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Your Partner for Growth in Asia

Global Mobility

Managing a global workforce in China

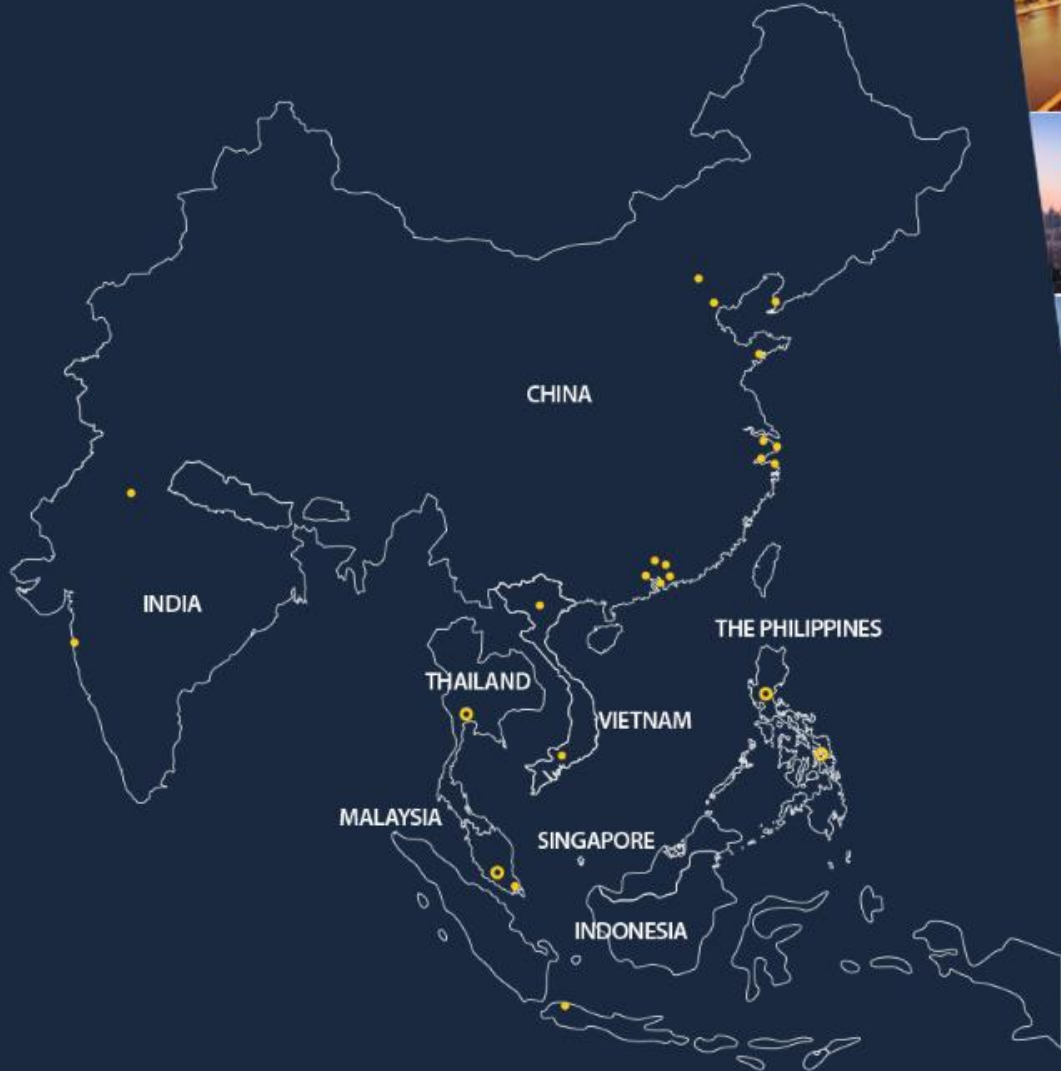
June 14th





DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia



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Section 1

Overview of FDI in China



The Chinese 'economic miracle'

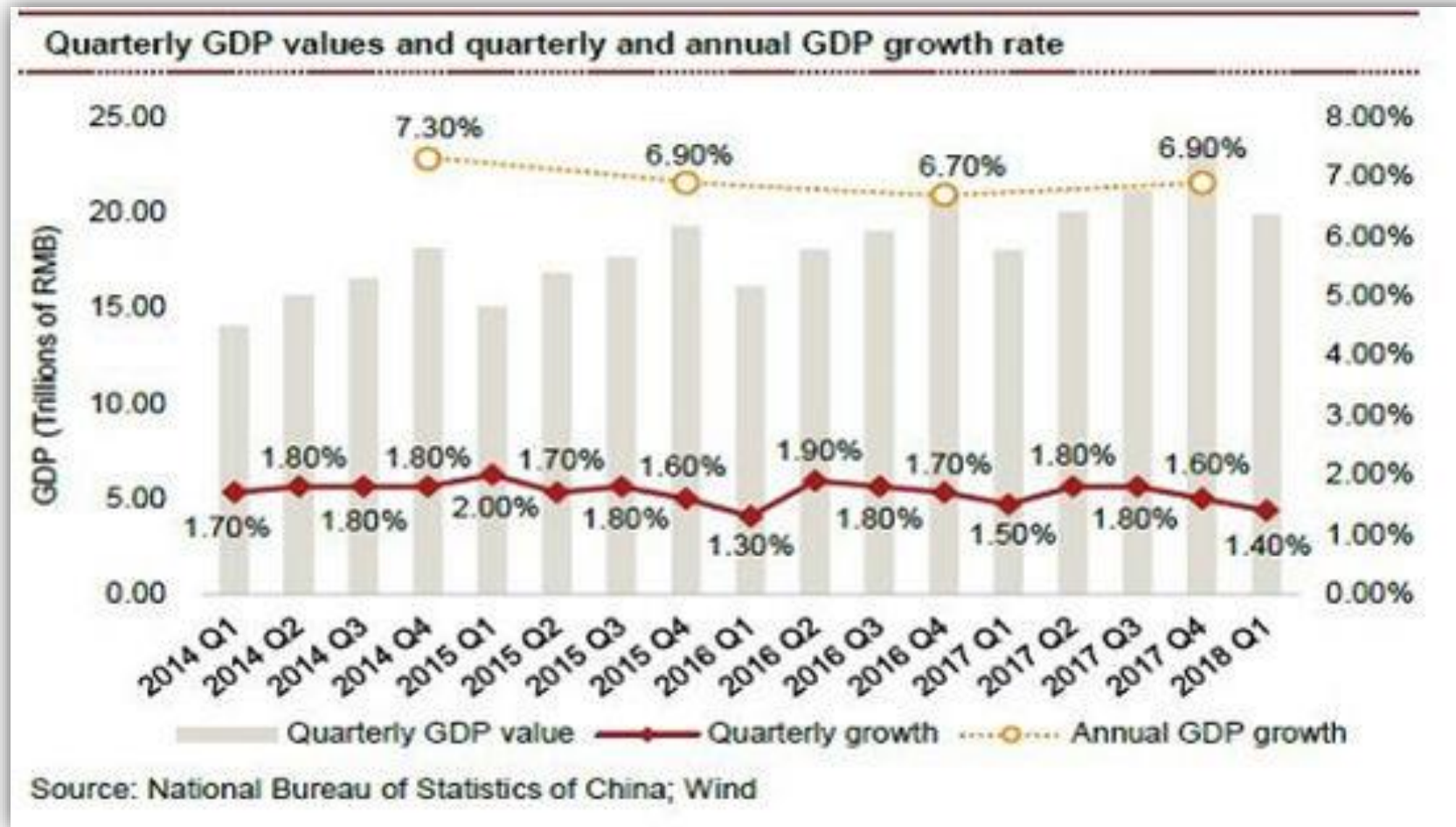
GDP per capita (current US\$), China 1960-2016



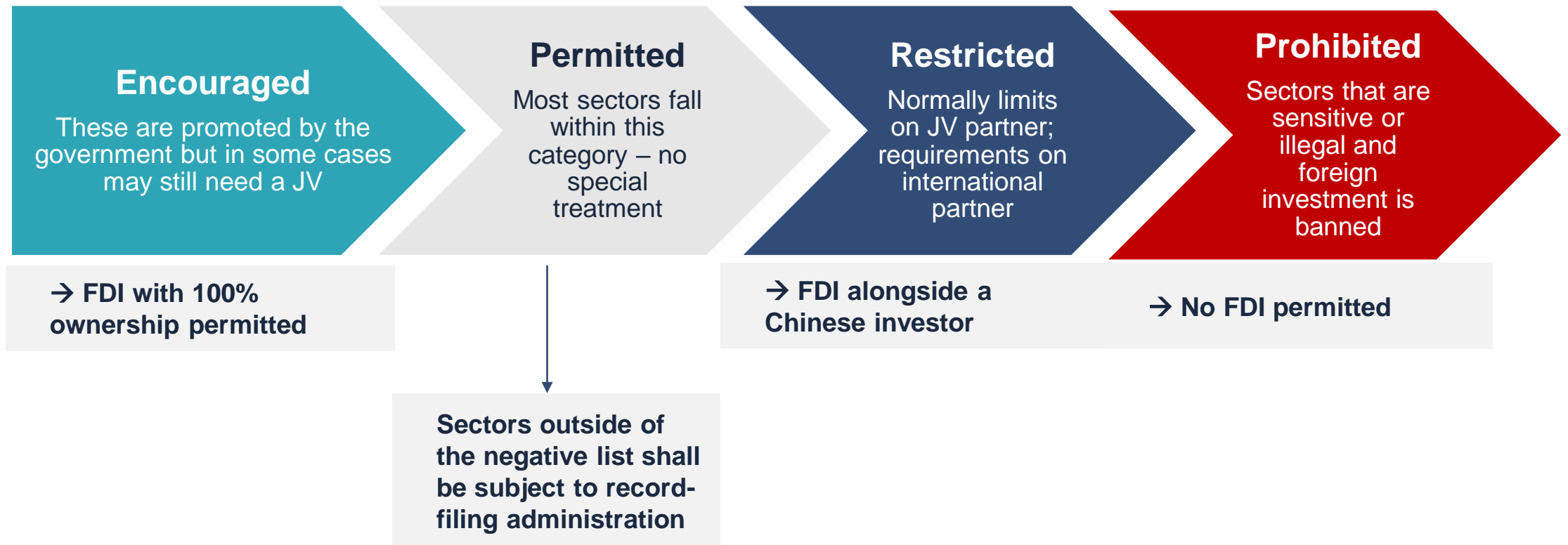
Chinese GDP per capita: US\$ 156 (1978) → US\$ 8,123 (2016)

500 million people were lifted out of poverty

China 2018 Q1 GDP



Foreign Investment Catalogue



The Negative List

Catalogue of Industries for Guiding Foreign Investment (*came into effect on 28th July 2017*)

“Prohibited” (28)

- × Commercial fishing
- × Manufacturing of weapons and ammunition
- × Wholesale and retail of tobacco
- × Compulsory education
- × Postal companies
- × Editing and publishing of books and newspapers
- × News agencies and internet news services
- × Radio and TV stations
- × Movie production

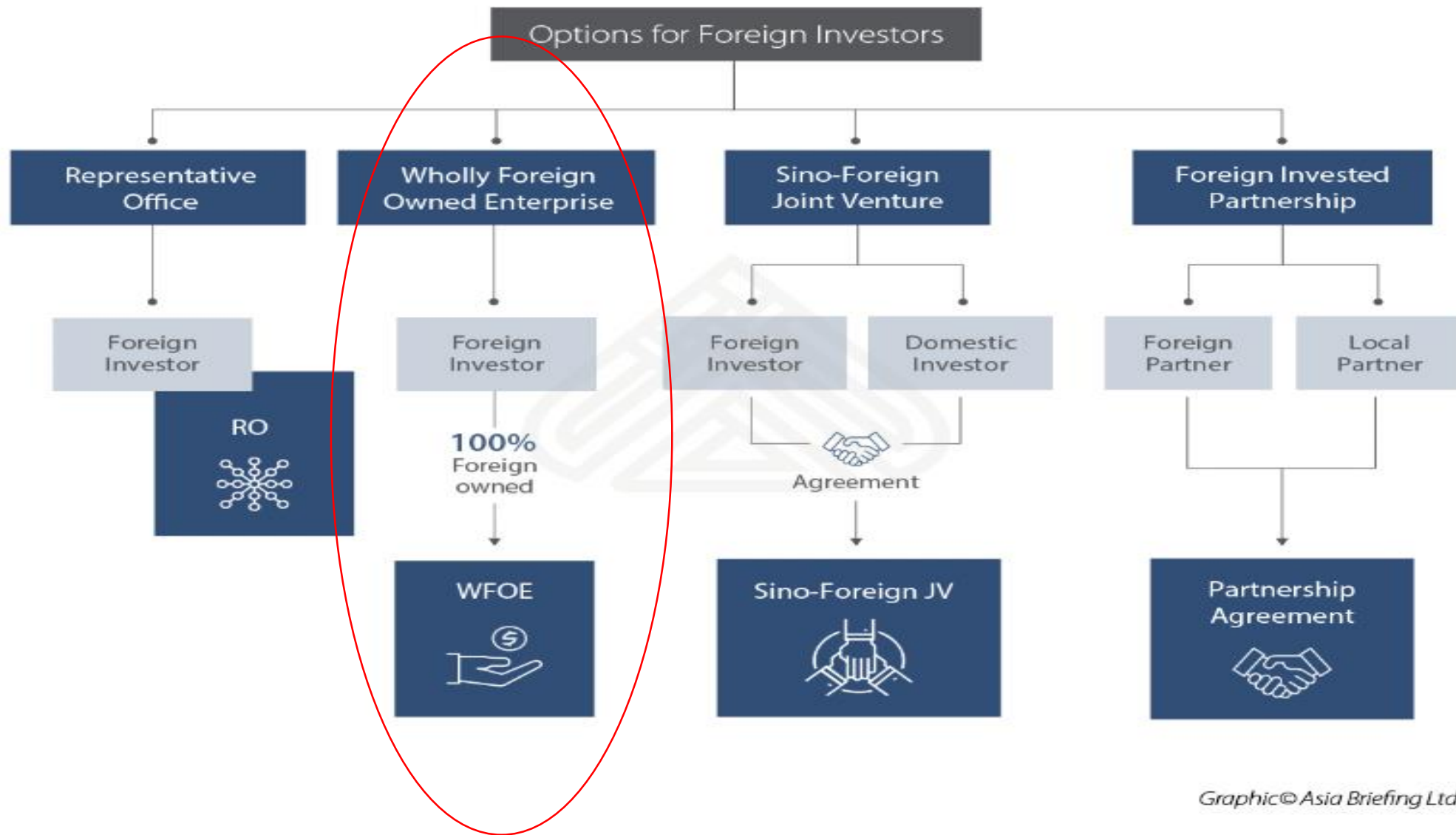
“Restricted” (35)

- ± Manufacturing of automobile vehicles
- ± Insurance
- ± Securities, futures
- ± Banks
- ± Telecommunications
- ± Oil and gas exploration
- ± Medical institutions
- ± Pre-school and higher education
- ± Railway and waterway transport

“Encouraged” (348)

- ✓ Nursing homes
- ✓ Vocational training
- ✓ R&D centers
- ✓ Development of energy saving technologies
- ✓ Highway freight forwarding
- ✓ Manufacturing of clothing
- ✓ Operation of new energy power stations
- ✓ Operation of fitness centers
- ✓ Venture capital enterprises
- ✓ Manufacturing of VR/AR tech

Foreign Investment Structures in China



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Foreign Invested Enterprises (FIE) Common Types

**Wholly Foreign-
Owned
Enterprises
(WFOE)**

**Joint Ventures
(JV)**

**Representative
Offices
(RO)**

Wholly Foreign Owned Enterprise (WFOE) Overview

Legal Status

- Distinct legal entity (i.e. limited liability company), liabilities separate from parent company and limited to the registered capital amount;
- Can conduct a full range of business activities within FDI restrictions (e.g. service/consulting, trading, manufacturing, etc.)

Advantages

- Can conduct a full range of business activities
- Can sign contracts and collect/disburse payments in RMB
- Can issue special VAT invoices (“fapiao”)
- 100% control over business

Disadvantages

- Lengthy establishment process (4-6+ months)
- Registered Capital required (minimum for select industries)
- Cash flow management & funding

Joint Venture (JV) Overview

Legal Status

- Distinct legal entity (i.e. limited liability company), liabilities separate from parent company and limited to the registered capital amount
- Two types – Equity Joint Venture (EJV) and Cooperative Joint Venture (CJV)
- Can conduct a full range of business activities within FDI restrictions(e.g. service/consulting, trading, manufacturing, etc.)

Advantages

- Some similar WFOE Advantages
- Can enter industries that by law require a local partner
- Leverage partner's existing facilities, workforce, sales and distribution channels

Disadvantages

- Some similar WFOE Disadvantages
- Split profits with partner
- Less management control than a WFOE
- Technology transfer/IP risks
- Inheriting partner liabilities

Representative Office (RO) overview

Legal Status

- Not a legal entity, liabilities extend to parent company and requires parent company to have been in existence for 2 or more years;
- Business scope limited to marketing, research, and liaison activities

Advantages

- Relatively short establishment process (2-3 months);
- No Registered Capital required
- Relatively inexpensive to set up and maintain

Disadvantages

- Cannot directly sign contracts or engage in business activities;
- Cannot issue official tax invoices (“fapiao”);
- Cannot directly hire employees and limited amount of visas;
- Typically taxed on a cost-plus basis (8.36% tax on expenses)

Section 2

Individual Income Tax (IIT) for Expatriates



Regulations (Basic Principles of IIT for expatriates)



Categories of Taxable Income:

- **Employment Income:** 9-tier progressive rate from 5% to 45%
- **Independent Service Income:** 3-tier rate of 20%, 30%, 40%
- Production & business income derived by industrial and commercial households: 5-tier progressive rate from 5% to 35%
- Production & business income derived by contracting or leasing operations of enterprises: 5-tier progressive rate from 5% to 35%
- Manuscripts income: 20% with a further 30% reduction of the tax payable
- Royalty income: 20%
- Interest: Temporarily reduced to 5%
- Dividend, profit distribution: 20%
- Property rental income: 20%
- Income derived from transfer of properties: 20%
- Occasional income: 20%
- Other taxable income as stipulated by the finance department of State Council

The Scope of Employment Income

- **IIT is levied on employment income including:**
 - Basic salary
 - Overtime pay
 - Incentive compensation (commissions, annual bonuses)
 - Cash allowances (food allowance, transportation allowance, per diem)
 - Housing allowance in cash
 - Commercial insurances
 - Equity compensation (stock option, RSU, SAR)

IIT Rates for Employment Income

Tax Bracket	Monthly Taxable Income (MTI) (RMB)	Tax Rate	Quick Deduction (RMB)
1	MTI ≤ 1500	3 %	0
2	1500 < MTI ≤ 4500	10 %	105
3	4500 < MTI ≤ 9000	20 %	555
4	9000 < MTI ≤ 35000	25 %	1,005
5	35000 < MTI ≤ 55000	30 %	2,755
6	55000 < MTI ≤ 80000	35 %	5,505
7	MTI > 80000	45 %	13,505

Basic IIT Calculations

- ***Monthly Taxable Income = *Gross Income – **IIT Exemption Threshold***
- **IIT Payable = Monthly taxable income x Applicable tax rate – *Quick Deduction**

Note:

****Gross Income: after deduction of employee mandatory benefit***

*****IIT Exemption Threshold:***

- **Expat. RMB 4,800**
- **Chinese nationals: RMB 3,500**

Non-taxable Fringe Benefits to Expatriates

- **Expatriates are eligible for certain employment allowances that may be treated as non-taxable if relevant requirements are fulfilled. The deductible allowances include:**
 - Employee housing cost;
 - Reimbursement of certain meals, laundry, language training costs, and;
 - Home leave fare of two trips per year for the employee, within reason;
 - Relocation and moving cost, within reason;
 - Children education expenses in China, within reason.

Inspections on Supporting Documents

- **The in-charge tax officials will review relevant documentation, including**
 - Employment contract or secondment letter;
 - The company reimbursement policy/guidance;
 - rental agreements, rent payment official tax invoices, travel expense official tax invoices, and
 - the original tax receipts
- **Non-qualified expenses:**
 - Whether the amount is spent on non-qualified expenses. (e.g. home leave expenses for family members)
- **Reasonableness of the expense**
 - Whether the amount involved is within reasonable range

Example: Tax-exempt Fringe Benefits

- **Example : Mr. Obama was transferred from US HQ to the China subsidiary. In 2017, he stayed in China for a year.**
 - Monthly salary is RMB110,000
 - IIT paid individually
 - No other benefits provided
- **Monthly IIT payable:**
 - = $\text{RMB}(110,000 - 4,800) * 45\% - \text{RMB}15,375$
 - = **RMB31,965**

Example: Tax-exempt Fringe Benefits

- If the total package of RMB110,000 is split into the following:
 - Cash salary of RMB80,000
 - Housing reimbursement of RMB20,000
 - Meal and laundry reimbursement of RMB10,000
- **Monthly IIT payable**
 - = RMB(80,000 - 4,800) * 25% - RMB1,375
 - = RMB17,425

$$\begin{aligned}\text{Monthly Tax savings} &= \text{RMB}(31,965 - 17,425) \\ &= \text{RMB}14,540\end{aligned}$$

Annual Bonus

- The annual bonus is subject to a preferential tax treatment and is taxed separately from the monthly salary:
 - Subject to a preferential tax treatment
 - Divided into 12 months and follow the monthly tax rate level
 - Applies only once in a calendar year
- To achieve lower tax rates on annual bonus calculations:
 - Structure the quarterly or other discretionary bonuses as an annual bonus, if feasible;
 - Arrange different performance bonus schemes to be paid out in the same month

Structuring Annual Bonus

- **Example: Mr. Obama was transferred from US HQ to China subsidiary. In 2017, he stayed in China for 365 days.**
 - Monthly salary = RMB110,000
 - Quarterly bonus = RMB50,000 per quarter
 - Tax paid by the individual

IIT for Bonuses:

$$= \text{RMB } 50,000 * 45\% * 3 \text{ months} + \underline{(\text{RMB } 50,000 * 10\% - \text{RMB } 105)} = \text{RMB } 72,395$$

Structuring Annual Bonus

- If the quarterly bonuses are structured as an annual bonus, i.e.
 - Monthly salary = RMB110,000
 - Annual bonus = RMB200,000

$$\begin{aligned} & \text{IIT for Bonuses} \\ & = \underline{[\text{RMB } 200,000 * 25\% - \text{RMB } 1005]} \\ & = \text{RMB } 48,995 \end{aligned}$$

$$\begin{aligned} \text{Annual Tax saving} & = \text{RMB}(72,395 - 48,995) \\ & = \underline{\text{RMB } 23,400} \end{aligned}$$

IIT Calculation for An Individual's Service Income

Grade	Range of taxable income	Tax rate (%)	Quick deduction (RMB)
1	Up to RMB 20,000	20	0
2	Over RMB 20,000 but not over RMB 50,000	30	2,000
3	Over RMB 50,000 above	40	7,000

Remuneration income of single labor service (RMB)	Formula for calculating IIT (RMB)
4,000 or less	$\text{Income} - 800 \times 20\%$
$4,000 < \text{Income} \leq 20,000$	$\text{Income} \times (1 - 20\%) \times 20\%$
$20,000 < \text{Income} \leq 50,000$	$\text{Income} \times (1 - 20\%) \times 30\% - 2,000$
$> 50,000$	$\text{Income} \times (1 - 20\%) \times 40\% - 7,000$

Note: a deduction of 20% or RMB 800, whichever is higher, is allowed to be deducted from the gross income.

Individual Income Tax Filing Procedure

- The expatriates must file tax returns on a monthly basis;
- If the annual income exceeds **RMB 120,000**, then it is mandatory to do an annual tax filling as well. March 31st of the following year;
- The payment must be done within 15 days after the monthly payment;
- Non-tax residents have no obligations to conduct the tax filing.



Do you have roles and responsibilities outside China?

Three Key Factors to the Tax Obligation

- Whether a foreigner is liable to pay IIT in China, and the extent to which he or she is liable, depends upon:

1. Residency Status (DTA & Source)

- How long the individual has been living in China (Physically residing)

2. How you get paid (borne)

- By a Chinese entity
- By an overseas entity

3. Job Duties

- Senior management

Income Derived from China

- **China Sourced Income (CSI):**

- Wages and salaries earned by an individual during the actual period of work **in** the territory of China, **regardless** of whether they are paid by enterprises or individual employers inside or outside China, are deemed income derived from China

- **Non-China Sourced Income (Non-CSI):**

- Wages and salaries earned by an individual during the actual period of work **outside** the territory of China, **regardless** of whether they are paid by enterprises or individual employers inside or outside China, are deemed income derived outside China.

Tax Payment Obligations in China

Period in China	Salary Derived in China		Salary Derived outside China	
	Salary borne by China entity	Salary born by overseas entity	Salary borne by China entity	Salary born by overseas entity
<= 90 days or 183 days (with treaty)	pay	Exempted	Exempted*	Exempted
> 90 days or 183 days but <1 year	pay	pay	Exempted*	Exempted
> =1 year and < = 5 years	pay	pay	pay	Exempted
> 5 years	pay	pay	pay	pay

** Taxable for expatriates who hold senior management role*

Five Years Tax Rule



Residency Status

Resident taxpayer	Non-Resident Taxpayer
<ul style="list-style-type: none">• PRC residents;• A non-resident is regarded as a “tax resident” in a calendar year if he/she does NOT have:<ul style="list-style-type: none">➤ A single trip outside China for a period of more than 30 days; or➤ Multiple trips outside China for a total of more than 90 days <p><i>Note: Only for those who stay in China for 5 consecutive years or more, will be taxed on worldwide income</i></p>	<ul style="list-style-type: none">• Generally refers to foreign individuals who do not stay in China for a full calendar year;• Tax on China-source income.

The five-year Tax Rule

- The Main Points:
 - According to the 5-year rule, expatriates who have lived in China for more than 5 consecutive full years become Chinese tax residents and are subject to individual income tax on their worldwide income from the sixth year onwards for every full year spent in China.
 - Once the 5-year residence is established, the expatriate will be subject to IIT on his or her income from sources within and outside China, including earnings from dividends, capital gains, foreign interest, rental income, etc. from the sixth year onwards for every full year spent in China.
 - One full year is defined as a fiscal year (Jan 1 to Dec 31) during which the expatriate does not leave China for a period of more than 30 days consecutively or 90 days cumulatively. Also, days of arrival and departure from China are counted as days in China. For example, if you are flying to the United Kingdom on Monday and returning on Friday, it counts as three days outside China.

How to Avoid the Five-Year Tax Rule

- The full five-year period is interrupted and restarts from zero when the expatriate leaves China for a period of more than 30 days consecutively or 90 days cumulatively within a fiscal year.
- What you can do:
 - Not to stay for one full year in China by taking: A single trip outside PRC for more than 30 days; or
 - Multiple trips outside PRC for more than 90 days in aggregate
 - Do the above in or before the fifth year

An Example: to break the Five Years Tax Rule

- **Background info.**

- An expatriate work in China since January 2012
- 2017 is his 5th year, 2018 will be the 6th year

- **Solution 1: in 2018 (Before the fifth year)**

- Single trip outside China for more than 30 days consecutively
- Multiple trips, 90 days cumulatively

→ *Then, do not need to pay worldwide income tax in China during 2018*

- **Solution 2: in 2018 (After the fifth year)**

You stay in China less than 90 days cumulatively

→ *Then, 2019 will be the beginning of a new five-year period*

Regulations on Expatriate IIT

- **GuoShuiFa [1994] No. 148**

Notice of the State Administration of Taxation (SAT) on the Taxpaying Obligations for Salaries of the Individuals without Residence in China

- **GuoShuihanfa [1995] No. 125**

Notice of SAT regarding Questions about IIT Calculation and Payment of Individuals Who Have No Permanent Address within the Territory in China

- **Guoshuifa [2004] No. 97**

The Notice on Implementation of the Tax Agreement by the Individuals and the Issues of Individual Income Tax

PRC IIT Planning for Expatriates



Planning

Tax Treaty Protection

Time Apportionment Claim

Tax Exempt Fringe Benefits

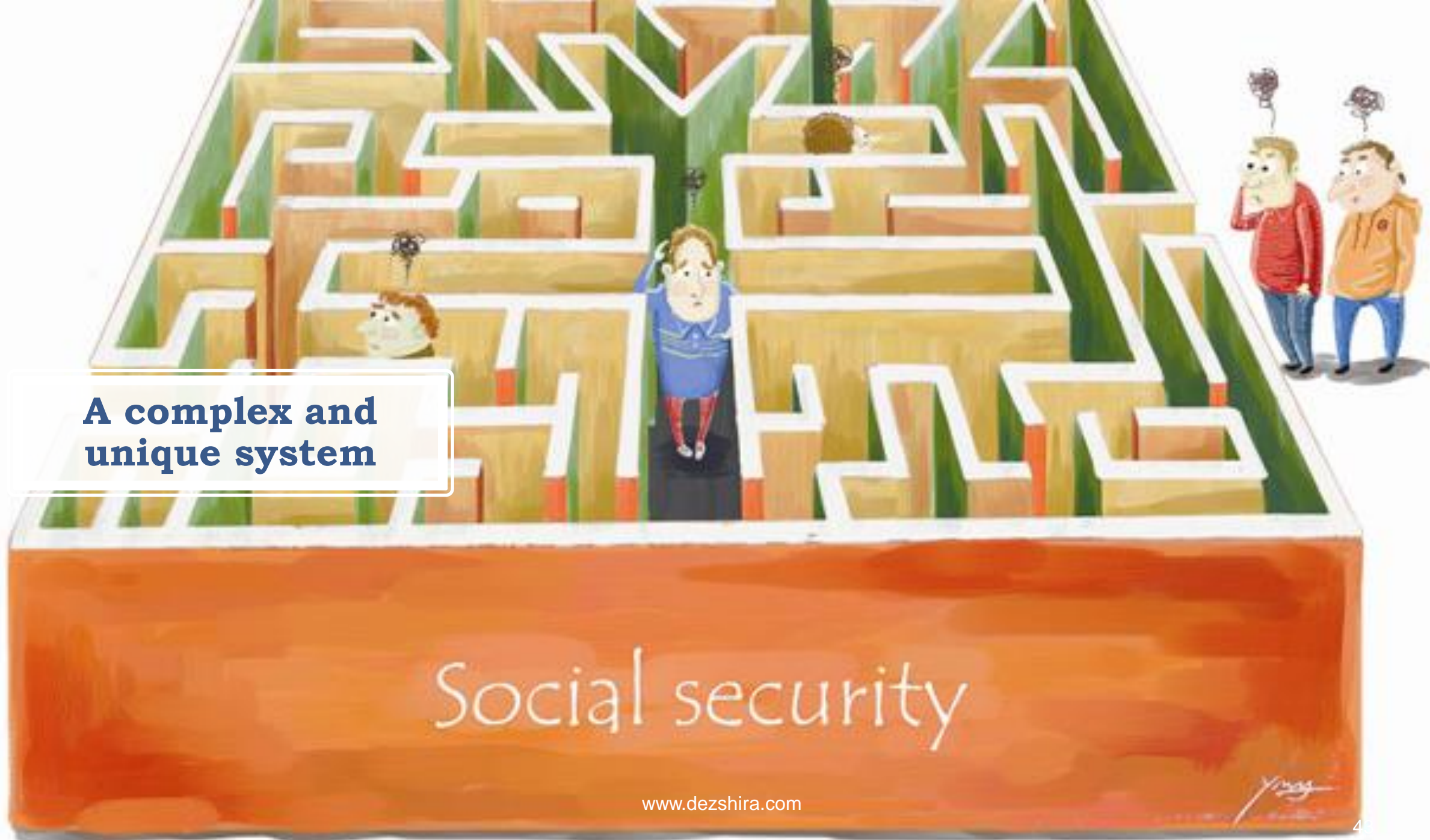
Structure of Annual Bonus

Five Year Tax Residency Rule

Section 3

Social Security System

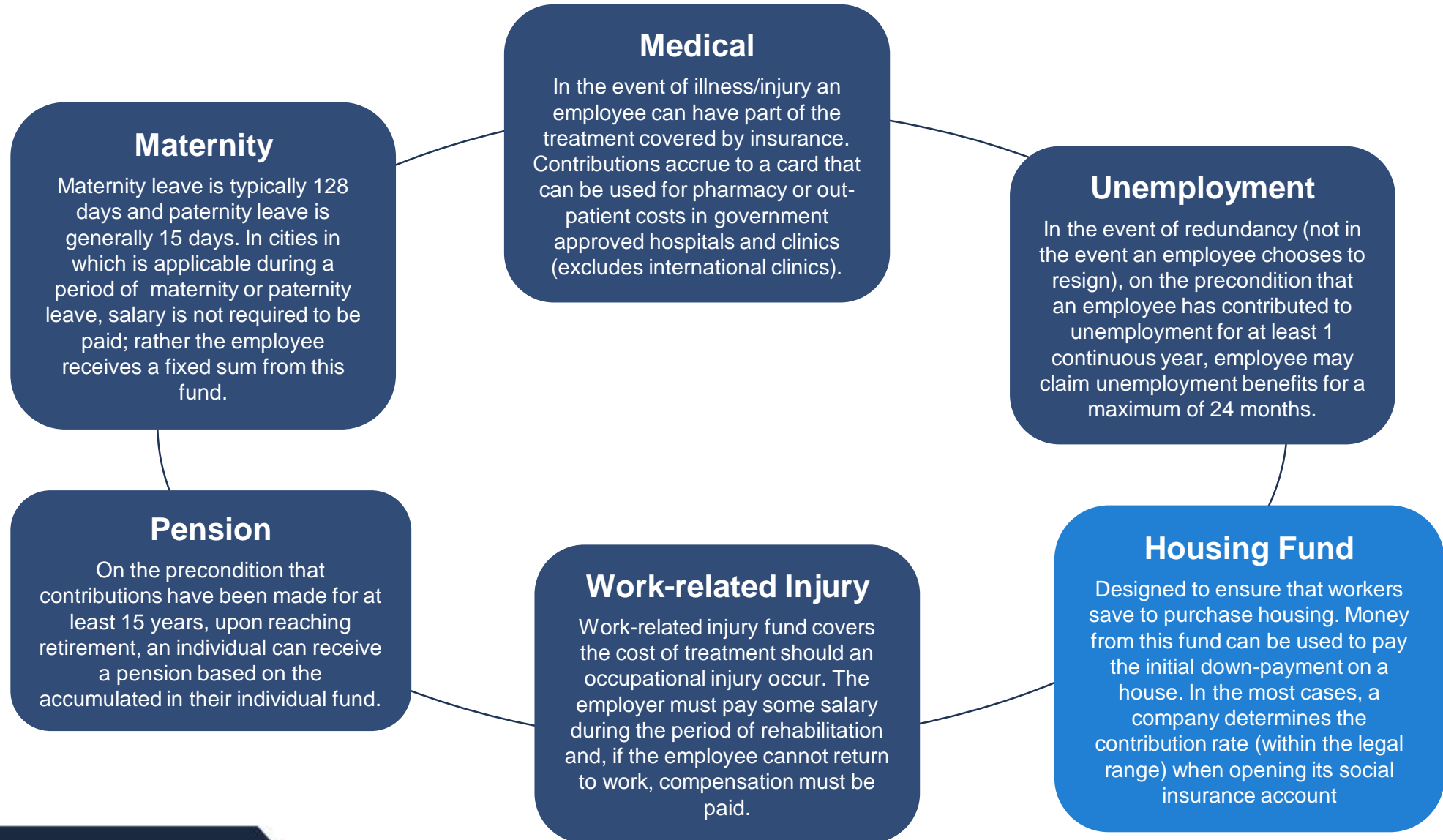




**A complex and
unique system**

Social security

Social Insurance



Social Insurance Rates (Beijing)

Insurance Type	Employer (% of salary)	Employee (% of salary)
Unemployment	0.8%	0.2%
Injury	0.2%-1.9%	0%
Maternity	0.8%	0%
Pension	19%	8%
Medical	10%	2%
Housing Fund	12%	12%

NOTES:

1. *Housing fund payments will not be required for expatriate employees, only Chinese nationals*
2. *Monthly social insurance base will be capped at 3x the local average salary (i.e. current Beijing cap is **RMB 25,401** for 2018 – 2019 per month)*
3. *Actual contribution rate for Injury Insurance will be determined based on risk classification of the position*

Social Insurance Rates (Shanghai)

Insurance Type	Employer (% of salary)	Employee (% of salary)
Unemployment	0.5%	0.5%
Injury	0.2%-1.9%	0%
Maternity	1%	0%
Pension	20%	8%
Medical	9.5%	2%
Housing Fund	7%	7%

NOTES:

1. *Housing fund payments will not be required for expatriate employees, only Chinese nationals*
2. *Monthly social insurance base will be capped at 3x the local average salary (i.e. current Shanghai cap is **RMB 21,396** per month starting from 2018 April)*
3. *Actual contribution rate for Injury Insurance will be determined based on risk classification of the position*

Social Insurance Incompliance (Penalties)

➤ Enforceable Penalties (for failure to register/make correct contributions)

- Fine ranging from one to three times of the amount of the social insurance payable to the employer
- Fine ranging from RMB500 to RMB3,000 to the person(s)-in-charge (i.e. the HR manager)
- Late payment interest calculated at 0.05% per day on the outstanding liability amount

➤ Penalty Collection

- If Company refuses to pay the social insurance and penalty on time, the labor bureau or the tax authorities shall apply for compulsory collection with the People's Court

Exemption: Social Security Agreements

- The agreements also stipulate the time period during which seconded personnel in China can be **exempted** from Social Insurance Contributions. The exact period for dispatched employees per country is:
 - Canada (6 years)
 - Switzerland (6 years)
 - Finland (5 years)
 - Denmark (3 years)
 - The Netherlands (5 years)
 - Germany (5 years)
 - South Korea (5 years)
 - Spain

Note: The exemption scope and qualifications may vary from one agreement to another, and the local social insurance bureaus may have different policies towards the implementation of the exemptions.

Country	Mutual range of exemption	Date of implementation	Personal exemption from paying insurance premiums in the participating countries
Germany	April 4, 2002	Pension, unemployment insurance	Dispatched personnel, subsidiary staff, those with no employer, naval crew, diplomatic employees
Korea	January 16, 2013	Pension for urban employees, rural endowment insurance, urban endowment insurance, unemployment insurance	Dispatched personnel, short-term employees, self-employed persons and investors, employees on board ships and aircraft, diplomatic and consular office personnel, government or public institutions employees
Denmark	May 15, 2014	Pension	Dispatched personnel, employees on navigational ships and aircraft, diplomatic and consular office personnel, government or public institution employees, Chinese nationals employed on Danish territory whose employment period is not more than six months, or falls under a training and education program of no more than 18 months, excepting persons who have already participated in the country's social insurance scheme
Canada	January 1, 2017	Pension for rural and urban residents	Dispatched personnel, self-employed persons, employees on board ships and aircraft, government employees
Finland	February 1, 2017	Pension, unemployment insurance	Dispatched personnel, self-employed persons, employees on navigational ships and aircraft, diplomatic or consular personnel and civil servants
Switzerland	June 19, 2017	Pension, pension for urban and rural residents, unemployment insurance	Dispatched personnel, employees on board ships and aircraft, diplomatic and consular personnel, government or public service agencies, accompanying family members
The Netherlands	September 1, 2017	Pension, unemployment insurance	Dispatched personnel, employees on board ships and aircraft, civil servants, diplomatic and consular personnel, accompanying family members
Spain	March 20, 2018	Pension, unemployment insurance	Dispatched personnel, employees on board ships and aircraft, civil servants, diplomatic and consular personnel

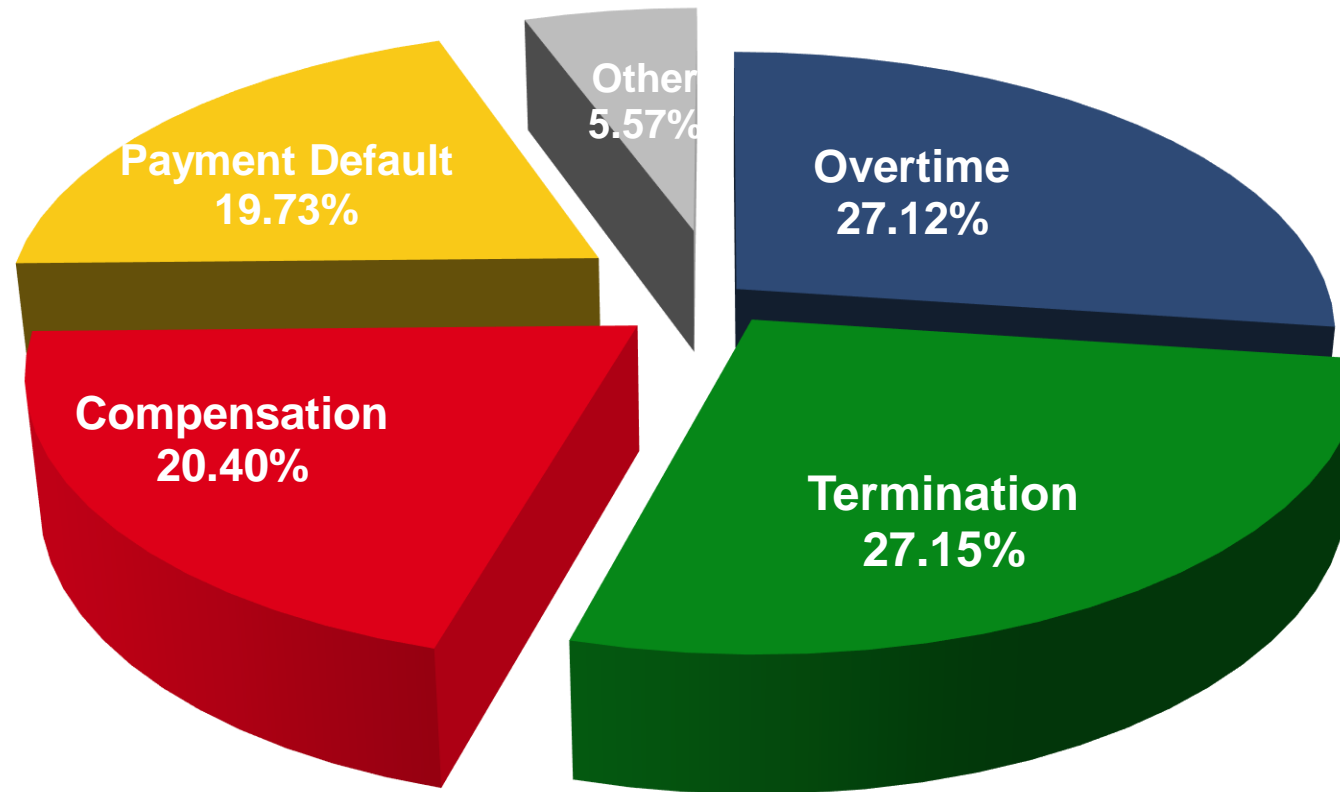
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Section 4

Labor Dispute



Labor Dispute Overview



Termination



Types of Termination (According to PRC Labor Contract Law)

Type of Termination	Circumstances	Admissible Grounds	Severance (经济补偿)	30 Days' Notice
Lawful Termination	• Serious violation (Article 39)	<ul style="list-style-type: none"> Employee doesn't meet the job requirements stated in <u>job description</u> (during the probation); Serious breach of company's code of conduct; Serious violation of company rules (how to identify: written in the staff handbook) Criminal penalty (not include administrative arrest/sanction or written in the staff handbook) 	No	No
	• Incapability (Article 40)	<ul style="list-style-type: none"> Employee unable to work after a <u>non work-related</u> sickness or injury; and the employee is also unable to perform the job in another position; Employee incompetent for position. The employer is required to provide another position and/or training; furthermore, the employer is also required to conduct performance review followed by the performance standard up to two times; the whole procedure will be clearly noticed to the employee. 	No 1 year=1 month	Yes No
	• By negotiation upon mutual consent (Article 36)	• Proposed by the employer	1 year=1 month	No

Types of Termination (According to PRC Labor Contract Law)

Type of Termination	Circumstances	Situation	Compensation (经济赔偿)	30 Days' Notice
Unlawful Termination (Unilateral)	<ul style="list-style-type: none"> Agreed by the employee 		Equal to 2x severance	No
	<ul style="list-style-type: none"> Disagreed by the employee 	<ul style="list-style-type: none"> Normally the employee would request restoring the <u>employment relationship</u>. In practice, most of the time people who hold senior management roles would raise such request; The employee initiates the legal procedure against the employer; The employer has to pay his/her salary until the final adjudication. 		No

Termination (according to Article 42)

➤ Employees Not Permitted to Be Terminated

- Employee suspected of having occupational disease(s) and awaiting diagnosis
- Employee having completely or partially lost labor capability due to occupational diseases or work injury
- Employee still in legal medical treatment period for non-work-related illness/injury
- Employee is pregnant, on maternity leave, or in nursing period
- Employee who has continuously worked for the employer for more than 15 years and is less than five years before retirement

Circumstances	Permissibility
Terminate by mutual agreement	Permitted
Immediate termination for inappropriate behavior	Permitted
Termination upon 30 days' notice	Not permitted
Mass Lay-off	Not permitted
Termination upon expiration of Employment Contract	Not permitted

Calculation for Severance payment

- **Calculation Based**

(1) Years of Service

(2) The average monthly income of the past 12 months (i.e. gross salary, annual bonus, other subsidies)

$$\text{Severance payment} = (1) \times (2)$$

Note:

- If employee has worked 6 months or more in a year period, employee will be entitled to average month compensation

for example: 4 years 8 months → 5 years

- If employee has worked less than 6 months in a year period, employee will be entitled ½ average month compensation

for example: 4 years 5 months → 4.5 years

- Calculation base capped at 3x average local monthly compensation (i.e. current Beijing cap for calculation base is RMB 25,401) & Compensation based severance limited to maximum of 12 months compensation

Employment Contracts & Staff Handbook



Employment Contract (Introduction)

➤ Types of Employment Contracts

- Open Term
- Fixed Term
 - Limit of two fixed term contracts or 10 years of employment with company
 - After 2nd fixed term contract or 10 years of employment employee is legally entitled to an open term contract

➤ Timing of Employment Contract Signing

- Must be signed within 30 days of commencement of labor relationship
- Penalties
 - Double salary from 2nd month to 12th month (or until contract is signed prior to 12th month)
 - Open term contract after 12th month

➤ Language

- Employment Contract should be in Chinese or bilingual (with Chinese included)

Employment Contract (Content & Clauses)

➤ Mandatory Clauses

- Name of the company, address, name of the legal representative or a senior manager
- Working hours and time off
- Name of the employee together with a valid address and identification number
- Commencement date and the term of the contract
- Description of the job and the location where it is to be implemented
- Salary details
- Statement that the employer will contribute social insurance for the employee
- Labor protection, labor conditions and protection from occupational hazards

➤ Additional Optional Clauses

- Probation period
- **Non-competition clauses (to be legally binding through the labor contract)**
- **Confidentiality clauses (Employee's obligation)**
- Allowances and benefits (particularly for foreign employees)
- Reference to the company rulebook or staff manual

Probation Period

➤ Applicable Probation Periods

Contract Term	Maximum Probation Period
Less than 3 months	None
3 months – less than 1 year	1 month
1 – less than 3 years	2 months
3± years or open term contract	6 months

➤ Employer's Rights

- Company can pay the employee 80% of the full salary stated in the Employment Contract (amount still required to meet local minimum wage standards)
- Company can terminate employee effective immediately (with proof employee does not meet job requirements)

➤ Employee's Rights

- Employee can resign by giving 3 days' notice to employer

Overtime Compensation

➤ Overtime Defined Under Standard Work Hour System

- Work will be considered as overtime if company requests employee(s) to work during time outside of or in addition to working hours outlined in Employment Contract
- Employee must be able to provide proof they are requested by company to work overtime (certain circumstance may constitute an “implied” request by company)

➤ Overtime Compensation Under Standard Work Hour System

Time of Work	Percentage of Hourly Salary
Extra Hours Worked on Weekdays	150%
Hours Worked on Weekends	200%
Hours Worked on Holidays	300%

Basic salary is calculated based on monthly of employee divided by 174 (average number of working hours in a month)

Staff Handbook (Content & Clauses)

➤ Common Issues Detailed in Staff Handbook

- Company code of conduct
- All internal rules, guidelines and the rights of both parties
- Relevant Key Performance Indicators (KPIs), performance standards and assessment information
- Nondisclosure agreement
- Information about work environment
- Work hours and overtime rules
- Remuneration rules, social welfare rules, and bonuses
- Information about paid leave
- Behavior standards and discipline procedures
- Training information
- Workplace security rules
- Any other special rules relevant to the specific company/industry (i.e.: manufacturing safety standards, hygienic food production standards)

Staff Handbook (Implementation – Democratic Process)

➤ Recommended Procedures for implementation of Democratic Process

- Seek Employees' Opinion
 - Release Consultation Notice along with the draft of Staff Handbook to all employees (both physically and via email), and advise the employees to sign for receipt of the draft
 - Seek employees' opinions within a given period (e.g. 5 days or 10 days) via email
 - Close discussion and advise all the employees to sign the Opinions Collection Confirmation Form
- Official Announcement for Release of Finalized Staff Handbook
 - Publicly post (e.g. on bulletin board, or on company's intranet or on any share folder accessible to everyone) the Finalization and Implementation Notice along with the final version of Staff Handbook and send these two documents to all employees both physically and via email
 - Advise all employees to sign for receipt of one copy of the finalized Staff Handbook

Staff Handbook (Best Practices)

➤ Link to Employment Contract

- Employment Contract should clearly reference Handbook (this will strengthen company's case if needed to dismiss an employee over a breach of company rules)

➤ Define Major and Minor Breaches

- Handbook should differentiate between minor and major breaches (allowing company the right to dismiss an employee without compensation)
 - Major breach can result in immediate dismissal
 - Minor breach, can result in an official warning letter and company will specify how many minor breaches may constitute a major breach
- Please note that decision whether a breach was sufficiently serious to warrant dismissal can be challenged in arbitration

Amendments (Employment Contract)

➤ Promotion

- Company may choose not to rewrite Employment Contract, but instead register the changes on a internal form

➤ Renewal of Employment Contract

- Upon renewal of Employment Contract, it is recommended Company complete a Renewal Form, which should include the following:
 - Name of employee, position, and starting and end date of the Employment Contract
 - Period covered by renewal
 - Signature of employee and supervisor, stamped by HR department
 - Employee self-evaluation (*optional*)
 - Employer evaluation of employee's performance (*optional*)

Amendments (Staff Handbook)

➤ Amendments Requiring Democratic Process

- Democratic Process will need to be repeated for amendment(s) to Staff Handbook, especially when said amendment(s) have a direct bearing on the immediate interests of employees, such as:
 - Compensation
 - Insurance and benefits
 - Working hours, rest, or leave
 - Work safety and hygiene
 - Employee training and work discipline

➤ New Hire

- Implementation of Democratic Process is not required for new employees joining company after Democratic Process has already been implemented
- New hire should review and sign copy of Staff Handbook



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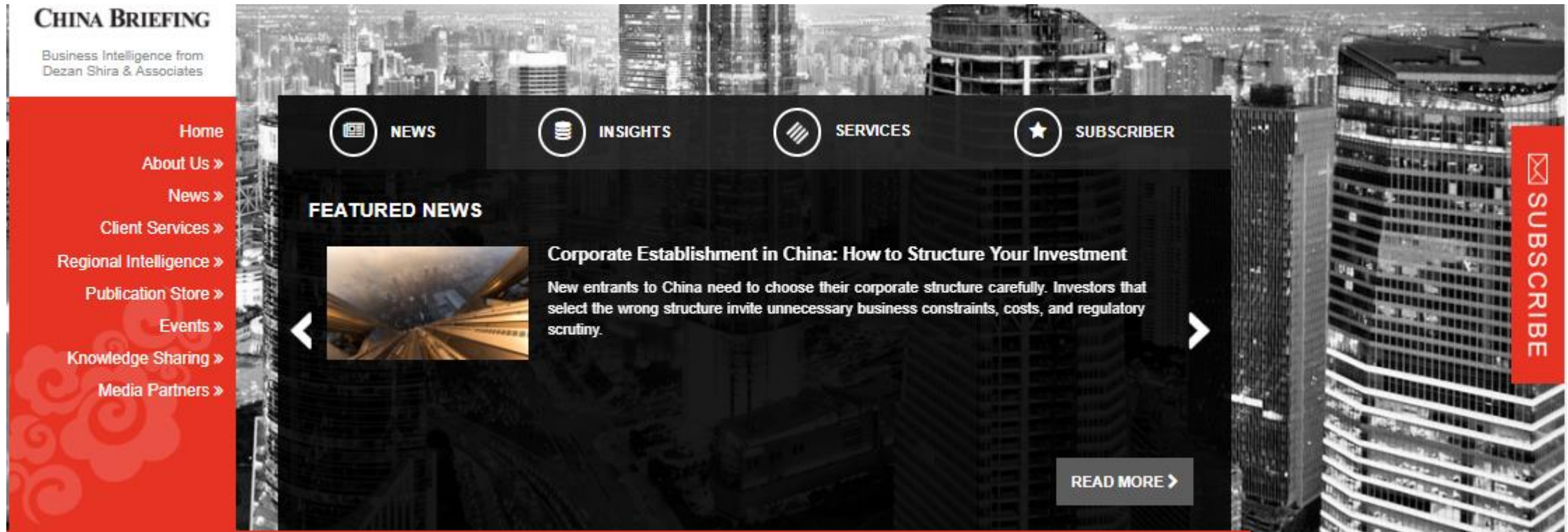
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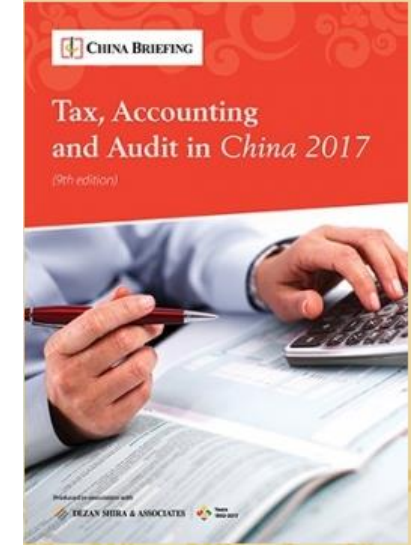
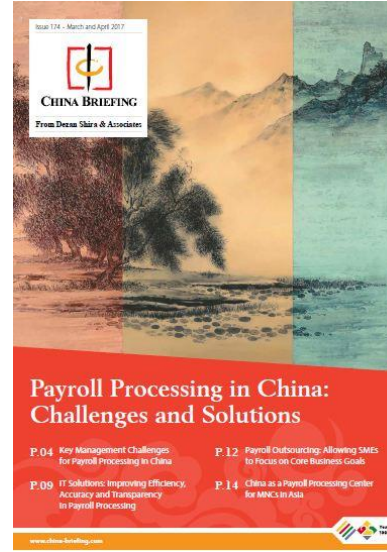
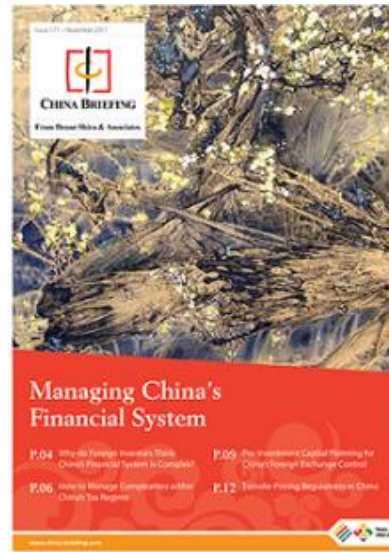
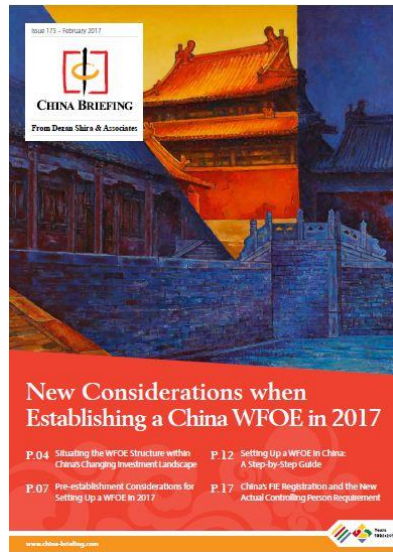


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