



CHINA BRIEFING

Human Resources and Payroll in *China* 2017-2018

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DEZAN SHIRA & ASSOCIATES



Years
1992-2017



Disclaimer

This edition of Human Resources and Payroll in China was produced by a team of HR professionals at Dezan Shira & Associates, with Zhou Qian acting as technical editor and Adam Pitman as managing editor. Creative design of the guide was provided by Ly Dang and Belén Rodríguez.

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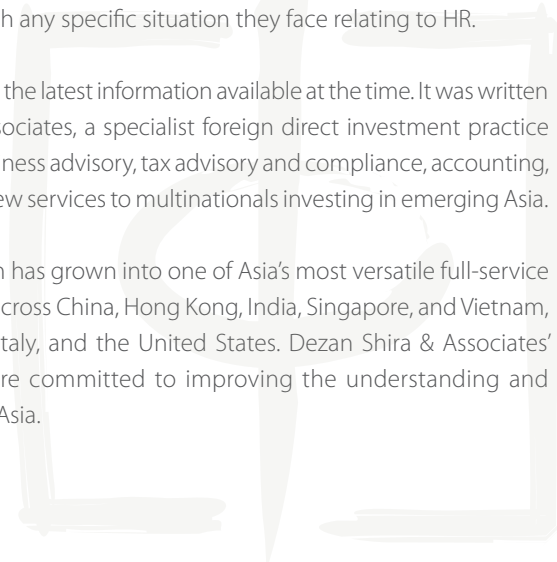
Preface

A firm understanding of China’s laws and regulations related to human resources and payroll management is essential for foreign investors who want to establish or are already running foreign-invested entities in China, as well as for local managers and HR professionals who may need to explain complex points of China’s labor policies.

In China, there are a wide range of government institutions involved in HR processes, and while key laws are drafted by the central government, numerous bylaws and regulations are instituted at the local level. The topic is too complex to be covered in complete detail in one book, so the term “guide” is quite appropriate for the nature of this publication. However, companies should still seek professional advice to deal with any specific situation they face relating to HR.

This guide was created in June 2017 with the latest information available at the time. It was written in consultation with Dezan Shira & Associates, a specialist foreign direct investment practice providing corporate establishment, business advisory, tax advisory and compliance, accounting, payroll, due diligence, and financial review services to multinationals investing in emerging Asia.

Since its establishment in 1992, the firm has grown into one of Asia’s most versatile full-service consultancies with operational offices across China, Hong Kong, India, Singapore, and Vietnam, as well as liaison offices in Germany, Italy, and the United States. Dezan Shira & Associates’ experienced business professionals are committed to improving the understanding and transparency of investing in emerging Asia.



ADAM LIVERMORE
Partner
Dezan Shira & Associates



CONTACT

Dezan Shira & Associates
china@dezshira.com
www.dezshira.com



Human Resources & Payroll in China at a Glance



HELEN KONG

Manager
Human Resources
Dalian Office

- **Mandatory written contracts:** All employees must be given a written contract within one month of hiring; if not, the employee is entitled to double salary.
- **Probation period:** The range of legitimate grounds for dismissing an employee is considerably wider during his or her probation period. The employer may also pay only 80 percent of the employee's contractual salary during this time.
- **Regional variation:** National laws are often intentionally broad and vague, leaving a lot of room for local interpretation or additional legislation. Regulations and practices differ per city on issues such as minimum wage, work visa policy, social security contributions, and maternity leave.
- **Representative offices:** The simplest of foreign investment vehicles in China, the representative office (RO) is not permitted to directly hire staff in China; instead, they need to use dispatch agencies, the largest being the Foreign Enterprise Service Corporation (FESCO).
- **Leave during the first year of employment:** Employees are not entitled to any mandatory minimum number of leave days during their first year of employment, except those during major holidays such as Chinese New Year around February, and the National Day celebrations in early October.
- **No at-will termination:** Terminating employees in China is both difficult and expensive. Employees may resign with 30 days' notice, but for employers, there are limited grounds for terminating an employee before his or her contract has come to an end.
- **Non-fixed term contract after two fixed term contracts:** After an employee finishes his or her second contract with your company, he/she must be offered a lifetime contract as the third unless he/she want another fixed term contract instead. Such non-fixed term contract can only be terminated if there is grounds for dismissal.
- **Severance payments mandated by law:** In practice, severance payments are even higher than the law prescribes, and can comprise a significant part of overall HR costs.

“ While the overall process for hiring people in China does not differ much from elsewhere in the world, there are a number of points that require special attention. ”

About Dezan Shira & Associates

Dezan Shira & Associates is a pan-Asia, multi-disciplinary professional services firm, providing legal, tax and operational advisory to international corporate investors. Operational throughout China, India and ASEAN, our mission is to guide foreign companies through Asia's complex regulatory environment and assist them with all aspects of establishing, maintaining and growing their business operations in the region. With more than two decades of on-the-ground experience and a large team of lawyers, tax experts and auditors, in addition to researchers and business analysts, we are your partner for growth in Asia.

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- > Treasury Administration
- > Transfer Pricing
- > Information Technology Solutions
- > Payroll & Human Resource Administration





Table of Contents

Preface	03
<hr/>	
Part 1 Recruiting Professionals in China	12
China recruitment challenges	14
Rising labor costs, recruiting and retaining qualified staff	14
High personnel turnover and recruitment uncertainty	15
Low mobility of staff	16
Other recruitment challenges	16
Profiling	18
Analyze company needs	18
Specify job content	18
Define job title	19
Define candidate profile	19
Research compensation details	22
Candidate identification	23
Attraction (active applying candidates)	25
Search (passive candidates)	28
Research target companies	29
Contact target candidates	29
Involve recruitment firms	29
Selection	31
Screen CVs	31
Conduct interviews	31
Manage candidate expectations	33



Conduct assessment centers	33
Conduct reference checks	35
On-boarding	36
Send candidates a letter of intent	36
Consider candidates' notice period	36
Manage time and feedback	37
Consider impact of hukou and location	37

Part 2 | Hiring Staff **39**

Direct hiring & labor contracts	41
Labor contract in Chinese recommended	42
The term of the labor contract	42
Mandatory clauses in labor contracts	44
Recommended Clauses in Labor Contracts	45
Verify the labor contracts in the local Labor Bureau	47
Dispatch	48
Dispatch agency	48
Applicable scope of labor dispatch	49
10 percent limit	49
Contract signing	49
"Equal pay for equal work" principle	50
Cross-region labor dispatch	51
Termination of labor contract	51
Outsourcing	52



Part 3 Staff Administration and Payroll	54
Structuring a salary package	55
Base salary and bonus	55
Allowances	55
Mandatory benefits (social security)	57
Defining net salary	57
Work hour systems and overtime payments	58
Mandatory benefits (social security)	60
Mandatory benefits (social security) types	60
Contribution calculations	64
Participation of foreign employees	64
Registering for social insurance and the housing fund	65
Statutory vocations and payment calculation	68
Annual leave and public holidays	68
Sick leave	71
Parental leaves and related benefits (Maternity leave)	73
Marriage leave	77
Additional payroll costs	78
Winter heating fee	78
Summer heat allowance	78
Disabled worker assistance fund	79
Calculating and filing individual income tax (IIT)	80
IIT on income from wages and salaries	80
IIT on annual bonuses	82
IIT on stock options	82



IIT for foreign employees in China	83
IIT Incentives for commercial health insurance	85
IIT Incentives for disabled workers	86
Tax planning	86
IIT filing	90
Annual income declaration	92
Distributing salaries	93
Outsourcing payroll	94
Advantages of outsourcing payroll	94
Payroll processing procedure	95
How to identify a reliable payroll processing agent	97

Part 4 | Terminating Employees **99**

Terminating during the probation period	101
Terminating during a fixed-term or non-fixed term contract	102
Termination through mutual agreement	102
Immediate termination for inappropriate behavior of the employee	102
Termination with 30 days' notice and compensation payment	103
Termination upon bankruptcy/license revoking/permanent dissolution of the company	104
Mass layoffs	104
Terminating at the end of a fixed-term contract	107
Employees not allowed to be terminated	108
Termination pay and its tax treatment	109



Calculation of severance payment	109
IIT implications on severance payments	111

Part 5 | Employing Foreign Workers **113**

Overview of China's visa system	114
China's visa system	114
Z-visa	116
M-visa	116
China's new unified work permit and tiered talents classification system	118
Unified work permit system	118
Tiered talents classification system	119
Administrative procedures for hiring foreign employees (>90 days)	121
Applying for "Notification Letter of Foreigner's Work Permit in China" (外国人工作许可通知)	121
Applying for Z-visa or R-visa	124
Applying for "Foreigner's Work Permit" (外国人工作许可)	125
Applying for residence permit (居留许可)	126
Renewal of "Foreigner's Work Permit in China"	127
Short-term work in China (≤ 90 days)	128
Sending your Chinese staff abroad	132

Appendix **133**



DEZAN SHIRA & ASSOCIATES

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**Business Intelligence | Due Diligence | Advisory | Corporate Establishment | Tax
Accounting | Audit | Compliance | Payroll | IT Solutions**

CHINA

Beijing

beijing@dezshira.com

Dalian

dalian@dezshira.com

Qingdao

qingdao@dezshira.com

Tianjin

tianjin@dezshira.com

Shanghai

shanghai@dezshira.com

Hangzhou

hangzhou@dezshira.com

Ningbo

ningbo@dezshira.com

Suzhou

suzhou@dezshira.com

Guangzhou

guangzhou@dezshira.com

Shenzhen

shenzhen@dezshira.com

Zhongshan

zhongshan@dezshira.com

Dongguan

dongguan@dezshira.com

INDIA

Delhi

delhi@dezshira.com

Mumbai

mumbai@dezshira.com

VIETNAM

Ho Chi Minh City

hcmc@dezshira.com

Hanoi

hanoi@dezshira.com

HONG KONG

hongkong@dezshira.com

SINGAPORE

singapore@dezshira.com

DEZAN SHIRA & ASSOCIATES ASIAN ALLIANCE

Winnindo Business Consult

Indonesia

indonesia@dezshira.com

Christopher Heng & Peng Sam

Malaysia

malaysia@dezshira.com

Machica Group

The Philippines

philippines@dezshira.com

Honor Audit & Advisory Co

Thailand

thailand@dezshira.com

DEZAN SHIRA & ASSOCIATES LIAISON OFFICES

Germany Liaison Offices

Stuttgart / Cologne

germandesk@dezshira.com

Italy Liaison Offices

Treviso / Udine

italiandesk@dezshira.com

United States Liaison Office

Boston

usa@dezshira.com

www.dezshira.com

