Charltons - China News Alerts Newsletter - 29 October 2010

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# China News Alert Issue 353

## Law

### Top legislature adopts Social Insurance Law

China's top legislature has voted to adopt a social insurance law that aims to prevent the improper use of social security funds, after reading it four times and receiving feedback on the draft from the general public.

The Social Insurance Law specifies a common right for all citizens to access and enjoy five forms of insurance: basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance.

It also allows employees to transfer their basic endowment insurance accounts from one residence to another and promises a new endowment insurance system for rural residents.

The law overcomes many of the obstacles under the old regulations, which restricted movement of the country's increasing migrant population. It says that a new medical payment system should be established to allow medical insurance in one place to be repaid in another. Citizens should also be allowed to pay pension premiums in one place and withdraw money from another.

In order to prevent the misappropriation of social insurance funds, the law says that the funds' income and expenses, management processes and investment should be made public.

Furthermore, the draft touches on social security information confidentiality issues, and says that social security authorities, executive agencies and personnel cannot disclose insurance information submitted by either employers or employees, adding that violations of such information confidentiality were subject to punishment.

As of 2008, about 219 million Chinese people have been covered by the pension system and about 317 million have basic medical insurance. An additional 124 million have unemployment insurance, 138 million have work injury insurance and 91 million have childbirth insurance, according to government statistics.

The five forms of insurance, co-financed by individuals, employers and the government, have accumulated trillions of yuan deposits.

[Source: China Daily](http://www.chinadaily.com.cn/business/2010-10/29/content_11474982.htm) ([see archive](Top_legislature_adopts_Social_Insurance_Law.pdf))

## Tax

### China announces fresh tax incentives to boost employment

China's Ministry of Finance issued a document, saying it will offer preferential tax measures, including tax cuts or brakes, to more unemployed people who start their own business, in a move aimed to further boost employment.

Tax privileges will be given to more registered jobless people who intend to establish their own business, including laid-off workers, college graduates, migrant workers, people experiencing employment difficulty, zero-employment families, and urban residents receiving the government minimum living allowances, the document said.

New college graduates starting their own businesses will also be granted favourable tax treatment, the document said.

Applications for the tax preference will be accepted from 1 January 2011 to 31 2013, and specific policies will be jointly formulated by the Ministry of Finance, State Administration of Taxation, Ministry of Human Resource and Social Security, and the Ministry of Education, according to the document.

China's urban unemployment rate stood at 4.1 percent at the end of September, with 9.05 million urbanites registered as unemployed, according to data from the Ministry of Human Resources and Social Security.

At the end of 2009, China's registered unemployment rate was 4.3 percent. The government aims to keep the urban registered unemployment rate below 4.6 percent this year.

[Source: Xinhua](http://news.xinhuanet.com/english2010/china/2010-10/29/c_13581742.htm) ([see archive](China_announces_fresh_tax_incentives_to_boost_employment.pdf))

## Exchange

### China uncovers illegal forex deals worth US$7.34 billion to curb "hot money" inflow

China's foreign exchange regulator said it has uncovered 197 cases of illegal foreign exchange transactions worth US$7.34 billion in its crackdown on "hot money" inflow over the past eight months.

The State Administration of Foreign Exchange said in a statement on its website that these cases involved a total of nine branches and outlets of the following banks: China Construction Bank, Agricultural Bank of China, Bank of China, Norddeutsche Landesbank, Bank of East Asia, and Industrial and Commercial Bank of China.

Bank of China said in a statement that it has corrected the illegal practices found in its two outlets during the investigation and has punished the people involved.

The regulator said earlier this month it would continue to stop the inflow of speculative money, or "hot money," into China and crack down on illegal foreign exchange activities.

The crackdown was launched in February.

[Source: Xinhua](http://news.xinhuanet.com/english2010/china/2010-10/28/c_13580528.htm) ([see archive](China_uncovers_illegal_forex_deals_worth_734_bln_dollars_to_curb_hot_money_inflows.pdf))

## Others

### Rare earths 'will not be bargaining instrument'

China said that it will not use rare minerals as a diplomatic "bargaining tool", in response to challenges against its management of vital metals.

It also said measures to restrict the exploitation, production and export of rare minerals are in line with World Trade Organisation (WTO) rules.

Zhu Hongren, spokesman for the Ministry of Industry and Information Technology, said at a press conference in Beijing that China will seek international cooperation to solve recent disputes over rare minerals.

"China will not use rare minerals as an instrument for bargaining," said Zhu. "Instead, we hope to cooperate with other countries in the use of rare minerals on the basis of win-win outcomes and jointly protect the non-renewable resource."

China has cut export quotas for rare minerals, vital for the production of a range of high-tech products, as reserves slumped, due in part to smuggling.

There were earlier reports that it would further cut quotas next year, but the Ministry of Commerce denied the reports.

Zhu said that China's restrictions on rare mineral exports are for long-term development.

Zhu made the remarks after US Secretary of State Hillary Clinton said that it would welcome any clarification of China's stance on rare minerals and encourage countries affected to "seek additional supplies".

During the past few months some countries, such as Japan, have expressed fears over China slashing exports next year.

The US and European Union said earlier this week that they were pressing for solutions. The issue is expected to be discussed at next month's G20 summit in South Korea.

Rare earth metals are comprised of 17 elements and are vital in the production of high-tech products such as lasers, missiles, computers and superconductors.

China has 36 percent of the world's rare minerals but supplies about 97 percent of world demand, pointing to an obvious over-exploitation, analysts said.

The US accounts for 13 percent and Russia 19 percent of global reserves, but they have largely stopped production since they can import the minerals from China at low prices while protecting their own stocks and environment, analysts said.

Japan, meanwhile, has imported large amounts of the minerals from China and kept part of the imports as "rainy day" reserves.

Zhu said that China's over-exploitation of the metals has created many environmental problems, which justifies the country's production and export control policies.

The Commerce Ministry said China's reserves of medium and heavy rare minerals may only last 15 to 20 years at the current rate of production, which could lead to China being forced to import supplies.

The Ministry of Foreign Affairs said that it is China's legitimate right to manage its own reserves.

[Source: China Daily](http://www.chinadaily.com.cn/china/2010-10/29/content_11473511.htm) ([see archive](Rare_earths_will_not_be_bargaining_instrument.pdf))

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