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China Legal Update

July 30, 2019

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I. Legal News

1. China Cuts Social Insurance Contribution to Reduce Enterprise's Burden

On July 10, 2019, Premier Li Keqiang re-stressed in the State Council Meeting that measures shall be made to ensure the social insurance contribution of enterprises is reduced across China so as to ease the enterprise's burden and to boost the economy.

In China, both employee and employer make contributions towards the social insurance funds and the employer is responsible each month for withholding the contribution of the employee from his gross salary. Specifically, there are five kinds of social security funds, which are pension fund, unemployment fund, medical fund, occupational injury fund and maternity fund among which the pension fund, unemployment fund and medical fund are the ones paid by the employer and the employee respectively, and occupational injury fund and maternity fund are paid solely by the employer.

The most important change among the nationwide reduction policy is actually in relation to the pension fund. Specifically, as of May 1, 2019, the employer contribution rate to pension fund was reduced from 18-20% to 16%, with the employee contribution rate remains the same at 8%.

For the current contribution rate for the five kinds of social security funds, please find below a summarized table:

Social Security Funds	Contribution rate (% of employee's salary)	
	Employer	Employee
Pension fund	16%	8%
Unemployment fund	0.8%	0.2%
Medical fund	10%	2%
Occupational fund	0.2%-1.9%	N/A
Maternity fund	0.8%	N/A

Cutting social insurance contribution is one part of China's policy to reduce costs for businesses, together with cutting taxes and administrative hurdles. It is reported that in the first half of this year, employers have seen more than RMB 128 billion less paid in pension fund, unemployment fund[1] and occupational fund, which is a good sign of well implementation of the policy.

(http://politics.people.com.cn/n1/2019/0711/c1024-31226524.html)

2. China Unveils New Measures for Further Opening Its Financial Industry

On July 20, 2019, an announcement was released on the website of the People's Bank of China ("Announcement"), in which the Office of Financial Stability and Development Committee under the State Council takes 11 measures to further open China domestic financial market to foreign investors.

According to the Announcement, the following financial sectors have been further opened.

(1) Credit Rating on Bond

Foreign-funded institutions are permitted to conduct credit rating business with all kinds of bonds in China's inter-bank and exchange bond market;

(2) Asset Management Company

First, overseas financial institutions are encouraged to participate in setting up and investing in asset and wealth management subsidiaries of commercial banks;

Second, overseas asset management institutions are permitted to co-establish foreign-controlled asset management companies together with subsidiaries of Chinese banks or Chinese insurance companies;

(3) Pension Management Companies

Overseas financial institutions are permitted to invest in setting up or holding stakes in pension management companies;

(4) Currency Brokerages Foreign investors are permitted to establish or hold stakes in currency brokerages;

(5) Insurance related business

First, the transitional period for raising the foreign proportion of shareholding on life insurers from 51% to 100% will be brought forward to 2020 from the previous target year 2021 (one year in advance), allowing foreign investors to operate life insurer in China in forms of sole proprietorships in 2020;

Second, it changes the allowed total proportion of foreign investment on Insurance Asset Management Company from less than 25% to more than 25%;

Third, previously, foreign insurers were required to have been in operation for at least 30 years. Such 30-year entry condition was removed;

(6) Bond market

China will facilitate foreign institutional investors in investing in the inter-bank bond market by greenlighting them in obtaining type-A underwriting licenses in the market;

In addition, China will further facilitate the investments of overseas institutions in the inter-bank bond market;

(7) Securities, fund management and futures companies

Previously, China decided that foreign-ownership cap (restrictions on the proportion of foreign investment) in securities, fund management and futures companies would be removed completely in 2021. Currently, the removal of foreign ownership proportion limits will be advanced by one year from 2021 to 2020.

Till now, the effective date of the above is not clear yet; however, it is said that more detailed rules will be released soon to implement the above measures.

(http://www.pbc.gov.cn/en/3688110/3688172/3863256/index.html)

II. Hot topic

China Imposes Anti-Dumping Duties on EU Stainless-Steel Products Imports

As of July 23, 2019, China starts levying anti-dumping duties on imports of certain stainless-steel products from European Union ("EU") and such levying will last for five years pursuant to an Announcement on the Final Ruling on the Anti-dumping Investigation into Imported Stainless Steel Billet and Hot-rolled Stainless Steel Plate (Coil) Originating from the EU, Japan, South Korea and Indonesia (the "Announcement") released by the Ministry of Commerce ("MOC") recently.

The MOC investigation request was launched on July 23, 2018, followed by a series of interviews, sampling and on-site verification and a preliminary ruling was released on March 22, 2019. Currently, it is found in the Announcement that such stainless-steel products imports from those areas have caused substantial damage to China's domestic industry and there was a causal relationship between the dumping and the substantive damage, accordingly, a decision is therefore made to impose the anti-dumping duties.

According to the Announcement, the anti-dumping duty rates charged from EU, Japan, South Korea and Indonesia range between 18.1% and 103.1%, while the rates for EU companies stand at 43%.

(http://www.mofcom.gov.cn/article/b/e/201907/20190702883527.shtml)

1. https://www.chinadaily.com.cn/a/201907/10/WS5d25fb3aa3105895c2e7ccb5.html

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