



The New Social Insurance Law

As of July 1st 2011, the Chinese government passed the new PRC Social Insurance Law (refer to July 2011 newsletter). As of September 2011, the government has announced the practical details regarding the new law stating the effective date of practicing the law begins October 15th 2011.

The goal of the law is to ensure foreign employees more rights and to improve overall social welfare in China. The law stipulates foreigners working in China to take part in the Chinese Social Security Program. The law applies to all enterprises (state-owned, private and foreign-invested).

Social insurance is comprised of pension, work injury insurance, basic medical insurance, maternity insurance and unemployment. Both the employee and employer are required to contribute to the Social Security Program. The law states that the employer and employee should both contribute to pension, work injury insurance and basic medical insurance while the employer should also contribute to maternity insurance and unemployment. It is the employers' obligation to pay their share as well as withhold and pay in the employees' share. If employers fail to make the contributions in a timely manner, they will be subject to penalties, which can range from 100-300 percent of the contributions due. It is also important to note that employers must open a social insurance account for a foreign employee within 30 days of hiring.

The social insurance base and rates may vary by location but the contribution by both foreign and Chinese employees should be the same rate and have the same



ChinaBiz Blog

Environmental Impact

By October 2011, the world is expected to home 7 billion individuals. With ever increasing populations the environment is taking a toll. Sustainable development has now more than ever, become one of the world's hot topics, and a necessary subject to be continuously referred to.

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RMB Appreciation

calculations. In Beijing, for foreign employees whose salary cap is above 12,603 RMB, will contribute monthly 1,289 RMB and the employer will contribute 4,134 RMB for the total five types of insurance. In Shanghai, the salary cap is 11,688 RMB, but as the insurance rates are higher, employees will contribute monthly 1,286 RMB while employers will contribute 4,325 RMB for the total five types of insurance.

Once the individual has made contributions for at least 15 years towards their retirement insurance, the individual will be eligible to receive their benefits once the employee has reached China's retirement age, 55 for women and 60 for men.

The law also states, that a refund of the employee-contributed payments to the Social Security Program can be received before retirement age if the foreign employee permanently leaves China.

To conclude, Germany and South Korea have developed an agreement with the Chinese government stating that German employers and employees do not have to have pension and unemployment insurance accounts while South Korean employers and employees do not have to have the pension insurance account. However the other accounts associated with the social insurance must be opened and contributed to.

For further information regarding the new social insurance law, please feel free to contact the [HR department](#) at NCO China.

It has been recently reported that China's RMB will continue to appreciate but only gradually.

The French Foreign Minister, Alain Juppe, is scheduled to visit Beijing September 14th 2011 in order to discuss the upcoming G20 summit which will take place in November. It is expected that the French Foreign Minister, will attempt to push for a faster appreciation of the RMB, as in a recent speech towards reporters mentioned that he believed the RMB is undervalued.

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China's Price Pressures

China currently is witnessing fast rising prices in food products. The price of pork and vegetables has seen a



Labor Unions - A New Regulation

Within the past few months a new regulation within Beijing's Labor Union has been established. A recent announcement made by the Beijing Labor Union states that all Foreign Invested Enterprise's (FIEs) in Beijing are required to be part of a labor union. An FIE with more than 25 employees may establish a labor union of its own. Smaller FIEs with less than 25 employees can either join a community labor union or establish its own.

The new regulation has taken effect as of July 1st2011. The FIEs in the districts of Dongcheng, Xicheng, Chaoyang, Mentougou and Shunyi will be subject to labor union fees from the third quarter of 2011 (which should be paid within the first 15 days of October). As the labor union fee was implemented in July 1st2011, it should be

significant change. The inflation China has been experiencing is in many ways feared to be beginning having significant effects globally- price pressure spreading globally.

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China's ODI

The global debt crisis is being seen as an opportunity for China as many Chinese companies see possibilities for investment overseas, outbound direct investment (ODI). Due to the debt crisis, restrictions on foreign investment have lessened and more nations are becoming open to ODI.

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noted that payment of the fee in October includes a calculation of July, August and September. FIEs in other areas of Beijing will be subject to labor union fees beginning from the fourth quarter of 2011 (which should be paid in the beginning of January 2012). The calculation of the labor union fee is 2% of total salary compensation of the company, monthly.

The purpose of the labor union fee is to assist with staff welfare and protect employee rights. The labor union fee must be filed and paid on a quarterly basis, along with the employee's individual income tax to the local tax bureau.

It is important to note though, that up to 60% of the paid labor union fee can be claimed back by reimbursements from the Beijing Labor Union for the expenditure of the individual labor union or members. In other words, 60% of the labor union fee will be refunded to FIEs who join or create a labor union. FIEs which do not join or create a labor union will not be liable to receive reimbursements.

For further information regarding the new regulation, please feel free to contact the [HR department](#) at NCO China.



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China's Labor Unions

China's labor unions are often discussed in China's political and economic arena as labor unions are seen to carry the key to employment stability and boosting the development of China's economy. China's government has recognized the importance in protecting workers rights and interests through the establishment of The All China Federation of Trade Unions (ACFTU) in 1925. ACFTU is the main national trade union federation throughout the Peoples Republic of China; the largest in the world with an approximate membership of 134 million people. ACFTU is built upon a number of industry related trade unions and independent primary trade union organizations amounting to 1.7 million. Although there have been discussions surrounding actual trade union activity in China, ACFTU continues to be an active participant in international forums. In 2008, a new labor law was posed in China, urging most companies including foreign owned companies to create an ACFTU chaptered trade union.

During 2011 ACFTU has held the incentive to further encourage enterprises trade



Reminder

Deadline for Monthly

Individual Income

Tax, Business Tax and Value

Added Tax Declaration -

26th October, 2011

Deadline for Quaterly

Enterprise Income Tax

Declaration - 26th October,

2011

Deadline for Annual

Vehicle and Vessel Usage

Tax Declaration - 26th

October, 2011

unionization, and membership especially for migrant and labor service workers. For 2011, ACFTU has stressed importance in; collective wage bargaining between workplace and trade union, law making towards protecting worker rights and interests, and encouraging education and training opportunities for workers. It is hoped that by 2013 nationwide, unionized businesses will reach more than 90%.

ACFTU recognizes the need for encouraging collective bargaining of employee wages between enterprises and trade unions and hopes by the end of 2011, 60% of unionized enterprises will be taking part in such actions. It is the goal by 2013 that 80% of unionized enterprises will have agreed upon wages for employees through collective bargaining. Wage growth, the development of wage supervision and a guarantee system to ensure consistent wages and wage growth for ordinary workers, migrant workers, and service labor workers is particularly stressed.

Enforcing laws regarding the protection of employee and worker rights and interests through law enforcement inspections is another aspect given emphasis to.

Encouraging the formation of worker's congress systems and corporate transparency is another goal. It is desired that by the end of 2011 evidence of corporate transparency, workers congress systems and democratic management systems will prevail through 80% of unionized public enterprises and 70% of unionized non-public enterprises.

Placing importance on strengthening and improving workers technical abilities by providing education and training demonstration facilities is also a dimension that ACFTU is striving for. In 2011, 800 demonstration facilities have been established as well as 50 women worker's training and demonstration facilities.

The emphasis placed by ACFTU this year to these numerous areas can be seen by

the public as holding the incentive of protecting workers and offering new opportunities. It can only be hoped that the goals ACFTU has set can be achieved and employment stability will be evident throughout the continuance of China's economic development.

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