

Opportunities ahead – reading China Premier’s message

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In brief

What foreign investors should note:

- » Some recent tax and fee relief measures are kept valid for a longer time, an extension from 6 to 12 months.
- » More tax and fee cuts are announced, amounting to 500 billion yuan in total, aiming at saving enterprises’ cost by 2.5 trillion yuan in 2020.
- » Major headway will be made in opening up and reforms to achieve de-regulation and business environment upgrading.

Feedback

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In detail

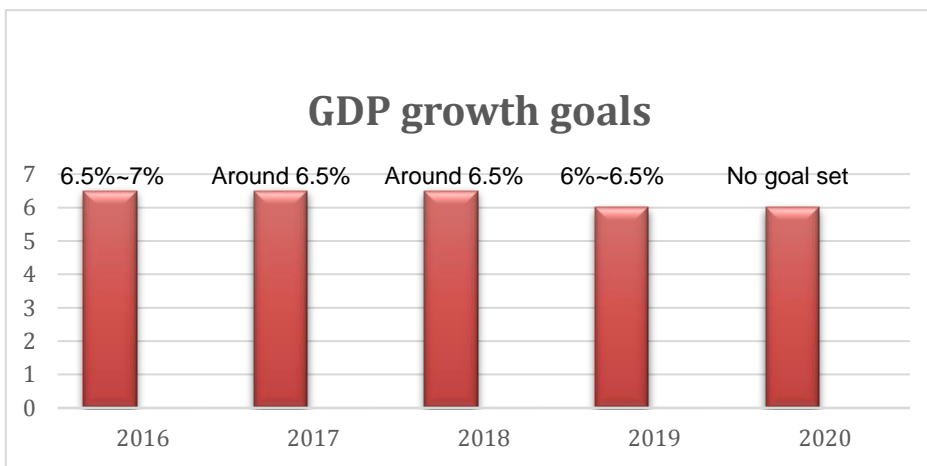
» **Opportunities ahead – reading China Premier’s message**

Dubbed the shortest but a powerful government work report ever delivered by a China premier in National People’s Congress (NPC) history, it contains eight chapters and lasts slightly over an hour in reading on 22 May 2020.

» **Key take-away to foreign investors**

1. No GDP goal for 2020

For the first time in all NPC sessions, Premier Li Keqiang announced that there is no GDP goal set for 2020 due to the uncertainty caused by COVID-19 pandemic to China and global economy. Instead, more resources are channels to achieve six “stability” and six “assurance” goals for reviving the economy as the top priority.



2. Priority set

To enforce an economic resumption strategy, the priority is set on six “stability” and six “assurance” areas, as listed below.

 Six "stability"	 Six "assurance"
<ul style="list-style-type: none"> • Employment • Finance • Foreign trade • Foreign funds • Investment • Expectation 	<ul style="list-style-type: none"> • Residents employment • Basic living • Markets • Food & energy safety • Supply chain • Operation

2020 (No. 6 issue)

May 2020

3. More tax / fee cuts

Further, Premier Li has announced that further tax and fee cuts worthy of 500 billion yuan are being planned to reduce enterprises' cost by as much as 2.5 trillion yuan. Thus, it is expected that further details on tax cuts and fees will be soon released. Most of the tax reliefs being offered recently to micro, small and medium-sized entities (MSMEs) since the outbreak of COVID-19 pandemic will continue to be effective until the end of 2020, except the CIT reliefs to micro and small entities (MSEs) which will last further to 2021.

Tax / fee cuts

- New tax / fee cut = 500 billion yuan
- Prior tax reliefs = extended to end of 2020
- MSEs CIT reliefs = extended to 2021

Cost cuts

- Rental cuts to SOE properties
- Remove various enterprise fees to the minimum
- Electricity rate cut by 5% = extended to end of 2020

Financial support

- MSMEs-loan repayment delay policy = extended to Mar 2021
- Increase MSEs credit lending, initial lending and loan renewals
- Raise coverage of government loans and reduce fees
- Increase lending to MSEs by over 40%
- A monetary deficit over 3.6% set is to support local development

Key sector support

- Mainly four sectors and groups

Overall cut > 2.5 trillion

E-platforms Servicing Graduates Rural workers

» WTS observation

The Chinese government's report work has announced a wide variety of priority tasks that are strategic and crucial to the safety of the people, the resumption of the economy, the security of employment, and the growth of businesses. Most existing tax and fee relief measures are further extended in implementation. It is expected that more bold cuts and trade facilitation measures will be announced later. Among them, the negative list for cross-border service trade will be drawing much attention.

The key points of the Premier Li's work report is enclosed.

Summary of major points of the Chinese government work report, delivered by Premier Li Keqiang in China's 3rd session of National People's Congress, on 22 May 2020.

1. Review of 2019 and early months of 2020

① Economic stability is maintained

- GDP reached 99.1 trillion yuan, a growth by 6.1%.
- 13.52 million new urban jobs were added, and unemployment was below 5.3%.
- Consumer prices rose by 2.9%.
- A basic equilibrium was maintained in the balance of payments.

② Economic structure was improving, and priorities regional development

- Retail sales of consumer goods exceeded 40 trillion yuan.
- Consumption continued to serve as the main river for growth.
- For the first time, permanent urban residents exceeded 60% of the population.

③ Emerging new growth driver

- Support start-ups and innovations, creating over 10,000 businesses / day.

④ Major headway in reform and opening-up

- Taxes / fees were cut by 2.36 trillion yuan, exceeding 2 trillion yuan, with manufacturing and micro and small entities benefiting most.
- The Implementation Regulations for Foreign Investment Law were issued.
- The Lin'gang New Area of Shanghai Pilot Free Trade Zone was established

⑤ Progress was achieved against poverty, pollution, and risks

- The rural poor population was reduced by 11.09 million, and the poverty headcount ratio fell to 0.6 %.

⑥ Living standards continued to improve

- Per capita disposable personal income exceeded 30,000 yuan.
- Student in compulsory education receiving living allowances raised by 40 %.
- Enrolments at vocational colleges grew by one million.

2. Main targets for 2020

① Main targets

- Over 9 million new urban jobs, a surveyed urban unemployment rate of around 6%, and a registered urban unemployment rate of around 5.5%.
- CPI increase of around 3.5%.
- More stable imports / exports, and equilibrium in the balance of payments.
- Matching growth in personal income with economic growth.
- Eliminating poverty among rural residents and in all poor counties.
- Effective prevention and control of major financial risks.
- More cut in energy consumption per unit of GDP and major pollutant discharge.

2020 (No. 6 issue)

May 2020

- Accomplishment of the 13th Five-Year Plan.
- No specific target is set for economic growth this year due to the uncertain caused by COVID-19 pandemic and the plan to channel the resources to six “stability” and six “assurance” areas.

② Pursue a proactive fiscal policy

- Deficit-to-GDP ratio is set at over 3.6%, 1 trillion yuan increase over last year.
- Issue 1 trillion yuan of treasury bonds for COVID-19 control.

③ Pursue a prudent but flexible monetary policy

- Adopt all tools necessary, e.g. reducing required reserve ratio (RRR), cutting interest rate and more re-lending to boost money supply and financing.

④ Emphasize the employment-first policy

- Strive to keep the existing jobs.
- Adopt measures to create new jobs.
- Help unemployed people find work.

3. Macro policies to stabilise businesses and employment

① More cut taxes / fees

- Phase in policies in conjunction with institutional arrangements.
- Continue the cut in VAT rates and pension fund rates to lower enterprises costs by 500 billion yuan.
- Extend the recent tax / fee relief measures due in June 2020 to the end of 2020 (including pension, unemployment and occupational injury fund exemptions to MSMEs, VAT exemption to small VAT payers, transportation, catering, accommodation, tourism and entertainment sectors, cultural and sports, etc. and the reduction in aviation development fee and port construction fee).
- Extend CIT exemption to micro and small entities, and sole proprietors to the end of 2021.
- Achieve over 2.5 trillion yuan saving for enterprises.

② Reduce production and operating costs

- Extend the current electricity rate 5% cut policy to the end of 2020.
- Cut the average Wi-Fi and lease line fee by 15%.
- Continue to cut or exempt rental rates in state-owned property.

③ Increase financial support to business operations

- Extend the current policy allowing MSMEs to delay repayment of principles and interests to March 2021.
- Encourage banks to raise substantially credit lending, initial lending and loan renewal to micro and small entities.
- Urge large commercial banks to increase lending to micro and small entities by over 40%.

④ Stabilize and expand employment

- Increase employment support to key sectors and groups.
- Support the disabled and the unemployed.
- This year and next, provide more than 35 million vocational skills training opportunities, and grow enrolment in vocational colleges by 2 million.

4. Reform to boost market growth

① Further reforms in “delegation, management, and service”

- Boost the resumption of work, production, and business activities.
- Relax the address registration constraints to micro and small entities and sole proprietors.
- Promote online one-stop services.
- Create a market-oriented, law-based, and internationalized business environment.

② Promote market-based allocation of production factors

③ Improve the performance of state capital and SOE reforms

④ Improve private sectors’ business environment

⑤ Encourage the upgrading of manufacturing and growth of emerging industries

- Promote smart manufacturing.
- Create new competitive edge in the digital economy.

⑥ Boost technological innovation

⑦ Support business start-ups and innovation nationwide

5. Expanding domestic demand and accelerating transformation

① Promote the recovery of consumption

- Support the recovery and development of consumer services.

② Expand effective investment

- Arrange the issuance of local government bonds of 3.75 trillion yuan, 1.6 trillion yuan more than last year’s.
- Earmark a 600 billion yuan investment fund from the central government’s budget.
- Constructing new types of infrastructure, next-generation information networks, 5G applications, car recharge points and new energy cars.
- Strengthen the development of a new type of urbanization, improving public facilities and services and beginning the renovation of 39,000 old urban residential communities.
- Enhance the development of transportation and water conservancy projects.

③ Enforce steady progress in new urbanization

④ Fasten the implementation of the regional development strategies

- Implement a series of policies to revive Hubei’s development.

2020 (No. 6 issue)

May 2020

- ⑤ **Enforce effective protection of ecosystems and the environment**
- ⑥ **Safeguard energy security**

6. Removing poverty, securing harvests, growing rural income

① Fight against poverty

- Step up resources to eliminate remaining poor counties and villages.
- Continue to promote both poverty alleviation and rural revitalization.

② Bolster agricultural production

- Stabilise total crop acreage and grain output.
- Penalize the illegal occupation of farmland.
- Increase the area of high-standard cropland by 8 million hectares.

③ Explore new employment and income channels for rural residents

- Support modern agricultural facilities, safe drinking water projects, and the improvement of living environments.

7. Continuing opening-up and stabilizing foreign trade & investment

① Stabilize foreign trade

- Help businesses get more orders and retain employees.
- Increase credit lending, export credit insurance coverage.
- Lower import/export compliance cost.
- Support export products being sold to domestic markets.
- Accelerate the development of e-commerce.
- Raise international shipment handling capacity.
- Promote pilot and innovation trials of service trades
- Expand imports markedly.
- Develop a large and quality globally-oriented market.

② Step up utilization of foreign investment

- Significantly cut short the negative list for foreign investment.
- Draw up a negative list for cross-border trade in services.
- Delegate more rights to pilot free trade zones in reforming.
- Accelerate the construction of Hainan Free Trade Port.
- Establish pilot free trade areas and comprehensive bonded zones in mid-western China areas.
- Increase more pilot zones for service trades.
- Foster a fair playing field in which all Chinese and foreign companies are treated equally in a fair competition environment.

③ Focus on quality in the Belt and Road Initiative

④ Promote liberalization and facilitation of trade and investment

8. Social programs and living standards improvement

① Enhance the public health system

- Improve the direct reporting and alerting mechanisms for infectious diseases.
- Ensure prompt, open, and transparent release of epidemic information.
- Increase inputs into the R&D of vaccines, medicines, and rapid testing technologies.
- Build more medical facilities for epidemic control and treatment.
- Greatly enhance our prevention and control capability.
- Resolutely prevent a resurgence of COVID-19.

② Improve basic medical services

- Try out cross-provincial settlement of outpatient bills
- Tighten up supervision over food and drugs.

③ Develop more equitable and higher-quality education

- Ensuring a proper organization of teaching in primary and secondary schools and entrance examinations for tertiary educations.

④ Ensuring people's basic living needs are met

- Raise the basic pension for retirees and the minimum basic old-age pension for rural and non-working urban residents.
- Extend the coverage of unemployment insurance and subsistence allowances.
- Ensure assistance is provided to anyone who runs into temporary difficulty.

⑤ Enrich intellectual and cultural activities

⑥ Enhance and innovate in social governance

⑦ Insist on accountability for workplace safety

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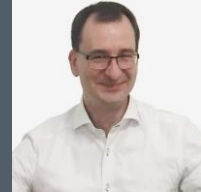


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