

China	
Policy responses	
Containment	<p>City lockdown (lockdown of Wuhan is expected to be lifted soon), border control 25 March 2020 lockdown lifted in Hubei; 31 March 2020 reimposed in some cities in Henan; 7 April Suifenhe in Heilongjiang province sealed; 8 April 2020 lifted for Wuhan.</p> <p>Social distancing</p> <p>Travel bans/restrictions: Screening of all passengers, stricter for those arriving from infected places, questionnaires done on board of airplanes. From 28 March foreigners with visa or resident permits or visa free national are not allowed to enter the country with a few exceptions such as transit passengers or diplomats. Wuhan lockdown ended on 8 April 2020.</p> <p>Closure of schools/universities: Closure of schools and universities. As of 16 March, several cities, not so much affected, have restarted school.</p> <p>Cancellation of public events / Closure of public places: Cancellation of public events, the extent of stringency varies by city. In Beijing, for instance, dining in a restaurant for over 2 people is prohibited. Similarly, meeting with more than 2 participants are prohibited in some locations. Cinemas in some localities restarted operations, but then were closed down again for the sake of prevention of COVID-19 infections.</p> <p>Mass testing to begin in Wuhan 14 May 2020.¹ Wuhan tested 9,899,828 people between 14 May and 1 June.²</p> <p>Reopening of the economy:</p> <ul style="list-style-type: none"> - Mid-February gradual removal of mobility and activity restrictions - Prioritized essential sectors, industries, regions, population groups based on risk assessments - Most businesses and schools have reopened nationwide with social distancing measures in place - Foreign entry remains restricted - Testing and health QR codes used to gauge and contain outbreak - Increased inbound international flights in June 2020³ <p>Re-imposing lockdown:</p> <ul style="list-style-type: none"> - Local movement restrictions re-imposed in new hotspots: northeastern Jilin, Heilongjiang, Xinjiang, Beijing, Dalian, Qingdao – now lifted
Fiscal	<p>Fiscal stimulus of an estimated RMB 4.6 trillion (4.5% of GDP) of discretionary fiscal measures announced.⁴ Key measures:</p>

¹ <https://abcnews.go.com/Health/wireStory/china-test-wuhan-amid-fears-virus-comeback-70653672>

² http://www.xinhuanet.com/english/2020-06/02/c_139108611.htm

³ http://www.xinhuanet.com/english/2020-06/04/c_139114001.htm

⁴ <https://www.scmp.com/economy/china-economy/article/3086569/china-pledges-largest-ever-economic-rescue-package-save-jobs>

	<ul style="list-style-type: none"> • Health related: Increased spending on epidemic prevention and control; production of medical equipment.⁵ • Employment: <ul style="list-style-type: none"> ○ accelerated disbursement of unemployment insurance, unemployment social assistance for up to 6 months for those not eligible for unemployment social insurance benefits; extended to migrant workers. ○ Government expanded recruitment campaigns for army, postgraduates to help graduates find employment; Ministry of Education launched campaign with 48 universities nationwide to help colleges in Hubei province find employment for graduates⁶ ○ China plans to put at least 7 million migrant workers on vocational training programs in each year of 2020 and 2021 to stabilize employment and alleviate poverty⁷ • Businesses: tax relief and waived social security contributions. <ul style="list-style-type: none"> ○ Defer income tax payments for small companies with thin profit margins, as well as individually owned businesses, to help them resume business and production (State Taxation Administration)⁸ ○ Exemption for small-scaled taxpayers in Hubei province and reduced the VAT collection rate to 1% (currently 3%) for small-scaled taxpayers in other areas, from March 1 to May 31 2020. ○ Medical workers and others participating in the fight against the virus are exempt of personal income tax on their overtime pay/benefits and in-kind payment is not included in their salaries ○ Accommodation and catering SMEs exempt from social security contributions ○ Large firms required to pay only half of social security contributions ○ Firms in accommodation/catering and personal services exempt from VAT ○ Firms in the 4 industries of transport, catering, accommodation and tourism are allowed to carry forward their 2020 losses for up to 8 years ○ Full refund of carried forward excess input VAT balances may be granted to enterprises engaged in production of supplies for coronavirus protection and containment. The refundable input VAT amount is the accumulated carried forward input VAT balance, to the extent it exceeds the carried forward input VAT balance as at the end of December 2019. Refund applications may be made monthly. ○ Airlines exempt from contribution to the airline development fund ○ Extension of statutory tax filing to February 28. ○ VAT for second-hand car dealers reduced by 0.5% from 1 May to end-2023 ○ Specific corporate income tax (CIT) incentives introduced for enterprises engaged in producing key supplies related to coronavirus protection and containment (e.g. masks, protective clothing). This includes a 100% expensing deduction for investment in equipment to
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⁵ http://english.www.gov.cn/policies/infographics/202002/06/content_WS5e3bb825c6d0a585c76ca932.html

⁶ <http://www.chinadaily.com.cn/a/202005/21/WS5ec6344da310a8b2411575ca.html>

⁷ http://www.xinhuanet.com/english/2020-06/07/c_139121657.htm

⁸ <http://www.chinadaily.com.cn/a/202005/30/WS5ed1fc68a310a8b2411599fd.html>

	<p>expand production capacity.</p> <ul style="list-style-type: none"> ○ The policy statement also covers companies in those sectors most affected by the virus and that are under strain - such as wholesale/retail, accommodation, catering, tourism, logistics, transport, entertainment etc. <ul style="list-style-type: none"> ● Households: - Exemption of a wide range of consumer services from VAT on a nationwide basis. So-called 'lifestyle services', which include medical services, catering and accommodation services, and sundry personal services (e.g. hairdressing, laundry) are normally subject to VAT at 6%. The VAT exemption also applies to public transportation and express delivery services provided to residents. The exemption is not time limited; it is understood to be in place until the coronavirus is brought under control. ● Other people specific: <ul style="list-style-type: none"> ○ From March to June temporary price subsidies related to CPI spikes have been doubled and the jobless and orphans included in the coverage. Social welfare subsidies will be extended to people affected by the outbreak. Guarantee temporary living allowance for migrant workers. ○ Subsidies and tax exemptions for green car purchases are extended by two years. ○ The China Banking and Insurance Regulatory Commission (CBIRC) stated on 27 January that repayment schedules for mortgages, credit cards and other debt of those people who temporarily lost income because of COVID-19 must be allowed to be changed/extended. ● Investment: Frontloading of infrastructure projects ● Local government⁹ <p>The overall fiscal expansion is expected to be significantly higher, reflecting the effect of already announced additional measures such as an increase in the ceiling for special local government bonds of 1.3 percent of GDP, improvements of the national public health emergency management system, and automatic stabilizers.</p>
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⁹ http://english.www.gov.cn/policies/infographics/202003/04/content_WS5e5f45b7c6d0c201c2cbd84b.html

Monetary/ financial	<p>The PBC provided monetary policy support and acted to safeguard financial market stability. Key measures include:</p> <ul style="list-style-type: none"> (i) liquidity injection of RMB 5.8 trillion (gross) into the banking system via open market operations (reverse repos and medium-term lending facilities), (ii) expansion of re-lending and re-discounting facilities by RMB 1.8 trillion to support manufacturers of medical supplies and daily necessities micro-, small- and medium-sized firms and the agricultural sector and reduction of interest rates by 50 bps (re-lending facilities) and by 25 bps (re-discount facility); (iii) reduction of the 7-day and 14-day reverse repo rates by 30 bps; 1-year medium-term lending facility (MLF) rate and targeted MLF rate by 30 and 20 bps, respectively; (iv) targeted RRR cuts by 50-100 bps for large- and medium-sized banks that meet inclusive financing criteria which benefit smaller firms, an additional 100 bps for eligible joint-stock banks, and 100 bps for small- and medium-sized banks in April and May to support SMEs, (v) reduction of the interest on excess reserves from 72 to 35 bps, (vi) policy banks' credit extension to micro- and small enterprises (RMB 350 billion); (vii) introduction of new instruments to support lending to MSEs, including zero-interest "funding-for-lending" scheme (RMB 400 billion) to finance 40% of local banks' new unsecured loans and incentivizing them to extend payment holidays for eligible loans by subsidizing 1% of loan principles (RMB 40 billion) <p>The government has also taken multiple steps to limit tightening in financial conditions, including measured forbearance to provide financial relief to affected households, corporates, and regions facing repayment difficulties. Key measures include:</p> <ul style="list-style-type: none"> (i) encouraging lending to SMEs through uncollateralized loans from local banks, raising target for large banks' lending growth to MSEs from 30% to 40%; (ii) delay of loan payments (extended to end March 2021); eased online loan size restrictions; other credit support measures for eligible SMEs and households, (iii) tolerance for higher NPLs, reduced NPL provision requirements; (iv) support bond issuance by financial institutions to finance SME lending; (v) additional financing support for corporates via increased bond issuance by corporates, relaxing rules on insurers for bond investments; (vi) increased fiscal support for credit guarantees; (vii) flexibility in the implementation of the asset management reform, (viii) easing of housing policies by local governments. <p>Exchange rate and balance of payments: The exchange rate has been allowed to adjust flexibly. A ceiling on cross-border financing under the macroprudential assessment framework was raised by 25 percent for banks, non-banks and enterprises. Restrictions on investment quota of foreign institution investors removed. Central bank reduced risk reserve ratio for forward forex trading from 20</p>
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	per cent to zero starting 12 October 2020. ¹⁰
Trade measures ¹¹	<p>Restrictive:</p> <ul style="list-style-type: none"> Chinese officials have issued an immediate and comprehensive ban on all wildlife trade and consumption. New certification and inspection requirements on certain medical supplies products such as surgical face masks, testing kits and thermometers. April 26: The export prohibition was downgraded to export restriction upon authorization. April 1: China bans export of test kits, medical supplies by firms not licensed to sell them at home. August 19: Certain countries are allowed to resume exports to China. August 17: The capital of China's southern Guangdong province has suspended imports of frozen meat, fish and seafood from coronavirus-hit countries. (only partially applied) <p>Liberalizing:</p> <ul style="list-style-type: none"> Temporary decrease of import tariffs on certain products, e.g. medical supplies, raw materials, agricultural products, meat. List of imported products from the United States exempted temporarily from the additional 10% ad valorem rate of duty tariff increase. Implementation of nine facilitation measures regarding three categories of agricultural administrative approvals in order to prevent the further spreading of the pandemic.
SME measures (last update 22 January 2021)	<p>Subsidy:</p> <ul style="list-style-type: none"> The People's Government of Beijing Municipality subsidized (i) research and development costs of SMEs up to RMB 200,000; (ii) social insurance premiums of SMEs up to 50 per cent for a period of three months; and (iii) costs of employee training and purchases of remote office service products.¹² <p>Tax reduction:</p> <ul style="list-style-type: none"> For qualified SMEs with annual taxable income of no more than RMB 3 million, the effective Corporate Income Tax (CIT) burden can be reduced to between 5 per cent and 8.4 per cent.¹³ In March 2020, the government announced that small-scaled taxpayers in all areas (except Hubei province) benefit from a VAT collection rate reduction, from 3 per cent to 1 per cent, until June 2020. On May 22, this measure has been extended until 31 December 2020.¹⁴ <p>Deferral of tax payment:</p> <ul style="list-style-type: none"> On May 22, the State Council announced that small enterprises and entrepreneurs may defer Corporate Income Tax (CIT) payment for the period from 1 May 2020 to 31 December 2020 to the first filing period in 2021.¹⁵ <p>Tax exemption:</p>

¹⁰ <http://www.chinadaily.com.cn/a/202010/11/WS5f8245b5a31024ad0ba7de77.html>

¹¹ <https://www.macmap.org/covid19>

¹² <https://www.china-briefing.com/news/chinas-latest-regional-measures-to-support-smes-during-coronavirus-outbreak/>

¹³ <https://home.kpmg/xx/en/home/insights/2020/04/china-tax-developments-in-response-to-covid-19.html>

¹⁴ Ibid.

¹⁵ Ibid.

	<ul style="list-style-type: none"> • The government exempted social security contributions of SMEs in the accommodation/catering industry. • In March 2020, the government announced that small-scaled taxpayers in Hubei province benefit from a VAT exemption until June 2020. On May 22, the State Council extended this measure until 31 December 2020.¹⁶ <p>Other fiscal support:</p> <ul style="list-style-type: none"> • The PBC allowed flexible exchange rate adjustments. Under the framework of macro-prudential assessment, banks, non-banks and enterprises have increased their cross-border financing ceiling by 25 per cent. • The restrictions on the investment quota of foreign institutional investors have been removed. • The government increased fiscal support for credit guarantees. <p>Loan support:</p> <ul style="list-style-type: none"> • The State Council of the People's Republic of China (i) provided SME credit guarantees and drive asset management reform; (ii) provided RMB 350 billion to include micro and small businesses within the scope of acceptable credit; (iii) increased refinancing and rediscount limits by RMB 1.8 trillion to support manufacturers of medical supplies and daily necessities, SMEs, and agricultural sectors at low-interest rates; (iv) provided an additional 100 basis points of support for eligible joint-stock banks; (v) targeted reserve requirement ratios for banks that meet the conditions of inclusive financing was reduced by 50-100 basis points; and (vi) instructed financial institutions to issue financial bonds totaling RMB 300 billion to support SME financing.¹⁷ • The People's Bank of China (PBC) (i) relaxed rules on insurers for bond investments; (ii) introduced new tools to support loans to SMEs, including a zero-interest-rate “funding-for-lending” plan (RMB 400 billion) to fund 40 per cent of new unsecured loans from local banks, and incentivize them to further extend the payment term by subsidizing 1 per cent of loan principal (RMB 40 billion) to support eligible loans; (iii) eased restrictions on the loan size of online loans; (iv) allowed higher non-performing loans (NPLs) and reduced NPL reserve requirements. • The government has taken multiple steps to limit tightening in financial conditions: (i) encouraging lending to SMEs, including supporting uncollateralized SME loans from local banks, raising the target for large banks’ lending growth to MSEs from 30 per cent to 40 per cent, and establishing an evaluation system for banks’ lending to MSEs, (ii) eased loan size restrictions for online loans, and other credit support measures for eligible SMEs and households, (iii) support bond issuance by financial institutions to finance SME lending. <p>Deferral of loan repayment:</p> <ul style="list-style-type: none"> • The government has taken multiple steps to limit tightening in financial conditions, including delay of loan payments, with the deadline extended to the end of March 2021.
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¹⁶ Ibid.

¹⁷ <https://www.scmp.com/economy/china-economy/article/3052474/coronavirus-china-grants-banks-extra-funding-spur-loans-hard>

	<p>Other financial support:</p> <ul style="list-style-type: none"> • From February to June, in all provinces except Hubei province, small and medium-sized enterprises can be exempted from endowment insurance, unemployment insurance and industrial injury insurance. In Hubei province, all kinds of insured enterprises are exempted.¹⁸ • On June 3, the Circular about Waiving and Reducing Property Rents to Support the Development of Small, Medium, and Micro Enterprises and Individual Industrial and Commercial Households (Guo Zi Ting Cai Ping [2020] No.42) provided that central enterprises must cut rents for MSMEs and individual industrial and commercial households that lease their properties for business purposes.¹⁹ <p>Employment support:²⁰</p> <ul style="list-style-type: none"> • For companies with a workforce of less than 30 people, the maximum layoff rate was set at 20 per cent. • China is encouraging the use of unemployment insurance funds to provide wage and job subsidies to enterprises, in particular for SMEs. • Salary guarantees for all workers, especially those ill or in quarantine. • The Ministry of Finance cut social insurance payments by RMB 1 trillion to incentivize companies to retain employees.²¹
Other policy measures	<p>Health</p> <ul style="list-style-type: none"> - The 42,000+ medical personnel sent from all around China to support the fight with the outbreak in Wuhan are gradually returning as there is decreasing need for them - Medical equipment and pharmaceuticals related to the new coronavirus are exempt from registration fees - Public procurement commitment for extra installed capacity of masks and other prevention materials in case market demand shrinks - Support to vaccine and medicine-related research to fight the virus - Building 2 new hospitals (by now dismantled) and dozens of laboratories for testing - Government procurement of masks and other prevention materials once the outbreak is over (no sunset close as of now) - Roll out incentives to attract foreign investment²² - China will provide \$2 billion over two years to help with COVID-19 response and with economic and social development in affected countries²³ <p>Legislative measures:</p>

¹⁸ <https://home.kpmg/xx/en/home/insights/2020/04/china-government-and-institution-measures-in-response-to-covid.html>

¹⁹ <https://www.china-briefing.com/news/china-covid-19-policy-tracker-benefiting-business-enterprises-comprehensive-updated-list/>

²⁰ <https://www.worldbank.org/en/data/interactive/2020/04/14/map-of-sme-support-measures-in-response-to-covid-19>

²¹ <https://home.kpmg/xx/en/home/insights/2020/04/china-government-and-institution-measures-in-response-to-covid.html>

²² http://www.xinhuanet.com/english/2020-05/18/c_139066466.htm

²³ http://www.xinhuanet.com/english/2020-05/18/c_139067269.htm

	<ul style="list-style-type: none"> - Ban illegal trade and consumption of wildlife after outbreak ²⁴ <p>Foreign trade and investment: According to a State Council guideline, China will step up credit support to foreign trade firms, and extend financial support to major foreign-funded companies eligible for low-cost re-lending and rediscount quota. Efforts will also be made to help foreign trade firms to expand clientele, improve trade facilities and services, including cross-border e-commerce platforms, cross-border logistics and overseas warehouses. China will add more flights with main investment countries in a phased manner while preventing COVID-19 risks.²⁵</p> <p>Education:</p> <ul style="list-style-type: none"> - Targeted measures to help Chinese students whose overseas study plans were affected by the pandemic - Domestic universities encouraged to enroll qualified students to provide opportunities domestically²⁶
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Source: IMF, Policy Responses to COVID-19 as of 22 October 2020, if not specified.

²⁴ http://www.xinhuanet.com/english/2020-05/25/c_139085953.htm; <https://news.cgtn.com/news/2020-05-20/Wuhan-issues-total-ban-on-wildlife-trade-and-consumption-QEzKVJ4GQM/index.html>

²⁵ http://www.xinhuanet.com/english/2020-08/12/c_139285745.htm

²⁶ <http://www.chinadaily.com.cn/a/202009/16/WS5f6194b2a31024ad0ba79e82.html>