

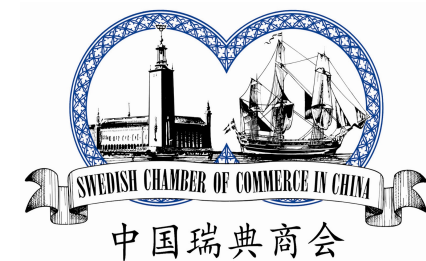
CHINA'S NEW SOCIAL INSURANCE LAW AND IMPACT ON FOREIGN BUSINESS

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Shanghai, China

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Social Security Extended to Foreigners

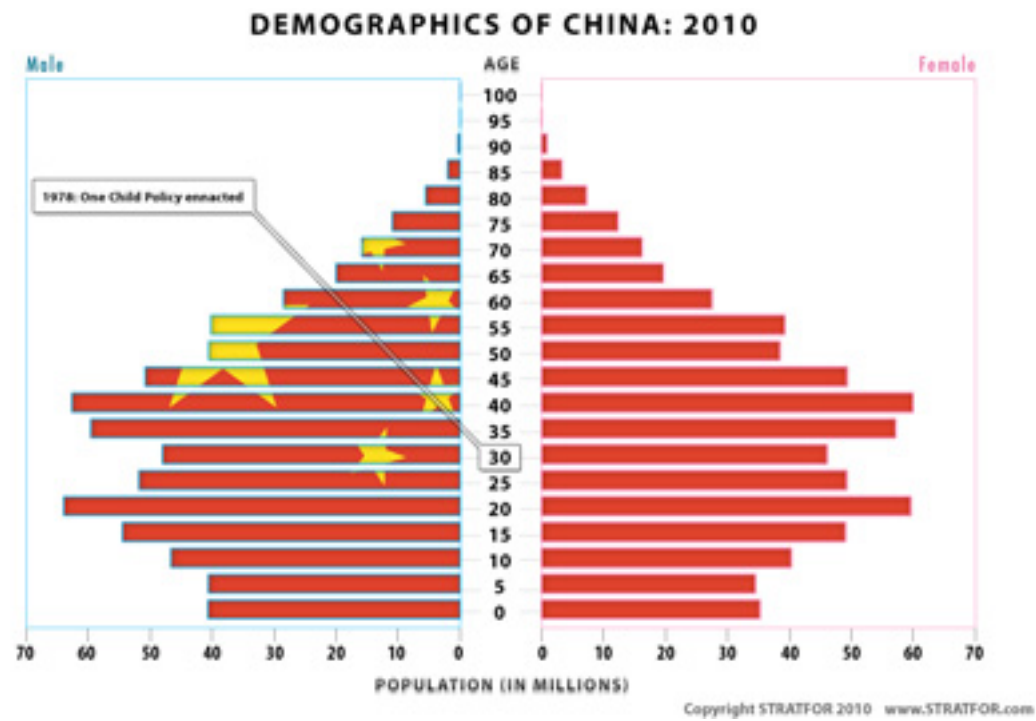
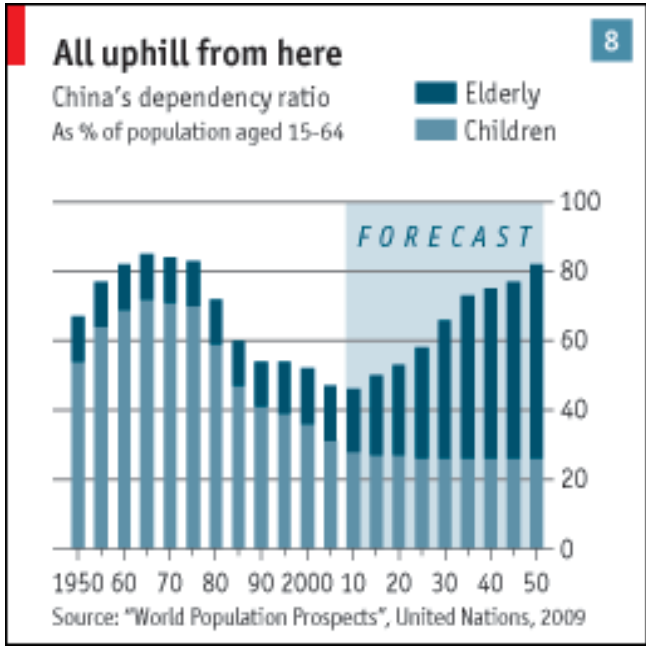


- Based on five types of insurance: pension, basic medical, unemployment, work injury, maternity
- Foreign employees and employers must contribute to social security fund
- Companies must contribute % of workers' salary
- Individual contributions are around 10%
- Each city will have own pricing scheme (i.e., employers pay approx. 33% in Beijing, 37% in Shanghai)

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What is the System Really About?

- Brand-new system, managed by understaffed agencies
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- Many local authorities unaware of new law/differ in opinion
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- Possible retroactive payments
- Uncertainty re: medical, maternity, unemployment payments
- Will this really benefit foreigners? (public health system, unemployment payments)



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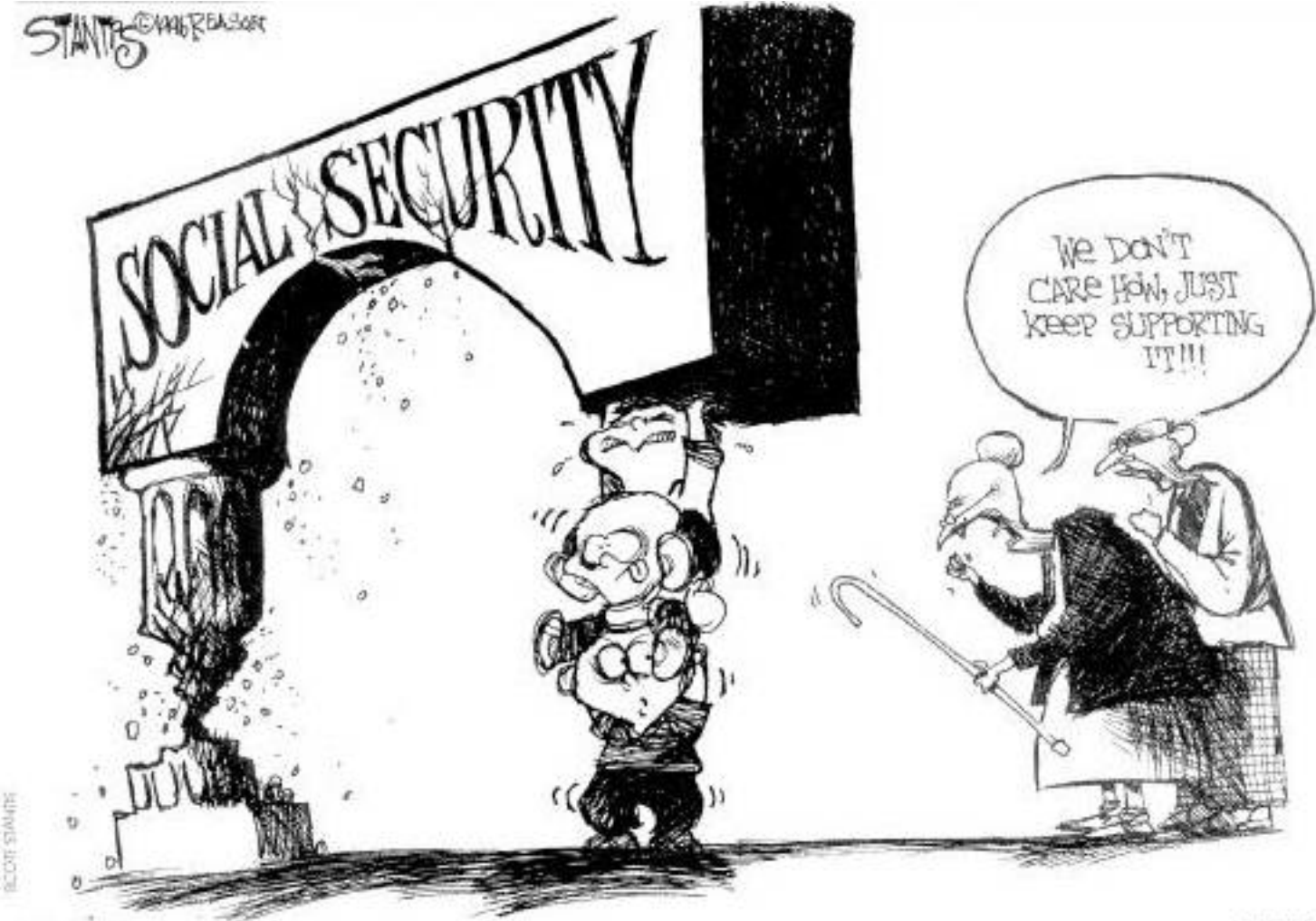


Social security service center, pilot project, in Gansu.

What Can Foreign Businesses Do?

- **See what your country can do:**
 - **Bilateral agreements**
 - **Agreements w/ Germany, South Korea already in place, but...**
 - **Switzerland will start negotiations... soon!**
- **Employers need to assess existing payroll arrangements**
- **Keep up-to-date on responsibilities**
- **Be aware of local peculiarities**
- **Obtain professional advice (CPA, HR, legal)**

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Salary Contributions



(Based on Beijing rate)

	Employer Contribution	Employee Contribution
Pension	20%	8%
Maternity	0.8%	0%
Unemployment	1%	.2%
Work Injury	.3-1%	0%
Medical Insurance	10%	2%
Subtotal	31.2-32.8%	10.2%

Salary Contributions (Cont.)



Foreign Employee A

€1,000/month

Employer Contribution: €321/month
Employee Contribution: €102/month
Total: €423
Total % of Salary: 42%

Foreign Employee B

€15,000/month

Employer Contribution: €473/month
Employee Contribution: €150/month
Total: €623
Total % of Salary: 4%

Monthly salary ceiling for contributions in Beijing is RMB 12,603 (€1,472)

Exit: and when the Expat goes home?

- **Account can be reserved prior to retirement and revived on return to China OR apply for lump sum on departure**
- **Can obtain retirement, even if abroad**
 - **must pay into system for 15 years**
 - **apply at PRC embassy if abroad**
- **Companies DO NOT get their contributions back**
- **HR should consult with legal counsel on layoffs**