

Tax bureaus charged with social security funds collection

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In brief

- » From November 2020, China has extended the practice of engaging tax bureaus in collecting social security funds (SSFs) to the remaining thirteen provinces and two cities.

Feedback

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In Detail

China's State Council has set November 2020 as the time for local tax authorities in the remaining parts of China to start collecting social security funds (SSFs) from enterprises and individuals, replacing the social security administration's customary role.

SSFs collection has been social security bodies' duty for decades. It was not until July 2018 when the State Council announced its tax reform plans that SSFs collection would be centralized at tax authorities from 1 January 2019. The objective is to achieve a better data management and synergy, by dissociating collection from spending – tax authorities are charged with collecting corporate-related fees (SSFs first and other fees will follow) and social security authorities with payouts.

It is believed that the time has come, after a one-year practice in eighteen provinces and three cities, for now a nationwide practice to cover the remaining thirteen provinces and two cities of the country. Thus, from November 2020 onwards, the new practice should be implemented throughout the whole country.

The thirteen provinces (including province-level municipalities and regions) are Beijing, Tianjin, Shanghai, Guizhou, Jiangxi, Shanxi, Jilin, Shandong, Hunan, Guangxi, Sichuan, Tibet, and Xinjiang, and the two cities are Qingdao and Shenzhen.

The local governments have also issued their announcements to elaborate on implementation details. In short, the new arrangements are summarized below.

» Starting date

1 November 2020 (except Tianjin, which is from 21 November 2020).

» Collection scope

- (1) SSFs paid by both employees and employers (types of SSFs may vary slightly by location); and
- (2) SSFs paid by self-employed individuals.

» Collection approach

In most locations, the new workflow will be as follows each month:

- 1) The company reports its SSFs amount to the local social security bureau;
- 2) The local social security bureau reviews and approves the amount;
- 3) The company pays the SSFs to the local tax bureau.

Some locations may adopt a different approach. e.g. SSFs are reported and paid directly to the tax bureau in Hunan and Tibet.

» Collection period

The SSFs collection period also varies by locations, as shown below:

Locations	Collection period
Beijing, Guizhou	By the last working day of current month
Shanghai	By the 15 th of current month
Tianjin	From the 21 st of last month to the 19 th of current month
Jiangxi, Shanxi, Hunan	By the 25 th of current month
Jilin, Guangxi, Sichuan, Tibet, Xinjiang	By the end of current month
Shandong	By monthly deadline to be stipulated
Qingdao	By the 20 th of current month

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» Payment channel

Various SSFs payment channels have been provided to the enterprises and self-employed individuals, called “online, on-palm, entity, self-service”. The enterprises can pay SSFs via their current bank account, their e-SSF or e-tax platforms.

WTS observation

The change in SSFs collection should help in saving administrative costs, enhancing efficiency and improving business environment. It will not alter the prevailing SSF calculation method, the contribution base and SSFs' contribution percentage.

It can be expected that the concentration of SSFs at tax bureaus would also simplify their compliance checks, e.g. by comparing the salary level of the personnel in the same enterprise against their SSFs and tax liability. It could easily expose such non-compliant practices in SSFs or individual income tax (IIT) based on the same salary. Enterprises involving in irregular practices should be prepared to contemplate remedial measures.

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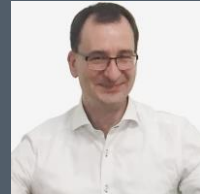
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