance with the status of the medical insurance fund income and expenditure, and under the premise of ensuring that medical insurance benefits of the insured does not compromise and the medical insurance system operates steadily, the payment rate for employee's medical insurance is to be temporarily reduced by 0.5% in 2020.

#### **xxii. Implementation of flexible employment**

Enterprises that have difficulties in production and operation affected by the epidemic are encouraged to secure jobs by adopting salary adjustment, work rotation, flexible working hours, and comprehensive reshuffle of days-off within the year. Specific approaches should be determined by companies through consultation with employees.

### **V. Promotion of an orderly resumption of work and production**

#### **xxiii.Services for enterprises' work and production resumption**

Shanghai will supervise and assist enterprises in practicing epidemic prevention measures with focuses on the needs of companies in relation to the resumption of work and production by increasing the medical protective supplies, such as masks, thermometers and disinfectants. By relying on the regional cooperation mechanism of the Yangtze Delta and giving full play to the role of professional organizations such as industry associations and industrial alliances, the communication with and the support for enterprises will be strengthened for the resumption of work through various methods, such as raw material supply, logistics and transportation support.

#### **xxiv. Strengthening workforce guarantee for enterprises**

Based on companies' self-management on preparedness and risk assessment for epidemic prevention, staffs from relatively less-stricken regions will be guided to resume work. Shanghai will promote the coordination between employment supply and demand by building service platforms for enterprise employment, and alleviate companies' pressures of recruitment through WeChat, internet, video interview and various online channels.

#### **xxv. Cultivation and support to the development of new technologies, new models and new forms of businesses**

Shanghai will accelerate the cultivation of new business forms, for instance, online shopping, online education, online office, online service, digital entertainment, digital lifestyle, and intelligent delivery. Efforts will be made to further develop healthcare industries, such as online diagnosis & treatment, original medicine, medical supplies and medical devices by giving strong support to the development of a batch of fast growing and innovative SMEs. SMEs will be given stronger support by the way of sci-tech innovation e-coupons; quota cap for sci-tech innovation coupons handled in 2020 is to be increased from 300,000RMB to 500,000RMB. Telecom operators are encouraged to provide free cloud-based office services for more than 6 months, such as on-line video conference to the SMEs seriously affected by the epidemic.

### **VI. Optimization of business environment and better enterprise services**

#### **xxvi. Optimization of the service mechanism for enterprises**

The "All-in-one Portal" is to be put into more active use to streamline services for enterprises with efforts to strengthen the functions of citizen homepage and corporate special page; and to expand the application and coverage of the "SuiShenBan" APP for all-round citizen service; and to rely on the "Enterprise Service Cloud" to complete "the Last Mile" for policies and services. Shanghai will speed up the realization of online approval procedures for a batch of government services and open a special window in

the international trade “Single Window” platform for serving small and medium-sized trading companies in a bid to facilitate procedures like customer clearance, logistics, finance and other relevant links of import and export in a non-face-to-face manner during the epidemic prevention and control period. The mechanism of Shanghai Joint Conference on Enterprise Services will be given full play to actively respond to and solve the difficulties and challenges that enterprises face in production, operation, investment and financing in a timely manner.

#### **xxvii. Improvement of corporate credit repair mechanism**

Shanghai will actively assist enterprises in the remedy of their corporate credit affected by the epidemic. Enterprises that have temporarily lost their source of income due to the epidemic are allowed to submit credit records according to the adjusted loan repayment schedule. Enterprises who suffer credit damage due to delay in delivery, loan repayment and contract fulfillment incurred by their participation in the anti-epidemic work will not be recorded in the credit blacklist. Shanghai CCPIT is encouraged to issue factual proof of force majeure to those enterprises who fail to perform on time, or fulfill the international trade contracts due to the epidemic.

#### **xxviii. Strengthening legal services to enterprises**

An emergency public legal service mechanism will be established, where online appointment approach will be encouraged to access legal services, such as notarization and legal aid. Timely guidance and advice needed will be provided to enterprises and institutions on relevant legal issues involving epidemic prevention, such as force majeure exemption. For disputes over fulfillment of contracts, labor relations among others caused by the epidemic, efforts will be made to organize lawyers, notaries and mediators to provide consulting, guidance and mediation services in a timely manner. Shanghai will comply with other policies and measures issued by the national government to support enterprises’ stable and healthy development. Relevant departments of Shanghai municipality are responsible for formulating and issuing

detailed implementation provisions for the above-mentioned measures; district-level governments may introduce specific measures based on the actual conditions. The measures shall be effective as of the date of issuance and stay valid until three months after the NCP epidemic is over. (If the time limit for the implementation of specific policies and measures has been specified, the provisions shall prevail).

**Disclaimer:**

This is an Executive Summary of the Policy Measures of Shanghai Municipal People's Government on Effective Prevention and Control of the Epidemic as well as Support for the Steady and Healthy Operation of Enterprises.

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