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Global Employer Services

GES NewsFlash

People's Republic of China – Audit on social security contributions in Beijing

March 16, 2012

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Summary

Beijing Social Security Management Centre (BSSMC) has announced through media that it will conduct an audit on the social security compliance status of selected entities for the year 2011.

Key implications

Based on the relevant news and our communication with the BSSMC officials, some important details of the audit are set out below:

1. The audit for year 2011 will commence on April 1, 2012.

2. Around 1,300 entities (including domestically incorporated legal entities and representative offices of foreign companies) in Beijing will be selected randomly from all districts in Beijing for the audit.

3. The audit will cover (a) the enrollment status in 2011, i.e., whether all the eligible employees have been enrolled in the social security system. Eligible employees include both Chinese national and foreign employees (who are required to enroll from October 2011); and (b) the contribution base in 2011, i.e., whether the employees' contribution base has been reported correctly.

If any underreporting is identified by the authority during the audit, late payment interest (at 0.05 percent per day on the amount due) and penalty (ranging from one to three times of the amount due) would be imposed, in addition to the social security payment dues.

This audit on social security compliance has become an annual regular event since the year 2002. During the past 10 years, about 18,000 entities have been audited and about RMB1.1 billion underpayment had been recovered through the audits.

Deloitte's view

After the issuance of the Provisional Measures for Foreigners to Participate in the PRC Social Security System (the "Provisional Measures") by the Ministry of Human Resources and Social Security on September 8, 2011, Beijing was the first city to issue the local implementation rule. It was also one of the first cities to strictly implement the Provisional Measures. The audit clearly indicates the determination of Beijing to enhance the administration on social security contribution. Although the audit itself is not something new in Beijing, as similar audits had been conducted in the last 10 years, since foreign individuals working in China are required to make contributions to social security schemes from October 2011, the audit for year 2011 will inevitably also cover the compliance status for foreigners working in Beijing, which is different from previous audit. In view of this, it is highly recommended that an internal review be performed immediately by the companies in Beijing so as to assess whether or not the rules related to social security contribution with respect to its foreign employees have

been properly complied with.

To date, more and more cities have started to enforce the implementation of the Provisional Measures. Employers should closely monitor local developments in order to ensure the timely social security registration and reporting for foreigners working in China.

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