

Tax policy review: Fighting COVID-19 and spurring economic growth

China has unveiled a series of tax reform measures designed to meet the unprecedented challenge of the novel coronavirus outbreak. Let's take a look!

Support COVID-19 prevention, control and treatment

Preferential subject	Preferential object	Preferential method
Medical staff and workers participating in disease prevention and treatment	Temporary work subsidies and bonuses in accordance with specific standards stipulated by the governments at all levels	Exempted from individual income tax
Other personnel participating in virus prevention and control	Temporary work subsidies and bonuses stipulated by the people's government at or above the provincial level	Exempted from individual income tax
Individual	Medical protective equipment given out by employers, excluding cash	Exempted from individual income tax

Duration: Starting Jan 1, 2020, the deadline depends on developments in the pandemic situation.

Ensure material supply

Preferential subject	Preferential object	Preferential method
Key pandemic prevention and control material production enterprises	Tax credits for the incremental value-added tax (VAT)	Refund in full
	Purchase equipment to expand production capacity	One-off deduction before corporate income tax
Taxpayers who provide transportation of essential	Income from transport of essential materials for	Exempted from VAT

materials for pandemic prevention and control	pandemic prevention and control	
Taxpayers who provide public transport services	Income from provision of public transport services	Exempted from VAT
Taxpayers who provide life services	Income from provision of life services	Exempted from VAT
Taxpayers who provide express deliveries of daily necessities	Income from provision of express deliveries of daily necessities	Exempted from VAT
Health authorities	Imported materials for direct use in pandemic prevention and control	Duty-free

Duration: Starting Jan 1, 2020, the deadline depends on developments in the pandemic situation.

Encourage public welfare donations

Preferential subject	Preferential object	Preferential method
Company Individual	Cash and items donated to fight against the pandemic from non-profit social organizations or the people's governments at or above the county level and their departments	Fully deducted before calculation of corporate or personal income tax
	Direct donation of pandemic-resistance items to hospitals undertaking the disease prevention and treatment tasks	Fully deducted before calculation of corporate or personal income tax
Work unit Self-employed business	Free donation of self-produced, commissioned or purchased goods in response to the COVID-19 outbreak	Exempted from VAT, consumption tax, urban maintenance and construction tax, education surcharge, and local education surcharge
Donator	Imported goods necessary for direct pandemic control	Exempted from import tariffs, VAT and consumption tax

Duration: Starting Jan 1, 2020, the deadline depends on developments in the pandemic situation.

Resumption of work and production

Tax reduction and exemption

Preferential subject	Preferential object	Preferential method
Enterprises in difficult industries severely affected by the pandemic	Losses in 2020 Note: difficult industries include: transportation, catering, accommodation, and tourism industries	The longest carry-over period is extended from five years to eight years

Duration: Starting Jan 1, 2020, the deadline depends on developments in the pandemic situation.

Preferential subject	Preferential object	Preferential method
Small-scale VAT taxpayers in Hubei province	Taxable sales income applicable to 3% tax rate	Exempted from VAT
	Prepaid VAT items applicable to 3% prepaid rate	Suspension of prepaid VAT
Small-scale VAT taxpayers outside Hubei province	Taxable sales income applicable to 3% tax rate	Collect VAT at a reduced rate of 1%
	Prepaid VAT items applicable to 3% prepaid rate	Prepaid VAT at a reduced prepaid rate of 1%

Duration: From March 1, 2020 to May 31, 2020

Fee reduction and exemption

Preferential subject	Preferential object	Preferential method (Starting Feb 2020)
	Employers' payments to	

Medium-, small- and micro- businesses	endowment, unemployment, and work injury insurance	Exemption No more than 5 months
Large enterprises and other work units (Excluding government agencies)	Employers' payments to endowment, unemployment, and work injury insurance	50% reduction No more than 3 months
Work units in Hubei province (Excluding government agencies)	Employers' payments to endowment, unemployment, and work injury insurance	Exemption No more than 5 months
Enterprises severely affected by the pandemic	May apply for deferred social insurance premium	Holdover period No more than 6 months
Work units	Employers' payment of basic medical insurance for employees	50% reduction No more than 5 months

Note: The specific implementation of the above policies shall refer to the public announcements released by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs.

Source: State Taxation Administration