



# China Business Management During the Coronavirus Outbreak

Updated March 4<sup>th</sup>

# China's Situation

# Orderly Restoration of Production

## Main goals

- Restoration of Production
- Safe supply of medical supplies
- Containment and prevention of further spread of Covid-19
- Prevent mass layoffs

## Resources

- Increase in supply of key medical control and prevention materials.
- Daily necessities are generally abundant.
- Protection of Coal, Electricity, Oil and other energy source have been reinforced.

# Alleviate difficulties of Private business and SMES

## Support by

- Reducing rent of State-owned property
- Reduction of loan interests
- Improve tax reductions and exemption policies
- Government to use funds from unemployment insurance fund to help stabilize jobs.
- Transportation of energy source to keep operation of transportation and key logistic hubs.
- Areas with excellent epidemic prevention systems will see orderly restoration of highway transportation, urban busses and more.

# Travel and Visa

## Foreigners

- All arrivals will be pre-screened and given health declarations.
  - Travelers can answer questions online and show their QR code in China
- All individuals will be put into mandatory 14-day quarantine in government-designated hotels.
  - Self-quarantine at home depends on regional policies, local districts, building management and the likeliness of infection.
- Foreigners have automatic visa extension for 2 months.
  - Possible to enter and exit China during the extension.

# China's National Policies

# Dates and Salaries

## Important Dates

- January 31<sup>st</sup> to February 2<sup>nd</sup> are “Special” National Holidays.
- Work done during that time, employers must offer days off or 200% of their daily salary.

## Employers must pay salaries even when the employee is ...

- Under medical treatment and medical observation,
- Infected or suspected to be infected by the virus,
- Been in close contact with potentially infected individuals, and

# Contract Termination and Extension

## No employee can be terminated ...

- According to Article 40 and 41 under the Labour Contract Law.
  - E.G. Individual redundancy, expiration of medical treatment period, non-performance, and mass layoff.

## If employment contract expires it must be extended ...

- During a statutory medical treatment period, medical observation period, a period of isolation, quarantine, or emergency measures taken by the government.

# Infection and Injury

## If an Employee is...

- Infected in the workplace, it is not a work-related injury.
  - Anyone working for medical agencies or hospitals and is infected, is considered work related injury.
- Injured on the way to or from work, it is not a work-related injury.
  - Anyone working for medical agencies or hospitals and is infected, is considered work related injury.
- Unable to work for the company remotely can agree for them to take annual or compensatory leave.
  - Can apply for businesses unable to resume operations.
  - Suggest reaching an agreement with staff before implementing such measures.

# Operations Not Exempt from Working

## Vital operations and services

- City operations
  - Water supply, gas supply, power supply, and communications
- Outbreak containment
  - Medical equipment, medicines, protective product production.
- Citizen necessities and comforts
  - Supermarkets, food production and supply.
- Financial Services
  - Financial markets, banks, securities, insurance, funds, trusts and other financial institutions.

# Operations Not Exempt from Working

## Special exemptions applications and approvals

- Submitted to relevant industrial parks, or subdistrict or town government.
- Include employee travel history and itinerary.
- Assure no infections will come from employee returning to work.

# SME Support

## Social Welfare

- Exemption and reduction will given automatically.
- Exemption for employers of SMEs for Pension, Unemployment, work related injury insurances with a period not exceed of five month.
  - Half contribution for employers of large enterprises with a period not exceed three months.
- 50% reduction of employers' medical insurance contributions with a period not exceed of five months.
- Enterprises experiencing serious operational difficulties due to the epidemic may apply for deferred contribution of social security separately, the deferred period shall not exceed six months, and late payment fine shall be waived for the deferred period.
- Housing fund can be deferred if enterprises encounter difficulties to pay but must consult with labor union or employees. Defer housing fund shall not exceed than 12 month.

# SME Support

## Financial Support

- SME affected by the Coronavirus can receive financial support and tax cuts.
- Companies that do not lay off staff get 50% of the actual unemployment insurance premiums they paid last year.
  - Production and operation difficulties, insurance premiums can be deferred up to six months.
- SMEs can also have housing rent exempted or reduced
- Principal and interest payments for SME due in from January 25th can be extended to June 20th 2020.
- Reduced Corporate Financing by 0.5% points in 2020.
- Qualified SMEs can enjoy one-time social insurance subsidies.
- Losses incurred in 2020 can be carried forward eight years.

# SME Support

## Assisting to combat Epidemic Providing Support

- Goods donated to hospitals and other institutions can be tax deductible.
- Medical Information being shared to combat infection can exempt individuals or companies from individual income tax

# Options for Operations Severely Affected

- Reduce pay.
- Offer flexible working hours.
- Shorten working hours.
- Allow remote work.
- Suspension of business operations and production (停工停产) after one month
  - Depending on the city, salaries can revert to the minimum city salary.
  - If employer did not allocate work to employees, can revert to 70% of minimum city salary in Beijing, 80% of minimum city salary in Shanghai.

# Outbreak Prevention Operations

## Prevention and Control Measures

- Any measures taken by disease prevention and control institutions and medical agencies must be respected and followed.
- All information shared with such authorities must be truthful.
- Disease prevention and control institutions and medical agencies must not divulge any information or materials relating to personal privacy.
- Infringements done to lawful rights and interests of individuals or groups may apply for administrative reconsideration or initiate legal proceedings according to law.

# Business Liabilities

## Applicable laws

- Law on the Prevention and Treatment of Infectious Diseases
- Emergency Response Law
- Tort Law
- Criminal Law

## Consequences for Individuals and Businesses

- Fines between 50,000RMB to 200,000RMB.
- Forced Closure
- Revocation of Business Licence
- Prison three to seven years

# Business Delays

# Public Security Bureau

## Administrative Review

- Since February 2<sup>nd</sup> 2020 Beijing Public Security Bureau is administrative review services are suspended.
  - Application materials can be submitted by post.
- Applicants suspected or confirmed with the coronavirus and unable to submit applications due to the outbreak measures can submit later according to the time left since the day they were unable to do so.
  - Only for those who are isolated, in treatment, or in areas affected by the epidemic who cannot apply for administrative review.

# Industry and Commerce Bureau

## Company Registration

- Since February 3<sup>rd</sup> 2020, Beijing Industry and Commerce Bureau for previous/original company registration filing documents checking have been suspended.
  - All the applications can be done online and waiting for the response from the government accordingly.
- In-person visits, complaints or public tip-offs are prohibited but can be done by post or online.

# Social Insurance Bureau

## Social Insurance and coverage

- The government will partially or fully subsidize the cost of treating patients diagnosed with pneumonia due to the new coronavirus infection.
- The collection period of social insurance premiums in January and February will be extended to the end of March.
- Collection period during the outbreak can be extended to the end of July after confirmation by relevant industry authorities.
  - Enterprises in tourism, accommodation, catering, exhibition, trade and trade circulation, transportation, education and training, cultural performances, film and television theatres, ice and snow sports and other industries.
- During the outbreak, the related authority will not collect fine for delaying payments
- Employees can continuously enjoy the social welfare benefits, their individual rights and interests can remain unaffected.

# Tax Bureau

## Tax Filings

- Normally Typically Tax filings are done in the middle of the month.
- January and February tax filings delayed until March 23<sup>rd</sup>.
  - Possibly later if the outbreak worsens
- Online Tax-services will be widened.
- Tax Services done in the respective bureaus need to be scheduled and adequately equipped for minimising virus transmission.
- Taxpayers and Withholding agents affected the virus not able to complete tax filings can negotiate with Tax Bureau for an extension.

# How to Operate in an Outbreak?

# Assessing the Situation

## Political Factors

- Affected employee to commute or return to office HQ in China.
- Delays in the transportation of goods and services.
- Foreign Embassies repatriating citizens.
- Delays in administrative filings.

## Internal Factors

- Digital and manual work.
- Tracking employee movements and health.
- Financial and administrative organization.

## External Factors

- Spread of coronavirus
- Employees under surveillance or care.
- Internet connections.

# Prepare the Staff

## Basic preparation

- Track and monitor all employee travels and health.
- Prepare a contingency plan in case an employee is infected or under quarantine.
- Keep all lines of communication open to stay on top of the outbreak.
- Clarify with the staff what the company health insurance covers.

## Going further

- Purchase masks and hand sanitizers for the office.
- Inform foreign employees about potential options in case of repatriation.
- Create an Outbreak Crisis team to gather information and track staff moral.

# Preparing to Work Remotely

## Necessary Hardware

- Laptops
- External hard drives and USBs
- Mobile phones

## Personal Hardware

- Must be agreed with the employee
- Consider possible reimbursements for calls or any hardware damages.

## Long Term considerations

- Reimbursement for employees to purchase desks and chairs to work from home.
- Reimbursement for renting a workspace for employees outside of China.
- Purchasing all the needed hardware for all employees.

# Preparing to Work Remotely

## Necessary Software

- Work: Microsoft Office, Google Drive or Libre Office
- Communication: WeChat, QQ, WhatsApp, Skype, Microsoft Teams, Zoom, Telegram
- Document Sharing: SharePoint, WeTransfer, DropBox, QQ
- Management: Trello, ZOHO and other CRMs
- Design: Adobe Creative Suite and Sketch
- VPNs (some of the above tools are blocked in China)

## Long Term considerations

- Gradually digitalise all necessary documents and data.
- Purchasing the complete Corporate Microsoft Office 365 package
- Purchasing Corporate Adobe Creative Suite

# Working Remotely

## Managing the business remotely

- Keep track of all the tasks through the CRMs or with Kanban apps.
- Have daily group calls to stay up to date on current business matters.
- Follow all official Chinese and foreign government accounts for information.
- Be mindful of the time difference between employees.

**Note:** Be careful if the business is spread across many time zones you may end up working 24hs.

# Where to Gather Information?

# Official Outbreak Information

- [Outbreak Tracker \(CN\)](#)
- [National Health Commission of the PRC](#)
- [WHO Situation Reports](#)
- [State Council: Brief on Work Resumption](#)
- [Beijing Municipal Health Commission](#)
- [Shanghai Municipal Health Commission](#)
- [Guangdong Health Commission](#)
- [Sichuan Health Commission](#)
- [Chongqing Health Commission](#)
- [Jiangsu Health Commission](#)

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