

**WORLD TRADE
ORGANIZATION**

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**Committee on Subsidies and
Countervailing Measures**

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SUBSIDIES

New and Full Notification Pursuant to Article XVI:1
of the GATT 1994 and Article 25 of the SCM Agreement

PEOPLE'S REPUBLIC OF CHINA

The following communication, dated 11 April 2006, is being circulated at the request of the Delegation of the People's Republic of China.

The following notification constitutes the People's Republic of China's new and full notification of information on programmes granted or maintained at the central government level in China. In general, the period to which the following information applies is 2001 to 2004.

Insofar as the notification obligation is a transparency-orientated provision that, pursuant to Article 25.7 of the Agreement, carries no legal weight as to the actual identification or measurement of a subsidy, its action ability status, or its trade effects, China has included certain activities in this notification which arguably are not (or are not always) "specific subsidies" within the meaning of the Agreement.

I.

1. Title of the subsidy programme

Preferential tax policies for foreign-invested enterprises

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage foreign investment

4. Background and authority for the subsidy

Ministry of Finance (MOF), State Administration of Taxation (SAT), Ministry of Commerce (MOFCOM)

5. Legislation under which it is granted

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (the Tax Law);

Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprise;

State Council Circular Guo Fa No. 37 of 2000

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) Any enterprise with foreign investment of a production nature scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a fifty per cent reduction in the third to fifth years ("two years of exemption and three years fifty per cent reduction"). (2) Any foreign investor of an enterprise with foreign investment which reinvests its share of profit obtained from the enterprise directly into that enterprise by increasing its registered capital, or uses the profit as capital investment to establish other enterprises with foreign investment to operate for a period of not less than five years, may be refunded forty per cent of the income tax already paid on the reinvested amount. (3) For direct reinvestment in China by foreign investors for the organization and expansion of export-oriented enterprises or advanced technology enterprises, the entire portion of enterprises income tax that has been paid on the reinvested amount may be refunded. (4) Any foreign enterprise which has no establishment or place in China but derives profit, interest, rental, royalty and other income from sources in China, or though it has an establishment or a place in China, the said income is not effectively connected with such establishment or place, may, since January 1 2000, be levied at the

reduced income tax rate of ten per cent, but the income tax of the profit that the foreign investors made out of the foreign invested enterprises are exempted. (5) Income tax of the royalty received for the supply of technical know-how in scientific research, exploitation of energy resources, development of the communications and transportations industries, agricultural, forestry and animal husbandry production, and the development of important technologies may be levied at the reduced rate of ten per cent. Where the technology supplied is advanced or the terms are preferential, exemption from income tax may be allowed.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1991-present, while item (4) 2000-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

II.

1. Title of the subsidy programme

Préferential tax policies for foreign-invested export enterprises

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage foreign investment

4. Background and authority for the subsidy

MOF, SAT, MOFCOM

5. Legislation under which it is granted

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises;

Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises

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6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

Export-oriented enterprises invested in and operated by foreign businesses for which in any year the output value of all export products amounts to seventy per cent or more of the output value of the products of the enterprise for that year may pay enterprise income tax at the tax rate specified in the Tax Law reduced by one half after the period of enterprise income tax exemption or reduction has expired in accordance with the provisions of the Tax Law. However, export-oriented enterprises in the special economic zones and economic and technological development zones and other such enterprises subject to enterprise income tax at the tax rate of fifteen per cent that qualify under the above-mentioned conditions shall pay enterprise income tax at the tax rate of ten per cent.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1991-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

III.

1. Title of the subsidy programme

Preferential tax policies for foreign-invested enterprises engaged in agriculture, forestry or animal husbandry and foreign-invested enterprises established in remote underdeveloped areas

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage foreign investment into agriculture, forestry or animal husbandry, and into remote underdeveloped areas

4. Background and authority for the subsidy

MOF, SAT, MOFCOM

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5. Legislation under which it is granted

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

Any foreign-invested enterprises engaged in agriculture, forestry or animal husbandry and foreign-invested enterprises established in remote underdeveloped areas may be allowed a fifteen to thirty per cent reduction of the amount of income tax payable for a period of another ten years following the expiration of the period for tax exemption or reduction.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1991-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

IV.

1. Title of the subsidy programme

Preferential tax policies for foreign-invested enterprises engaged in energy, transportation infrastructure projects

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage foreign investment into infrastructure construction

4. Background and authority for the subsidy

MOF, SAT, MOFCOM

5. Legislation under which it is granted

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

State Council Circular Guo Fa No.13 of 1999

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The income tax of foreign-invested enterprises engaged in energy and transportation infrastructure projects such as harbour and wharf projects may be levied at the reduced rate of fifteen per cent. The implementing scope of the policy stipulated in Art.73.1.1.3 of *Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises* is enlarged to nationwide.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1999-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

V.

1. Title of the subsidy programme

Preferential tax policies for Chinese-foreign equity joint ventures engaged in port and dock construction

2. Period covered by the notification

2001-2004

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3. Policy objective and/or purpose of the subsidy

To encourage foreign investment into infrastructure construction

4. Background and authority for the subsidy

MOF, SAT, MOFCOM

5. Legislation under which it is granted

Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

Chinese-foreign equity joint ventures engaged in port and dock construction may be imposed of enterprise income tax at the reduced rate of fifteen per cent, and where the period of operations is 15 years or more may be exempt from enterprise income tax from the first year to the fifth year starting from the year beginning to make profit and subject to enterprise income tax at a rate reduced by one half for the sixth year through the tenth year.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1991-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

VI.

1. Title of the subsidy programme

Preferential tax policies for enterprises with foreign investment which are technology-intensive and knowledge-intensive

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage foreign investment

4. Background and authority for the subsidy

MOF, SAT, MOFCOM, Ministry of Science and Technology (MOST)

5. Legislation under which it is granted

SAT Circular Guo Shui Fa No.139 of 1995, SAT Circular Guo Shui Fa No.135 of 2003

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

Enterprises with foreign investment which are technology-intensive and knowledge-intensive and whose major products are enlisted in the "Catalogue of High and New Technology Products of China" promulgated by MOST and the sales revenue of these products of that year accounts for over fifty per cent of the total annual sales revenue of the enterprise, may be imposed a reduced enterprises income tax rate of fifteen per cent.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1991-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available.

VII.

1. Title of the subsidy programme

Preferential tax policies for enterprises with foreign investment in the border cities

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2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage foreign investment into border cities and expand the open-up policy and enhance the development of the border areas

4. Background and authority for the subsidy

MOF, SAT, MOFCOM

5. Legislation under which it is granted

SAT Circular Guo Shui Han Fa No.1412 of 1992

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The enterprise income tax of the foreign-invested enterprises of a production nature established in 12 border cities, counties or towns (note 1) may be levied at a reduced rate of twenty-four per cent.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1992-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

VIII.

1. Title of the subsidy programme

Preferential tax policies for enterprises with foreign investment recognized as high or new technology enterprises established in the State high or new technology industrial development zones, and for advanced technology enterprises invested in and operated by foreign businesses

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage high and new technology industrial development and enhance the technology progress.

4. Background and authority for the subsidy

MOF, SAT, MOFCOM, MOST

5. Legislation under which it is granted

Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) The enterprise income tax of the enterprises with foreign investment recognized as high or new technology enterprises established in the State high or new technology industrial development zones may be levied at a reduced rate of fifteen per cent. The Chinese-foreign equity joint ventures recognized as high or new technology enterprises and established in the State high or new technology industrial development zones of which the operation period is ten years or more may be exempt from the enterprise income tax in the first and second years from the year beginning to make profit. Foreign-invested enterprises established in the high or new technology industrial development zones which are located in the special economic zones and the economic and technological development zones shall be governed by the preferential tax provisions of the special economic zones and the economic and technological development zones. (2) Advanced technology enterprises invested in and operated by foreign businesses which remain advanced technology enterprises after the period of enterprise income tax exemption or reduction has expired in accordance with the provisions of the Tax Law may continue to pay enterprise income tax for an additional three years at the tax rate specified in the Tax Law reduced by one half.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

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9. Duration of the subsidy and/or any other time-limits attached to it

1991-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

IX.

1. Title of the subsidy programme

Preferential tax policies for enterprises recognized as high or new technology enterprises established in the State high or new technology industrial development zones

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage high and new technology industrial development and enhance the technology progress

4. Background and authority for the subsidy

MOF, SAT, MOST

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No.001 of 1994

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) The enterprise income tax of the enterprises recognized as high or new technology enterprises established in the State high or new technology industrial development zones may be levied at a reduced rate of fifteen per cent, and may be exempt from the enterprises income tax in the first and second years from the year beginning production.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1994-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

X.

1. Title of the subsidy programme

Preferential tax policies for enterprises with foreign investment established in special economic zones (excluding Shanghai Pudong area)

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To absorb foreign investment and expand the open-up policy and enhance development of the areas

4. Background and authority for the subsidy

MOF, SAT, MOFCOM

5. Legislation under which it is granted

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises,

Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) The income tax on enterprises with foreign investment established in Shenzhen, Zhuhai, Shantou, Xiamen and Hainan special economic zones and foreign enterprises which have establishments or places in these special economic zones engaged in production or business operations shall be levied at the reduced rate of fifteen per cent. (2) The income tax on enterprises with foreign investment of a production nature established in the old urban districts of cities where the above-mentioned zones are located shall be levied at the reduced rate of twenty-four per cent.

(3) The income tax on the production-oriented enterprises with foreign investment established in the old urban districts of cities where the above-mentioned zones are located and which are engaged in the following projects: (a) technology-intensive or knowledge-intensive projects, (b) projects with foreign investments of over US\$30 million and having long periods for return on investment, (c) energy resources, transportation and port construction projects, shall be levied at the reduced rate of fifteen per cent. (4) Enterprises with foreign investment established in the Hainan special economic zones and engaged in infrastructure projects such as airports, harbours, docks, highways, railways, power stations, coal mines and water conservation, and enterprises with foreign investment engaged in the development of and operations in agriculture where the period of operations is fifteen years or more, shall be exempt from enterprise income tax from the first year to the fifth years starting from the year beginning to make profit and subject to enterprise income tax at a rate reduced by one half for the sixth year through the tenth year. (5) The foreign investors who reinvest the profit made from the enterprises established in Hainan special economic zones into the infrastructure construction projects of, or agricultural development enterprises in, the Hainan special economic zones may be refunded the entire portion of the enterprise income tax that has been paid on the reinvested amount.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1984-present, while item (5) 1991-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XI.

1. Title of the subsidy programme

Preferential tax policies for enterprises with foreign investment established in the coastal economic open areas and in the economic and technological development zones

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To absorb foreign investment and expand the open-up policy and enhance development of the areas

4. Background and authority for the subsidy

MOF, SAT, MOFCOM

5. Legislation under which it is granted

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises,

Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) The income tax on enterprises with foreign investment of a production nature established in the economic and technological development zones shall be levied at the reduced rate of fifteen per cent. (2) The income tax on enterprises with foreign investment of a production nature established in the coastal economic open areas (note 2) and in the old urban districts of cities where the economic and technological development zones are located shall be levied at the reduced rate of twenty-four per cent. (3) The income tax on the enterprises with foreign investment of a production nature established in the coastal economic open areas and in the old urban districts of cities where the economic and technological development zones are located and which are engaged in the following projects: (a) technology-intensive or knowledge-intensive projects, (b) projects with foreign investments of over US\$30 million and having long periods for return on investment, (c) energy resource, transportation and port construction projects, shall be levied at the reduced rate of fifteen per cent.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1984- present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XII.

1. Title of the subsidy programme

Preferential tax policies for enterprises with foreign investment established in Pudong area of Shanghai

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To absorb foreign investment and expand the open-up policy and enhance development of the area

4. Background and authority for the subsidy

MOF, SAT, MOFCOM

5. Legislation under which it is granted

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises;

Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The income tax on enterprises with foreign investment of a production nature established in Pudong area of Shanghai as well as enterprises with foreign investment engaged in energy resources and transport construction projects such as airport, ports, railways, highways and power stations shall be levied at the reduced rate of fifteen per cent. Enterprises with foreign investment engaged in energy resources and transport construction projects such as airport, ports, railways, highways and power stations where the period of operations is fifteen years or more may be exempt from enterprise income tax from the first year to the fifth year starting from the year beginning to make profit and subject to enterprise income tax at a rate reduced by one half for the sixth year through the tenth year.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it
1991-present
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available

XIII.

1. Title of the subsidy programme
Preferential tax policies for enterprises with foreign investment established in the Three Gorges of Yangtze River Economic Zone
2. Period covered by the notification
2001-2004
3. Policy objective and/or purpose of the subsidy
To absorb foreign investment and expand the open-up policy and enhance development of the areas
4. Background and authority for the subsidy
MOF, SAT, MOFCOM
5. Legislation under which it is granted
MOF Circular Cai Shui Zi No.034 of 1995
6. Form of the subsidy
Preferential tax treatment
7. To whom and how the subsidy is provided

(1) The income tax on enterprises with foreign investment of a production nature established in the Three Gorges of Yangtze River Economic Zone (note 3) shall be levied at the reduced rate of twenty-four per cent. (2) The income tax on enterprises with foreign investment established in the Three Gorges of Yangtze River Economic Zone which are engaged in energy resources, transportation, harbour and wharf projects or other projects encouraged by the State, shall be levied at the reduced rate of fifteen per cent. (3) The income tax on the enterprises with foreign investment of a production nature established in the old urban districts of the open cities along the Yangtze River such as Yichang, Wanxian and Fuling and etc., shall be levied at the reduced rate of twenty-four per cent. (4) Among the enterprises mentioned in item (3), those engaged in technology-intensive or

knowledge-intensive projects, or projects with foreign investments of over US\$30 million and having long periods for return on investment, or energy resources, transportation and port construction projects shall be levied at the reduced rate of fifteen per cent.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1995-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XIV.

1. Title of the subsidy programme

Preferential tax policies in the western regions

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To accelerate the development of the western regions, expand the opening up, lessen the imbalance of economic development among different areas and accelerate the development of the regions

4. Background and authority for the subsidy

MOF, SAT, MOFCOM and other relevant authorities under the State Council

5. Legislation under which it is granted

State Council Circular Guo Fa No. 33 of 2000;
General Office of State Council Circular Guo Ban Fa No. 73 of 2001;
MOF Circular Cai Shui No. 202 of 2001;
SAT Circular Guo Shui Fa No. 172 of 1999.

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) The income tax on enterprises, domestic and foreign-invested, established in the western regions (note 4) which are engaged in industries encouraged by the State shall be levied at the reduced rate of fifteen per cent from the year 2001 to 2010. For domestic enterprises, industries encouraged by the State refer to those listed in the "Catalogue of the Industries, Products and Technologies Particularly Encouraged by the State", and the enterprises must have the items included in the Catalogue as its major business which should account for over seventy per cent of total revenue. For foreign-invested enterprises, industries encouraged by the State refer to those listed as encouraged in the "Catalogue for the Guidance of the Foreign Investment Industries" and listed in the "Catalogue for the Guidance of the Advantageous Industries in Central and Western Regions for Foreign Investment", and the enterprises must have the items as listed in the two Catalogues as its major business which should account for over seventy per cent of total revenue. (2) The enterprises, domestic and foreign-invested, which are newly established in the western regions and engaged in business such as transportation, electricity, water conservation and etc., of which the revenue accounts for over seventy per cent of total revenue, shall be, from the year beginning production or operation for domestic enterprises and from the year beginning to make profit for foreign-invested enterprises with the period of operations of ten years or more, exempt from the income tax for the first and second years and subject to enterprise income tax at a rate reduced by one half for the third year through the fifth year. (3) Income from production of agricultural specialty products which is a result of returning cultivated land to forests and returning grazing land to grassland for the sake of environmental protection shall be exempt from the agricultural specialty tax for 10 years from the year beginning to generate revenue. (4) The land taken to construct highways in western regions is exempt from the farmland occupation tax. (5) The domestic and the foreign-invested enterprises established in the western regions and engaged in the encouraged industries respectively as mentioned above in item 1) are exempt from the tariff and import VAT for the imported equipments for self uses within the total amount of the capital invested, except for those listed in "Catalogue for the imported products not subject to tax exemption in foreign invested projects" or in the "Catalogue for the imported products not subject to tax exemption in domestic invested projects". (6) Since January 1 2000, the foreign-invested enterprises established in nineteen provinces, autonomous regions and municipalities directly under the Central Government in central and western regions, namely Shanxi Province, Jilin Province, Heilongjiang Province, Anhui Province, Jiangxi Province, Henan Province, Hubei Province, Hunan Province, Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Ningxia Hui Autonomous Region, Qinghai Province, Xinjiang Uygur Autonomous Region, Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region, which are engaged in the industries encouraged by the State as enlisted in the "Catalogue for the Guidance of Foreign Investment Industries" as well as engaged in the advantageous industries and projects approved by the State Council, shall be imposed the income tax at a reduced rate of fifteen per cent for another three year following the expiration of the period for "two years exemption and three years of fifty per cent reduction".

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

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9. Duration of the subsidy and/or any other time-limits attached to it

2001-2010

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XV.

1. Title of the subsidy programme

Preferential tax policies for enterprises established in the poverty stricken areas

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage the alleviation of poverty and accelerate the economic development of the poverty stricken areas

4. Background and authority for the subsidy

MOF, SAT, Office of Poverty Alleviation under the State Council, and National Development and Reform Committee (NDRC)

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No.001 of 1994

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The income tax of the enterprises newly established in the old revolution base areas during the revolution era, areas with ethnic groups residence, remote areas and poverty stricken areas may be exempt or reduced for three years.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1994-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XVI.

1. Title of the subsidy programme

Fiscal funds to alleviate poverty

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To improve the production and living conditions and increase the income of the poverty stricken population, and to enhance the economic and social development of the poverty stricken areas.

4. Background and authority for the subsidy

MOF, Office of Poverty Alleviation under the State Council, NDRC

5. Legislation under which it is granted

MOF Circular Cai Nong No.18 of 2000

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The funds are allocated by MOF to local governments according to the allocation programmes which are approved by the State Council Leading Group of Poverty Alleviation. The funds are used by local governments to provide subsidies to individuals and organizations for individual subsidization, infrastructure construction and training programmes in the poverty stricken areas.

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8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
9,090	9,590	10,390	11,177	40,247

9. Duration of the subsidy and/or any other time-limits attached to it

1980-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XVII.

1. Title of the subsidy programme

Specific subsidy on agricultural production and construction in the poverty stricken areas of Hexi and Dingxi of Gansu Province and Xihai of Ningxia Hui Autonomous Region

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To accelerate economic and social development of the poverty stricken areas of Gansu Province and Ningxia Hui Autonomous Region

4. Background and authority for the subsidy

MOF, Office of Poverty Alleviation under the State Council, NDRC

5. Legislation under which it is granted

MOF Circular Cai Nong No.67 of 2001

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The funds are allocated by MOF to the local governments of Gansu Province and Ningxia Hui Autonomous Region to provide subsidies to individuals and organizations for individual

subsidization, infrastructure construction, training programmes and transmigration and resettlement programmes in the poverty stricken areas. Prior to 2004, the two provincial governments would submit programmes applying for the subsidy first. The funds would be allocated after the programmes were jointly approved by MOF, Office of Poverty Alleviation under the State Council and NDRC. From 2004 on, funds are allocated first to the two provincial governments which are required to submit programme later for record only instead of for approval.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
200	200	200	200	800

9. Duration of the subsidy and/or any other time-limits attached to it

1983-2008

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XVIII.

1. Title of the subsidy programme

Interests discount of poverty alleviation loans

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To improve the production and living conditions and increase the income of the poverty stricken population, and to enhance the economic and social development of the poverty stricken areas

4. Background and authority for the subsidy

MOF, Office of Poverty Alleviation under the State Council, People's Bank of China

5. Legislation under which it is granted

People's Bank of China Circular Yin Fa No.185 of 2001

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6. Form of the subsidy

Interests discount

7. To whom and how the subsidy is provided

Agricultural Bank of China collects and submits the information on loans provided to individuals and organizations in the poverty stricken areas on programmes of infrastructure construction and development of planting, breeding and processing, etc. After local financial authorities and local Offices of Poverty Alleviation jointly review and approve the programmes, MOF settles the interests discount with the headquarter of Agricultural Bank of China. Since 2004, the funds of this interests discount are partially appropriated to the governments of the poverty stricken counties which will independently choose the financial institutions to provide poverty alleviation loans and negotiate on the terms of interests discount settlement.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
524.50	530	530	613.29	2197.79

9. Duration of the subsidy and/or any other time-limits attached to it

1986-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XIX.

1. Title of the subsidy programme

Preferential tax policies for enterprises which utilize the waste materials

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To protect the environment and encourage the recycling of resources

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No.001 of 1994

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The income tax of the enterprises which use the waste materials such as waste water, waster residue and waste gas as major materials for production may be exempt or reduced within five years.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1994-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XX.

1. Title of the subsidy programme

Preferential tax policies for enterprises suffering from natural disasters

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To reduce the losses due to natural disasters

4. Background and authority for the subsidy

MOF, SAT

251

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No.001 of 1994

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The income tax of the enterprises suffering from natural disasters such as floods, fire or earthquakes etc. may be exempt or reduced for one year.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1994-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXI.

1. Title of the subsidy programme

Preferential tax policies for welfare enterprises

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage increase of job opportunities and help the employment of the disabled people

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

SAT Circular Guo Shui Fa No.155 of 1994

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) The income tax paid by the enterprises in which employees with disabilities such as blindness, deafness, dumbness and physical deformities are over 50% of total employees may be one hundred per cent refunded. (2) The income tax paid by the enterprises in which employees with disabilities such as blindness, deafness, dumbness and physical deformities are over 35% but less than 50% of total employees, if at a loss, may be partially or totally refunded to the extent to compensate the loss.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1994-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXII.

1. Title of the subsidy programme

Preferential tax policies for enterprises making little profits

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To reduce the burden of the enterprises making little profits to maintain job opportunities

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No.009 of 1994

249

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) The income tax enterprises whose annual taxable income is less than RMB 30,000 may be levied at a reduced rate of eighteen per cent. (2) The income tax of enterprises whose annual taxable income is less than RMB 100,000 but more than RMB 30,000 may be levied at a reduced rate of twenty-seven per cent.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1994-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXIII.1. Title of the subsidy programme

Preferential tax policies for township enterprises

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To reduce the burden of township enterprises due to the imperfect social security system and to encourage the township enterprise to improve the living and working conditions of their employees.

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No.001 of 1994

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

Ten per cent of the income tax payable by the township enterprise may be exempted to subsidize the social security expenses.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1994-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXIV.

1. Title of the subsidy programme

Preferential tax policies for enterprises which provide employment for unemployed people

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To increase and encourage employment

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No.001 of 1994

247

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) The income tax of the newly established urban enterprises which employ unemployed people over sixty per cent of total employees within the year may be exempted for three years.
(2) The income tax of the above mentioned enterprises which newly employ unemployed people over thirty per cent of original total employees within the year may be reduced by one half for an additional two years after the three years period of income tax exemption has expired.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1994-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXV.

1. Title of the subsidy programme

Preferential tax policies for scientific research institutions under transformation

2. Period covered by the notification

2003-2004

3. Policy objective and/or purpose of the subsidy

To push forward the scientific research institutions to reform under the conditions of market economy

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui No.137 of 2003

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The income tax of the 242 scientific research institutions subordinate to the former 10 National Bureaus administrated by the former State Economic and Trade Commission (SETC) and the 134 scientific research institutions subordinate to 11 Ministries such as Ministry of Construction which transformed into enterprises or be integrated into enterprises, as well as the scientific research institutions subordinate to the organizations under the State Council which transformed into enterprises or be integrated into enterprises after reviewed and approved by MOST and MOF, shall be exempted for five years since the day of the transformation registration.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2003-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXVI.

1. Title of the subsidy programme

Preferential tax policies for the research and development of enterprises

2. Period covered by the notification

2003-2004

3. Policy objective and/or purpose of the subsidy

To encourage the research and development of enterprises

4. Background and authority for the subsidy

MOF, SAT

245

5. Legislation under which it is granted

MOF Circular Cai Shui No.244 of 2003

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The actual expenses of domestic industrial enterprises, regardless of the ownership, on research and development of new products, new technologies and new crafts which has increased ten per cent or more from the previous year, may be offset by 150% from the taxable income of the year.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2003-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXVII.

1. Title of the subsidy programme

Preferential tax policies for the research and development of foreign-invested enterprises

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage the research and development of enterprises

4. Background and authority for the subsidy

MOF, SAT

244

5. Legislation under which it is granted

SAT Circular Guo Shui Fa No.173 of 1999

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The actual expenses of foreign-invested enterprises on research and development conducted in China, which has increased ten per cent or more from the previous year, may be offset by 150% from the taxable income of the year.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1999-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXVIII.

1. Title of the subsidy programme

Preferential tax policies for enterprises transferring technology

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage the transfers of technology

4. Background and authority for the subsidy

MOF, SAT

243

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No.001 of 1994

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The income tax of enterprises profiting from technology transfers as well as from providing technology consultation, technology services and technology training in the transfer, may be exempt where the annual net income of the enterprises is less than RMB 300,000, and where the annual net income is more than RMB 300,000, the exceeding part shall be levied at the regular rate.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2001-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXIX.

1. Title of the subsidy programme

Preferential tax policies for the key leading enterprises engaged in agricultural industrialization

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage the agricultural industrialization

4. Background and authority for the subsidy

MOF, SAT, Ministry of Agriculture (MOA)

5. Legislation under which it is granted

MOA Circular Nong Jing Fa No.8 of 2000;
MOA Circular Nong Jing Fa No.10 of 2000;
SAT Circular Guo Shui Fa No. 124 of 2001.

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The income of the key leading enterprises, and of their holding subsidiary companies, obtained from planting, animal and fish farming, and preliminary processing of agricultural and forest products may be exempt from income tax.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2001-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXX.

1. Title of the subsidy programme

Preferential tax policies for the enterprises engaged in forestry

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage the development of forestry

4. Background and authority for the subsidy

MOF, SAT, State Forestry Administration (SFA)

241

5. Legislation under which it is granted

MOF Circular Cai Shui No.171 of 2001,
MOF Circular Cai Shui No.49 of 1997

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The income of the enterprises and institutions obtained from production of forestry, forestry seeds as well as from preliminary processing of forestry products may be exempt from income tax since January 1 2001.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2001-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXXI.

1. Title of the subsidy programme

Funds for supporting technological innovation for the technological small and medium-sized enterprises (SMEs)

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To support the SMEs in technology innovation and encourage the industrialization of the science and technology achievements

4. Background and authority for the subsidy

MOF, MOST

5. Legislation under which it is granted

General Office of State Council Circular Guo Ban Fa No. 47 of 1999

6. Form of the subsidy

Financial appropriations or loan interests discount

7. To whom and how the subsidy is provided

In the projects of financial appropriations, the SMEs of science and technology nature receive firstly seventy per cent of the total assisting amount approved to be granted to the enterprises. In the projects of interest discount, the SMEs of science and technology nature receive firstly eighty per cent of the assisting fund for interest discount in accordance with the interest settlement document provided by the enterprises. The rest of the grant or assisting fund for interest discount shall be paid after the projects being completed as well as checked and accepted. Each project shall receive no more than RMB 1 million and in particular cases no more than RMB 2 million.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
800	500	500	500	2300

9. Duration of the subsidy and/or any other time-limits attached to it

1999-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXXII.

1. Title of the subsidy programme

Development funds for SMEs

2. Period covered by the notification

2004

3. Policy objective and/or purpose of the subsidy

To support the SMEs development

239

4. Background and authority for the subsidy

MOF, NDRC

5. Legislation under which it is granted*Law of the People's Republic of China on Promotion of Small and Medium-sized Enterprises*6. Form of the subsidy

Financial appropriations or loan interests discount

7. To whom and how the subsidy is provided

For the enterprises who invest into the project mainly with self-owned capital, the aid is given in the form of grant of no more than RMB 2 million or within the limit of the self-owned capital investment. For the enterprises who invest into the project mainly with loans, the aid is given in the form of interest discount with a rate decided by the amount of loans and the interest rate in the same term published by People's Bank of China. The period of each project enjoying the interest discount should be no more than two years and the total amount each project receives in the form of interest discount should be no more than RMB 1.5 million.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2004	Total
100	100

9. Duration of the subsidy and/or any other time-limits attached to it

2004-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXXIII.

1. Title of the subsidy programme

Fund for international market exploration by SMEs

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To assist SMEs to explore the international market

4. Background and authority for the subsidy

MOF, MOFCOM

5. Legislation under which it is granted

MOF Circular Cai Qi No.467 of 2000,
MOFTEC (MOFCOM) Circular Ji Cai Fa No.270 of 2001

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to SMEs or enterprises and organizations which provide services to SMEs for the purpose of: (1) holding or participating in overseas exhibitions, (2) accreditation fee for quality management system, environment management system or for the product, (3) promotion in the international market, (4) exploring a new market, (5) holding trainings and symposiums, (6) overseas bidding. The enterprises receive partial support to its international market exploration fees and the grant is allocated on the basis of the approved application for fund after market exploration activities are completed.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
560	480	400	1000	2440

9. Duration of the subsidy and/or any other time-limits attached to it

1999-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

237

XXXIV.

1. Title of the subsidy programme

Special fund for establishment of service system for SMEs

2. Period covered by the notification

2003-2004

3. Policy objective and/or purpose of the subsidy

To assist entities to provide better services to SMEs

4. Background and authority for the subsidy

MOF

5. Legislation under which it is granted

Law of the People's Republic of China on Promotion of Small and Medium-sized Enterprises
MOF Circular Cai Jian No.124 of 2004

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided as grant to entities which provide services to SMEs. For those who provide training services to the SMEs, rent charges of training venue, payments to the lecturer and expenses on teaching materials may be fully subsidized by the fund, and accommodations incurred by the training services may be subsidized at a maximum of RMB 150 person/day. For those who provide credit services to the SMEs, the actual expenses may be subsidized as appropriate. For those who provide services for SMEs to start business, the actual expenses may be subsidized as appropriate. For those who provide management consulting services for SMEs, the actual expenses may be subsidized as appropriate.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2003	2004	Total
50	50	100

9. Duration of the subsidy and/or any other time-limits attached to it
2003-present
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available

XXXV.

1. Title of the subsidy programme
Fund for subsidizing the training of the rural migrant labour force
2. Period covered by the notification
2004
3. Policy objective and/or purpose of the subsidy
To improve the quality and the employment capabilities of the rural migrant workers, to facilitate the migration of the rural labour force and increase rural incomes
4. Background and authority for the subsidy
MOF, MOA
5. Legislation under which it is granted
MOF Circular Cai Nong No.38 of 2004
6. Form of the subsidy
Financial appropriations
7. To whom and how the subsidy is provided

The fund is provided to individuals, training institutions or other organizations chosen through bidding procedures to provide training services to farmers. MOF and MOA jointly review the application for fund submitted by local governments. After approval of the application, fund is granted by the MOF.

235

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2004	total
250	250

9. Duration of the subsidy and/or any other time-limits attached to it

2004-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXXVI.

1. Title of the subsidy programme

Outlay for training of youngster farmers on science and technology

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To assist the youngster farmers to obtain the knowledge on science and technology and to improve their management capacity

4. Background and authority for the subsidy

MOF, MOA

5. Legislation under which it is granted

MOA Circular Nong Ke Jiao Fa No.8 of 1999

6. Form of the subsidy

Financial appropriations

234

7. To whom and how the subsidy is provided

The fund is provided to youngster farmers of rural areas. MOF and MOA jointly review the application for fund submitted by local governments. After approval of the application, fund is granted by the MOF.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
30	30	50	50	160

9. Duration of the subsidy and/or any other time-limits attached to it

1999-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXXVII.

1. Title of the subsidy programme

Fund for specialized cooperatives of farmers

2. Period covered by the notification

2003-2004

3. Policy objective and/or purpose of the subsidy

To support and facilitate the development of specialized cooperatives of farmers

4. Background and authority for the subsidy

MOF

5. Legislation under which it is granted

MOF Circular Cai Nong No.87 of 2004

233

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to qualified specialized cooperatives of farmers. MOF reviews the application for fund submitted by local governments and grants the fund after approval of the application.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2003	2004	Total
20	50	70

9. Duration of the subsidy and/or any other time-limits attached to it

2003-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXXVIII.

1. Title of the subsidy programme

Subsidy for popularization of agricultural technologies

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To popularize advanced and practical agricultural technologies

4. Background and authority for the subsidy

MOF

5. Legislation under which it is granted

MOF Circular Cai Nong No.81 of 2004

232

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to projects which embody geographic advantages and can serve as a model to other areas. MOF reviews the application for fund submitted by local governments and grants the fund after approval of the application.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
135	175	175	200	685

9. Duration of the subsidy and/or any other time-limits attached to it

1999-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XXXIX.

1. Title of the subsidy programme

Subsidy for growing superior grain cultivars

2. Period covered by the notification

2002-2004

3. Policy objective and/or purpose of the subsidy

To accelerate the upgrade of grains and crops, increase the output of agricultural products, improve the quality of agricultural products and guarantee food security.

4. Background and authority for the subsidy

MOF, MOA

231

5. Legislation under which it is granted

MOF Circular Cai Nong No.16 and17 of 2004

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to grain cultivars supply enterprises in major crop-producing provinces chosen through bidding procedures. MOF and MOA jointly review the application for fund submitted by local governments. After approval of the application, fund is granted by the MOF.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2002	2003	2004	Total
100	300	2852	3252

9. Duration of the subsidy and/or any other time-limits attached to it

2002-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XL.

1. Title of the subsidy programme

Subsidy for purchasing agricultural machinery and tools

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To enhance the contribution of agricultural science and technology, and push forward the development of agriculture and rural economies

4. Background and authority for the subsidy

MOA, MOF

5. Legislation under which it is granted

MOA Circular Nong Cai Fa No.6 of 2004

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to individual farmers or services providers on agricultural machinery and tools that purchase agricultural machinery and tools through bidding procedures. MOF and MOA jointly review the application for fund submitted by local governments. After approval of the application, fund is granted by the MOF.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
20	20	40	70	150

9. Duration of the subsidy and/or any other time-limits attached to it

1999-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XLI.

1. Title of the subsidy programme

Subsidy for actualizing agricultural technology

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To accelerate the actualization of agricultural technological achievements in agriculture, forestry, water conservation and irrigation, and improve the capacity of agricultural innovation

4. Background and authority for the subsidy

MOF, MOST

5. Legislation under which it is granted

MOST Circular Guo Ke Ban Cai Zi No.417 of 2001

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to individuals or enterprises that are the right-holders for new agricultural technology. MOF and MOST jointly review the application for fund submitted by local governments. After approval of the application, fund is granted by the MOF.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
400	200	200	250	1050

9. Duration of the subsidy and/or any other time-limits attached to it

2001-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XI.II.1. Title of the subsidy programme

Fund provided for agricultural industrialization

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To increase rural income, increase the scale and modernization of agricultural operation, and to improve the efficiency of agriculture in general

4. Background and authority for the subsidy

MOF

5. Legislation under which it is granted

MOF Circular Cai Nong No.88 of 2004

6. Form of the subsidy

Financial appropriation

7. To whom and how the subsidy is provided

The fund is provided to qualified enterprises. The MOF reviews the application for fund submitted by local governments and grants the fund after approval of the application.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
70	100	100	100	370

9. Duration of the subsidy and/or any other time-limits attached to it

1998-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XLIII.

1. Title of the subsidy programme

Fund for agricultural disaster relief

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To prevent and control agricultural disasters as well as provide disaster relief

4. Background and authority for the subsidy

MOF, MOA

5. Legislation under which it is granted

MOF Circular Cai Nong No.232 of 2001

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to individuals or organizations that fight against disasters and resume production afterwards. MOF and MOA jointly review the application for fund submitted by local governments. After approval of the application, fund is granted by the MOF.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
942	635	735	905	3217

9. Duration of the subsidy and/or any other time-limits attached to it

1999-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XLIV.

1. Title of the subsidy programme

Fund provided to exempt from or reduce agriculture tax on farmers suffering from poor harvest after disasters

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To relieve tax burden of farmers who suffered from disasters

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

Regulation of the People's Republic of China on Agricultural Tax,
MOF Circular Cai Nong No.132 of 2001

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to farmers who suffered from poor harvest due to natural disasters. MOF and SAT jointly review the application for fund submitted by local governments and grant the fund after approval of the application.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
4,000	1,000	2,000	1,500	8,500

225

9. Duration of the subsidy and/or any other time-limits attached to it

Period when agriculture tax exists

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XLV.

1. Title of the subsidy programme

Subsidy for major flood control and drought resistance

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To assist areas that suffer from major floods or drought, to prevent or fight against the disasters, and to assist the flood control of major rivers and lakes directly supervised by the central government.

4. Background and authority for the subsidy

MOF, Ministry of Water Resources (MOWR)

5. Legislation under which it is granted

MOF Circular Cai Nong No.30 of 2001

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to enterprises or related organizations. MOF and MOWR jointly review the application for fund submitted by local governments. After approval of the application, fund is granted by the MOF.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
950	1364	1342	931	4587

9. Duration of the subsidy and/or any other time-limits attached to it

1953-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XLVI.

1. Title of the subsidy programme

Fund for construction of small irrigation facilities in rural areas

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To support the projects which are closely related to working and living conditions of rural population such as rural water supply, rural energy supply, small forestry, small projects on water and soil conservation and small irrigation facilities.

4. Background and authority for the subsidy

MOF, MOWR

5. Legislation under which it is granted

MOF Circular Cai Ban Nong No.74 of 2001

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to individuals, enterprises or related organizations. MOF and MOWR jointly review the application for fund submitted by local governments. After approval of the application, fund is granted by the MOF.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
100	100	100	100	400

9. Duration of the subsidy and/or any other time-limits attached to it

2001-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XLVII.

1. Title of the subsidy programme

Fund for construction of small ecological facilities in rural areas

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To support the projects which are closely related to working and living conditions of rural population such as rural water supply, rural energy supply, small forestry, small project on water and soil conservation and small irrigation facilities.

4. Background and authority for the subsidy

MOF, SFA

5. Legislation under which it is granted

MOF Circular Cai Ban Nong No.74 of 2001

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to rural forestry areas. The MOF reviews the application for fund submitted by local governments and grants the fund after approval of the application.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
100	100	100	100	400

9. Duration of the subsidy and/or any other time-limits attached to it

2001-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XLVIII.

1. Title of the subsidy programme

Fund for projects on collection, reservation and utilization of rainfall

2. Period covered by the notification

2004

3. Policy objective and/or purpose of the subsidy

To support construction of rural irrigation infrastructure, improve rural living conditions and rural productivity

4. Background and authority for the subsidy

MOF, MOWR

5. Legislation under which it is granted

MOF Circular Cai Nong No.138 of 2004

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to individuals, enterprises or related organizations. MOF and the MOWR jointly review the application for fund submitted by the local governments. After approval of the application, fund is granted by the MOF.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2004	Total
100	100

9. Duration of the subsidy and/or any other time-limits attached to it

2004-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

XLIX.

1. Title of the subsidy programme

Fund for interest discount of loans for the purpose of agricultural water-saving irrigation

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To support water-saving irrigation technology and the construction of areas using water-saving irrigation

4. Background and authority for the subsidy

MOF, MOWR

5. Legislation under which it is granted

MOF Circular Cai Yu No.388 of 2001

6. Form of the subsidy

Interest discount

7. To whom and how the subsidy is provided

The fund is provided to individuals, enterprises or related organizations. MOF and MOWR jointly review the application for fund submitted by local governments. After approval of the application, fund is granted by the MOF.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
46.5	46.5	46.5	46.5	186

9. Duration of the subsidy and/or any other time-limits attached to it

1997-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

L.

1. Title of the subsidy programme

Subsidies for national key construction projects on water and soil conservation

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To assist small scale farmland irrigation and water and soil conservation projects in rural areas

219

4. Background and authority for the subsidy

MOF, MOWR

5. Legislation under which it is granted

MOF Circular Cai Nong No.402 of 1987

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to enterprises or related organizations. MOF and MOWR jointly review the application for fund submitted by local governments. After approval of the application, fund is granted by the MOF.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
50	50	50	50	200

9. Duration of the subsidy and/or any other time-limits attached to it

1983-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LI.

1. Title of the subsidy programme

Special fund for projects on protection of natural forestry

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To protect natural forestry resources and improve eco-environment

4. Background and authority for the subsidy

MOF, SFA

5. Legislation under which it is granted

MOF Circular Cai Nong No.151 of 2000

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to state-owned forestry enterprises which are subject to timber production reduction or lumbering ban to transfer and settle down the laid-off workers. MOF reviews the application for fund submitted by local governments and grants the fund after approval of the application.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
7146.95	7663.22	4966.52	4675.4	24452.09

9. Duration of the subsidy and/or any other time-limits attached to it

1998-2010

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

III.

1. Title of the subsidy programme

Cash subsidy for returning cultivated land to forests

2. Period covered by the notification

2001-2004

217

3. Policy objective and/or purpose of the subsidy

To improve the ecological environment, and to subsidize the farmers who return cultivated land to forests for their necessary expenses such as medical care, education and daily expenses.

4. Background and authority for the subsidy

MOF, SFA

5. Legislation under which it is granted

State Council Circular Guo Fa No.10 of 2002

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to farmers who complete the returning of cultivated land to forests and are examined as qualified. MOF reviews the application for fund submitted by local governments and grants the fund after approval of the application.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
361.82	1155.82	2165.82	2365.82	6049.28

9. Duration of the subsidy and/or any other time-limits attached to it

2000-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

L.III.1. Title of the subsidy programme

Compensation fund for forestry ecological benefits

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To protect key forestry resources and ensure ecological security

4. Background and authority for the subsidy

MOF, SFA

5. Legislation under which it is granted

MOF Circular Cai Nong No.7 of 2001 (abolished);
MOF Circular Cai Nong No.169 of 2004

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to entities that manage the key national commonweal forests. MOF reviews the application for fund submitted by local governments and grants the fund after approval of the application.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
1000	1000	1000	2000	5000

9. Duration of the subsidy and/or any other time-limits attached to it

2001-2003 as pilot project
2004-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

215

LIV.

1. Title of the subsidy programme

Interest discount for loans for the purpose of desertification prevention in forestry

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage investment into the construction of forestry ecological environment, to facilitate the implementation of key forestry projects such as protection of natural forest resources, the returning cultivated land to forests etc.

4. Background and authority for the subsidy

MOF, SFA

5. Legislation under which it is granted

MOF Circular Cai Nong No.137 of 2002

6. Form of the subsidy

Interest discount

7. To whom and how the subsidy is provided

The subsidy is provided to qualified forestry loans granted to individuals, enterprises and other organizations. MOF reviews the application for fund submitted by central and local authorities administering forestry and grants the fund after approving the application.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
56	192.10	213.67	114.697	576.467

9. Duration of the subsidy and/or any other time-limits attached to it

1986-2004

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

L.V.

1. Title of the subsidy programme

Subsidy for prevention from and control of pest and disease in forestry

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To strengthen the disease, pest and rat prevention and control in forests, woods, seedling and bamboo forest.

4. Background and authority for the subsidy

MOF, SFA

5. Legislation under which it is granted

MOF Circular Cai Nong No.69 of 2002

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to individual, enterprises and organizations engaged in forestry for the purpose of hazardous creature control. An application for fund is submitted by local government. MOF and SFA jointly review the application and determine the amount of the subsidy. After approval of the application, the MOF grants the fund.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
75	80	91	92	338

9. Duration of the subsidy and/or any other time-limits attached to it

1980-2004

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

I.VI.

1. Title of the subsidy programme

Subsidy for grass seed sowing by airplanes

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To support the airplane sowing of grass seed in major grassland areas

4. Background and authority for the subsidy

MOF, MOA

5. Legislation under which it is granted

MOF Circular Cai Nong No.139 of 2004

6. Form of the subsidy

Financial appropriations

7. To whom and how the subsidy is provided

The fund is provided to organizations which carry out airplane sowing of grass seeds. MOF reviews the application for fund submitted by local governments and grants the fund after approval of the application.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: million RMB

2001	2002	2003	2004	Total
9	9	9	9	36

9. Duration of the subsidy and/or any other time-limits attached to it

1984-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LVII.

1. Title of the subsidy programme

Preferential tax policies for integrated circuit industry

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage the development of integrated circuit industry

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai shui No.25 of 2000,
MOF Circular Cai shui No.70 of 2002,
MOF Circular Cai shui No.136 of 2002,
MOF Circular Cai shui No.140 of 2002,
MOF Circular Cai shui No.174 of 2004,
MOF Circular Cai shui No.40 of 2004

6. Form of the subsidy

Preferential tax treatment

211

7. To whom and how the subsidy is provided

(1) Investor of integrated circuit producing or packaging enterprise who reinvests its share of profit obtained from the enterprise, after paying income tax, directly into that enterprise by increasing its registered capital, or uses the profit as capital investment to establish other integrated circuit producing or packaging enterprises to operate for a period of not less than five years, shall be refunded forty per cent of the income tax already paid on the reinvested amount.

(2) Domestic or foreign economic organizations investing its share of profit obtained inside China, after paying the income tax, into integrated circuit producing or packaging enterprises located in the western regions as capital investment to operate for a period of not less than five years, shall be refunded eighty per cent of the income tax already paid on the reinvested amount.

(3) Integrated circuit producing enterprises with investment more than RMB 8 billion or producing integrated circuit with a line width lesser than 0.25 um shall enjoy the same preferential tax treatment as to encourage the foreign investors who invest into energy and transportation sectors.

(4) Accredited integrated circuit producing enterprises producing integrated circuit with a line width of 0.8 micron or less shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a fifty per cent reduction in the third to fifth years.

(5) The VAT of enterprises as normal taxpayers selling independently designed integrated circuit products shall be refunded the portion over six per cent from June 2000 till the end of year 2001, and be refunded the portion over three per cent from year 2002. This policy ceased on April 1 2005.

(6) The import VAT of domestically designed integrated circuit with self-owned intellectual property rights when processed overseas, shall be refunded the portion over six per cent from July 1 2000 till 1 October 2004.

(7) The imported raw materials for self production and expendables of the integrated circuit producing enterprises established in China with investment more than RMB 8 billion or producing integrated circuit with a line width lesser than 0.25 um shall be exempted from tariff and import VAT.

(8) The imported integrated circuit producing technology and whole set of producing equipment, and the separately imported special equipment and apparatus to produce integrated circuit by the accredited integrated circuit producing enterprises shall be exempt from tariff and import VAT. The above mentioned equipment and technologies shall excluded those listed in the "Catalogue for the imported products not subject to tax exemption in foreign invested projects" or in the "Catalogue for the imported products not subject to tax exemption in domestic invested projects".

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

(1) 2002-2010; (2) 2002-2010; (3) 1 July 2000-present; (4) 2002-present;
(5) 24 June 2000-1 April 2005; (6) 1 July 2000-1 October 2004; (7) 1 July 2000-present;
(8) 1 July 2000-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

I.VIII.

1. Title of the subsidy programme

Preferential tax policies for foreign invested enterprises and foreign enterprises which have establishments or place in China and are engaged in production or business operations purchasing domestically produced equipments .

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To attract foreign investment and support technology renovation.

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui No.49 of 2000, SAT Circular Guo Shui Fa No.90 of 2000

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

For the investment projects listed as encouraged category in the "Catalogue for the Guidance of the Foreign Investment Industries" of foreign invested enterprises and foreign enterprises which have establishments or place in China engaged in production or business operations, forty per cent of the expenses on purchasing domestically produced equipments within the total investment of the project, or beyond the total investment of the project but for the purpose of upgrading the existing equipments and crafts, shall be deducted from the increment of income tax of that year compared to the previous year. Herein the "domestically produced equipments" do not include those imported directly by other enterprises or those produced by processing trade and compensatory trade. The

deducted portion shall not exceed that year's total increment of income tax, and in the case where the total increment of income tax is less than forty per cent of such expenses, the exceeding part of the deductible expenses can be deducted from the next year's increment of income tax. Such postponement of deductibility shall not last for more than five years.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1 July 1999-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LIX.

1. Title of the subsidy programme

Preferential tax policies for domestic enterprises purchasing domestically produced equipments for technology upgrading purpose

2. Period covered by the notification
2001-2004

3. Policy objective and/or purpose of the subsidy
To encourage domestic investment and support the technology upgrading of enterprises

4. Background and authority for the subsidy
MOF, SAT

5. Legislation under which it is granted
MOF Circular Cai Shui No.290 of 1999

6. Form of the subsidy
Preferential tax treatment

7. To whom and how the subsidy is provided

For the technology upgrading projects which are consistent with the state industrial policies of the domestic enterprises, forty per cent of the expenses on purchasing domestically produced equipments shall be deducted from the increment of income tax of that year compared to the previous

year. In the case where the total increment of income tax is less than forty per cent of such expenses, the exceeding part of the deductible expenses can be deducted from the next year's increment of income tax. Such postponement of deductibility shall not last for more than five years.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1 July 1999-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LX.

1. Title of the subsidy programme

Exemption of tariff and import VAT for the imported technologies and equipments

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To reduce the investment cost of importing technologies or equipments, and to attract foreign investment and to encourage domestic investment

4. Background and authority for the subsidy

MOF, SAT, MOFCOM, General Administration of Customs (GCA)

5. Legislation under which it is granted

State Council Circular Guo Fa No.37 of 1997

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

For the foreign invested projects listed as encouraged category in the "Catalogue for the Guidance of the Foreign Investment Industries", the equipments purchased for self-use within the total investment of the project, excluding those listed in the "Catalogue for the imported products not subject to tax exemption in foreign invested projects", shall be exempted from tariff and import VAT. For the domestic invested projects listed in the "Catalogue of the Industries, Products and Technologies Particularly Encouraged by the State", the equipments purchased for self-use within the total investment of the project, and the technologies, accessories and spare parts imported with the equipments as provided in the contract, excluding those listed in the "Catalogue for the imported products not subject to tax exemption in domestic invested projects", shall be exempted from tariff and import VAT. For the projects using the loans provided by foreign governments or by international financial organizations, the equipments purchased for self-use within the total investment of the projects, excluding those listed in the "Catalogue for the imported products not subject to tax exemption in foreign invested projects", shall be exempted from tariff and import VAT.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1997-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXI.

1. Title of the subsidy programme

Preferential tax policies for enterprises of grain or oil reserves

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To ensure food security

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No. 198 of 1999

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The sales of grain and edible oil by the state-owned enterprises which carry reserves of grain and oils for food security purposes are exempted from VAT.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1999-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXII.

1. Title of the subsidy programme

Preferential tax policies for the imports of China Grain Reserves Corporation for the purpose of rotation of grain reserves

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To secure food safety

4. Background and authority for the subsidy

MOF, SAT, GCA

205

5. Legislation under which it is granted

MOF Circular Cai Shui No. 13 of 2001,
MOF Circular Cai Shui No. 74 of 2004

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The collected import VAT on imported grain and oils imported by China Grain Reserves Corporation for the purpose of alternation or rotation of reserves shall be fully refunded.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2001-2005

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXIII.

1. Title of the subsidy programme

Preferential tax policies for the relief grain and disaster relief grain, compensation grain for returning cultivated land to forests and to grass land, and the grain rations for the migrants from the reservoir areas.

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To ensure the functioning of special social responsibilities such as disasters relief and to realize social development objectives such as environmental protection

4. Background and authority for the subsidy

MOF, SAT

204

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No. 198 of 1999,
SAT Circular Guo Shui Fa No. 131 of 2001

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

VAT on the relief grain and disaster relief grain, compensation grain for returning cultivated land to forests and to grassland, and the grain rations for the migrants from the reservoir areas operated by grain enterprises shall be exempted.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1999-present, and for compensation grain for returning cultivated land to forests and to grassland 2001-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXIV.

1. Title of the subsidy programme

Preferential tax treatment for tea sold in the border areas

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To ensure the supply to the border areas with minority ethnic groups residence.

4. Background and authority for the subsidy

MOF, SAT

203

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No. 60 of 1994, MOF Circular Cai Shui No. 71 of 2001

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The VAT on tea sold in the border areas produced by designated enterprises and distributed by designated distribution entities shall be exempted.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1994-2005

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXV.

1. Title of the subsidy programme

Preferential tax treatment for imported products for the purpose of replacing the planting of poppies

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To support the replacement of the planting of poppies

4. Background and authority for the subsidy

MOF, SAT, GCA

5. Legislation under which it is granted

MOF Circular Cai Shui No. 63 of 2000

202

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

Tariffs and import VAT on imported products within the approved scope for the purpose of replacing the planting of poppies in the border areas in Yunnan province shall be exempted.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2000-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

I.XVI.

1. Title of the subsidy programme

Preferential tax policies on imports of seeds (seedlings), breeding stock (fowl), fish fries (breeds) and non profit-making wild animals and plants kept as breeds during the period of the "Tenth Five-Year Plan"

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To introduce and promote improved breeds, to strengthen the protection of species resources, and to develop high-quality, productive and efficient agriculture and forestry industries.

4. Background and authority for the subsidy

MOF, SAT, MOA, SFA

5. Legislation under which it is granted

MOF Circular Cai Shui No. 130 of 2001

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The import VAT for imported seeds (seedlings), breeding stock (fowl), fish fries (breeds) and non profit-making wild animals and plants kept as breeds which are listed in the approved list of tax-free items within the approved quantity shall be exempted.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2001-2005

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXVII.

1. Title of the subsidy programme

Preferential tax treatment for specimens of endangered wild animals and plants returned by the government of Hong Kong, China to the Office of the Administration of Import and Export of Endangered Species.

2. Period covered by the notification

September 2000

3. Policy objective and/or purpose of the subsidy

To facilitate the implementation of the *Convention on International Trade in Endangered Species of Wild Fauna and Flora* and to protect specimens of wild animals and plants.

4. Background and authority for the subsidy

MOF, GCA, SFA

5. Legislation under which it is granted

MOF Circular Cai Shui No. 120 of 2000

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

Tariff and import VAT on specimens of endangered wild animals and plants of the approved species and approved quantity which are returned by the Agriculture, Fisheries and Conservation Department under the government of Hong Kong, China to Office of the Administration of Import and Export of Endangered Species under the SFA shall be exempted.

8. Subsidy per unit or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

September 2000

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXVIII.

1. Title of the subsidy programme

Preferential tax treatment for endangered wild animals and plants as well as their products returned by foreign governments, by the government of Hong Kong, China or the government of Macao, China to the Office of the Administration of Import and Export of Endangered Species

2. Period covered by the notification

2002-2004

3. Policy objective and/or purpose of the subsidy

To facilitate the implementation of *the Convention on International Trade in Endangered Species of Wild Fauna and Flora* and to protect wild animals and plants as well as their products.

4. Background and authority for the subsidy

MOF, GCA, SFA

5. Legislation under which it is granted

MOF Circular Cai Shui No. 8 of 2003

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

Tariff and import VAT on the endangered wild animals and plants as well as their products which are listed in the appendix to the *Convention on International Trade in Endangered Species of Wild Fauna and Flora*, returned by foreign governments, by the government of Hong Kong, China, or by the government of Macao, China to the Office of the Administration of Import and Export of Endangered Species under the SFA shall be exempted.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2002-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXIX.

1. Title of the subsidy programme

Preferential tax treatment for building material products produced with integrated utilization of resources

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage the integrated utilization of resources and protect the environment

4. Background and authority for the subsidy
MOF, SAT
5. Legislation under which it is granted
MOF Circular Cai Shui Zi No. 44 of 1995, MOF Circular Cai Shui Zi No. 20 of 1996
6. Form of the subsidy
Preferential tax treatment
7. To whom and how the subsidy is provided
The VAT on building material products made from waste residues shall be exempted.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Not available
9. Duration of the subsidy and/or any other time-limits attached to it
1995-present
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available

I.XX.

1. Title of the subsidy programme
Preferential tax treatment for other products produced with integrated utilization of resources
2. Period covered by the notification
2001-2004
3. Policy objective and/or purpose of the subsidy
To encourage integrated utilization of resources and protect the environment
4. Background and authority for the subsidy
MOF, SAT

197

5. Legislation under which it is granted

MOF Circular Cai Shui No. 198 of 2001, MOF Circular Cai Shui No. 25 of 2004

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) The VAT on products produced with integrated utilization of resources such as electric power produced from urban waste shall be refunded. (2) The VAT on electric power produced with wind power and some of the new-type wall-building materials produced from coal gangue, slush, oil shale shall be levied at a rate reduced by one half.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2001-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXXI.

1. Title of the subsidy programme

Preferential tax treatment for imported products for scientific and educational purposes

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To promote the development of scientific research and educational causes

4. Background and authority for the subsidy

MOF, GCA

5. Legislation under which it is granted

State Council Circular Guo Han No. 3 of 1997

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The tariff, import VAT and excise tax of products directly used in scientific research and education which are imported by scientific research institutions and schools for non profit-making purposes shall be exempted.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1997-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXXII.1. Title of the subsidy programme

Preferential tax treatment for imported products exclusively used by the disabled people

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To facilitate the recovery of the disabled people

4. Background and authority for the subsidy

MOF, GCA

5. Legislation under which it is granted

State Council Circular Guo Han No. 3 of 1997

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The tariff, import VAT and excise tax on imported products exclusively used by the disabled people within the stipulated scope shall be exempted.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1997-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

I.XXIII.

1. Title of the subsidy programme

Preferential tax treatment for products for the disabled people

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To facilitate the recovery of the disabled people

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui Zi No. 60 of 1994

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

The VAT on artificial limbs, wheelchairs, orthopaedic appliances including those for upper limbs, lower limbs and spinal bend and lean etc. shall be exempted.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1994-present

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

I.XXIV.

1. Title of the subsidy programme

Preferential tax treatment to anti-HIV-AIDS medicine

2. Period covered by the notification

2002/2003-2004

3. Policy objective and/or purpose of the subsidy

To push forward the prevention and cure of HIV-AIDS

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui No. 181 of 2003, MOF Circular Cai Shui No. 160 of 2002

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) From 1 January 2002 to 31 December 2006, tariffs and import VAT and VAT in domestic circulation stages on imported anti-HIV-AIDS medicine shall be exempted. (2) From 1 July 2003 to 31 December 2006, VAT in production and circulation stages on domestically produced anti-HIV-AIDS medicine produced by designated domestic producers shall be exempted.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2002/2003-2006

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXXV.

1. Title of the subsidy programme

Refund of import VAT of raw copper materials

2. Period covered by the notification

2003-2004

3. Policy objective and/or purpose of the subsidy

To promote technology upgrading of enterprises

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui No. 81 of 2003, MOF Circular Cai Guan Shui No. 12 of 2005

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

Thirty per cent of import VAT on copper concentrate, waste copper and unrefined copper imported within the approved quantitative scope by copper refineries with production or refining capacity of electrolytic copper over 30,000 tons and which meet the criteria of environmental protection shall be refunded after collection.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2003-2005

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXXVI.

1. Title of the subsidy programme

Preferential tax treatment for casting and forging products

2. Period covered by the notification

2003-2004

3. Policy objective and/or purpose of the subsidy

To encourage the technology upgrading of enterprises and the research and development of the casting and forging products

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui No. 96 of 2003

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

From 1 January 2003 to 31 December 2005, the VAT on the casting and forging products which are used in producing machinery, manufactured and sold by the 284 specialized casting and forging enterprises listed in the annex to the *Circular* shall be collected according to stipulations at first, and then thirty-five per cent of the actually collected VAT shall be refunded.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2003-2005

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXXVII.1. Title of the subsidy programme

Preferential tax treatment to dies products

2. Period covered by the notification

2003-2004

3. Policy objective and/or purpose of the subsidy

To encourage the technology upgrading of enterprises and research and development of dies products

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui No. 139 of 1998, MOF Circular Cai Shui No. 95 of 2003

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

From 1 January 2003 to 31 December 2005, the VAT on the dies products manufactured and sold by the 160 specialized dies manufacturing enterprises listed in the annex to the *Circular* shall be collected according to stipulations at first, and then seventy per cent of the actually collected VAT shall be refunded.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

2003-2005

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

LXXVIII.

1. Title of the subsidy programme

Preferential tax treatment to numerically controlled machine tool products

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage enterprises to conduct research and development of numerically controlled machine tool products

4. Background and authority for the subsidy

MOF, SAT

5. Legislation under which it is granted

MOF Circular Cai Shui No. 47 of 2000,
MOF Circular Cai Shui No. 119 of 2001,
MOF Circular Cai Shui No. 97 of 2003

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

From 1 January 1999 to 31 December 2005, the VAT on numerically controlled machine tool products produced and sold by certain numerically controlled machine tool manufacturing enterprises shall be refunded after collection.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Not available

9. Duration of the subsidy and/or any other time-limits attached to it

1999-2005

10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available

Note:

1. The 12 border cities, counties or towns refer to Heihe, Suifenhe in Heilongjiang Province, Hunchun in Jilin Province, Manzhouli in Inner Mongolia Autonomous Region, Yining, Bole, Tacheng in Xinjiang Uygur Autonomous Region, Pingxiang, Dongxing in Guangxi Zhuang Autonomous Region, Wanting, Ruili and Hekou in Yunnan Province.

2. The costal economic open areas firstly refer to the 14 coastal open cities of Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang, Beihai. In 1985 the Yangtze River Delta, the Pearl River Delta and the triangle area in south Fujian Province of Xiamen, Zhangzhou and Quanzhou were open to be included in the costal economic open areas. In 1988 the area was further expanded to the Liaodong Peninsula, Shandong Peninsular and etc. to include 153 cities and counties in Tianjin Municipality, Hebei Province, Liaoning Province, Jiangsu Province, Zhejiang Province, Fujian Province, Shandong Province and Guangxi Zhuang Autonomous Region. In 1990 the city of Jinan was open. In 1992 5 cities along the Yangtze river namely Chongqing, Yueyang, Wuhan, Jiujiang, Wuhu. 6 provincial capital cities in border and coastal provinces and autonomous regions namely Harbin, Changchun, Hohhot, Shijiazhuang, Nanning and Kunming and 11 provincial capital cities of inland provinces and autonomous regions namely Taiyuan, Hefei, Nanchang, Zhengzhou, Changsha, Chengdu, Guiyang, Xi'an, Lanzhou, Xining and Yinchuan began to implement the policies of the costal economic open areas. In 1993 the city of Huangshi along the Yangtze River also began to implement the policies of the costal economic open areas.

3. The Three Gorges of Yangtze River Economic Zone refers to Yichang County, Zigui County and Xingshan County under the Yichang City of the Hubei Province, Badong County of the Enshi Tujia and Miao Autonomous Prefecture of the Hubei Province, Wushan County, Wuxi County, Fengjie County, Yunyang

County, Kai County and Zhong County under the Wanxian City of Sichuan Province, Shizhu County under the Qianjiang Prefecture and Fengdu County, Wulong County under the Fuling Prefecture of the Sichuan Province, and Changshou County, Jiangbei County, Ba County and Jiangjin City under Chongqing Municipality.

4. The western regions refer to Chongqing Municipality, Sichuan Province, Guizhou Province, Yunan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Ningxia Hui Autonomous Region, Qinghai Province, Xinjiang Uygur Autonomous Region, Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region.

(IV) Statement on the proportion of the scientific and technical personnel with academic degree of professional college and above among total employees of the enterprise of the current year and on that of the research and development personnel among total employees of the enterprise of the current year.

Calculation and filing procedures of the above-mentioned materials are subject to the relevant provisions of the *Guidance on Identification of High-New Technology Enterprises*.

~~Article 6~~ Any enterprise that fails to acquire the hi-tech enterprise qualification or has acquired the hi-tech enterprise qualification but does not meet the enterprise income tax law and its implementation regulations or the relevant requirements of this Circular shall not enjoy the preference for hi-tech enterprises; and those that have enjoyed such preference treatment shall recover the reduced or exempted enterprise income tax.

~~Article 7~~ The Circular shall take effect as of January 1, 2008.

Attachment: List of annual enterprise research and development expenses (omitted)

State Administration of Taxation

April 22, 2009

Public Notice No. 4 [2009] of the General Administration of Customs On Implementing the Catalogues of Foreign Invested Industries in Central-Western Areas (Revision of 2008)

Public Notice No. 4 [2009] of the General Administration of Customs

Upon approval by the State Council, the National Development and Reform Commission and the Ministry of Commerce jointly released No. 4 Decree on promulgating the *Catalogues of Foreign Invested Industries in Central-Western Areas* (Revision of 2008) (hereinafter referred to as the *Catalogues of Foreign Invested Industries in Central-Western Areas* (Revision of 2008), for details of which please refer to the attachment), which shall take effect as of January 1, 2009. The relevant issues in the implementation by the Customs are hereby announced as follows:

~~Article 1~~ The foreign-invested projects (including the projects with increase of capital) approved on January 1, 2009 or thereafter (based on the approval date of projects) within the *Catalogues of Foreign Invested Industries in Central-Western Areas* (Revision of 2008) are subject to the preferential taxation policies on import of encouraged foreign investment projects, and the imported equipment for self use related to the projects and the imported technologies and parts and auxiliary equipment and spare parts along with the above-mentioned equipment prescribed by contracts shall be exempt from tariff in accordance with the *Circular of the State Council on Adjusting Tax Policy on Import Equipment* (Guo Fa [1997] No. 37) and the relevant provisions in Public Notice No. 103 [2008] of the General Administration of Customs, while the value added tax at the link of import shall be levied according to the regulations.

~~Article 2~~ After the implementation of the *Catalogues of Foreign Invested Industries in Central-Western Areas* (Revision of 2008), "the approval entry of industry policies for projects" in the letter of confirmation for projects shall be coded as "K". For example, the second item of Shanxi Province shall be filled in as: follow-up industry development of returned farmland to forests or grassland, natural forest protection and other national key ecological projects (K1402), and the nature of the project is still "I: the project of advantageous foreign investment industries in central-western areas".

Article 3 The foreign-invested projects approved on December 31, 2008 or before in accordance with the *Catalogues of Predominant Foreign Invested Industries in Central-Western Areas* (Revision of 2004) (Decree No. 13 [2004] of the National Development and Reform Commission and the Ministry of Commerce) or the *Catalogues of Predominant Foreign Invested Industries in Liaoning Province* (Decree No. 47 [2006] of the National Development and Reform Commission and the Ministry of Commerce), the imported equipment for self use related to the projects and the imported technologies and parts and auxiliary equipment and spare parts along with the above-mentioned equipment prescribed by contracts may be kept subject to the *Circular of the State Council on Adjusting Tax Policy on Import Equipment* (Guo Fa [1997] No. 37) and the relevant provisions in Public Notice No. 103 [2008] of the General Administration of Customs. The related project unit shall hold the letter of confirmation for projects issued by the competent investment authority (among which "the approval entry of industry policy for projects" shall be filled in still based on the original one and code) and other related materials to go through the filing procedures for deduction and exemption of tax to the Customs before December 31, 2009. In case of failure to handling such procedures after the specified period, the Customs shall no longer accept the applications for the above-mentioned deduction and exemption of tax.

Article 4 For the foreign-invested projects in progress that are not listed in the *Catalogues of Predominant Foreign Invested Industries in Central-Western Areas* (Revision of 2004) or the *Catalogues of Predominant Foreign Invested Industries in Liaoning Province*, if conforming to the provisions of the *Catalogues of Foreign Invested Industries in Central-Western Areas* (Revision of 2008), they may apply for making up for the letter of confirmation for projects with the competent investment authority according to the relevant provisions. The imported equipment for self use of the project in progress and the imported technologies and parts and auxiliary equipment and spare parts along with the above-mentioned equipment prescribed by contracts are subject to the preferential taxation policies on import according to the provision of Article 1 of this Public Notice, but the tax that has been levied on the imported equipment shall not be refunded.

The Public Notice is hereby specially made.

Attachment: *Catalogues of Foreign Invested Industries in Central-Western Areas* (Revision of 2008)
(Omitted)

The General Administration of Customs
January 19, 2009

Circular on Terminating Tax Refund Policies on Purchase of Domestically-Manufactured Equipment by Foreign-Invested Enterprises

Cai Shui [2008] No. 176

Finance departments (bureaus) and state administration of taxation of provinces, autonomous regions, municipalities directly under the Central Government, separately planning cities, and the Finance Bureau of Xinjiang Production and Construction Corp.:

To coordinate with the reform of the national VAT transformation and regulate the tax regime, and upon approval by the State Council, the implementation of VAT refund policies on purchase of domestically-manufactured equipment by foreign-invested enterprises shall be terminated, and the relevant issues are hereby notified as



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December, 2010

China Zhejiang Province, Hangzhou City

Zhejiang Province Overview

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- Infrastructure
- Development Zones
- FDI in Zhejiang Province
- FDI Policies
- Foreign enterprises establishment
- Relationship with Turkey

Hangzhou – Capital City of Zhejiang Province

- General Economic Review
- Infrastructure
- Development Zones
- FDI in Hangzhou City
- FDI Policies
- Foreign enterprises establishment

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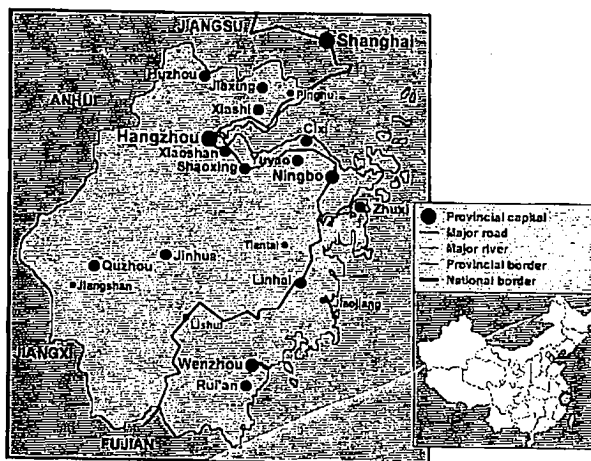
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Zhejiang Province



General Economic Review

Zhejiang province is situated along the southeast coast of China. It has been called "the land of fish and rice, the house of silk and tea, the capital of cultural heritage, and the paradise of tourists." The total population is 51.8 million. There are 11 cities and 89 districts in Zhejiang Province,

In 2009, the aggregate turnover of 4232 commodity markets hits USD 171 billion, leading in the country for 19 consecutive years, each of the 18 markets yield over RMB 10 billion. The turnover of the wholesale markets, e.g., Yiwu China

Commodity City, Shaoxing China Textile City, Yongkang Hardware City, Shengzhou Ties Market, and Haining Leather City are the first in respective sectors.

The Main industries in Zhejiang Province are light textile, machinery, IT, Chemical industry, Medical industry and building material industry. Textile industry is one of Zhejiang's pillar industries, which economic aggregate, export volume and total profit is the leading in China. Machinery industry is the leading industry of Zhejiang province. In 2009 and the total IT industry was USD 59.2 billion.

Economic Indicators of 2009	Value	Growth (y-o-y)
GDP	509.87 billion RMB (\$76.98bn)	10%
Per Capita GDP	74924RMB(\$10968)	9.1%
Added Value Output		
- Primary industry	19.03 billion RMB(\$2.87bn)	3.2%
- Secondary industry	243.49 billion RMB(\$36.76bn)	6.8%
- Tertiary industry	247.35 billion RMB(\$37.35bn)	13.9%
Value-added Industrial Output	179.2 billion RMB(\$27.06bn)	6.1%
Fixed-assets investment	229.17 billion RMB(\$34.6bn)	15.7%
Retail Sales	108.5 billion RMB(\$16.38bn)	15.8%
Inflation (CPI)	98.6 (2008 = 100)	-1.4%
Total Foreign Trade	\$40.42bn	-15.9%
Exports	\$27.18bn	-19.1%
Imports	\$13.24bn	-8.4%
Utilized Foreign Direct Investment	\$4.01bn	21.2%
Overseas Investment	\$186million	

Free Trade Zone

After the opening of Ningbo Port in 1978, Zhejiang province started its foreign trades and businesses. Through the improvement of foreign trade, increasing national development areas, and industry restructure, foreign trade and investment growth rapidly and become the main contribution to the local economy. From 1978 to 2008, the average growth rate of foreign trade of Zhejiang Province was

31%, by comparing with the average growth of GDP in Zhejiang Province was 13.2%. The foreign trade accounted 68.2% of the local economy.

Due to the rapid trade and economical development of Ningbo Port government decided to open Ningbo Free Trade Zone (FTZ) in the region in 1984. Ningbo FTZ is one of the 15 FTZ authorized by the State Council of China and is the only FTZ in Zhejiang Province. Ningbo FTZ has been

implementing the strategy; "To prosper the area with industries, and to strengthen the area with science and technology", thus, advanced manufacturing industry and modern service industry has been developed in Ningbo FTZ. At present, 3 functional industries including international trade, advanced manufacturing, warehousing and logistics has been developed in well coordination. NPTZ has become the manufacturing base for advanced production, international trade path, and center of modern logistics of Ningbo City and Zhejiang Province.

Preferential Policies at Ningbo FTZ

Economy and Trade Enterprises inside Ningbo FTZ enjoy a wide range of business scopes unless otherwise regulated by the State. Medium and giant scale enterprises are encouraged to do all-round and comprehensive business of processing, trading and commercial services.

Projects of the investment capital with no more than USD30 million are examined and approved by the administrative committee.

Custom: NPTZ exercises the system; "inside the boundary, outside the customs", and has integrated the operation between Port and Ningbo FTZ. Foreign goods can get into Ningbo FTZ freely (without going through customs clearance, paying tariff, presenting import and export certificate only with the customs registration through Electronic Data Interchange (EDI). Ningbo FTZ Customs has direct customs clearance operations with 4 international

airports. As for the overseas scholars' high-tech projects, the Administrative Committee provides special project subsidy, loan interest subsidy for R&D and manufacturing projects, rental fee subsidy and other incentives.

Foreign Exchange: In Ningbo FTZ, foreign exchange bank account is allowed; foreign exchange can be kept for company's cash flow; no foreign exchange verification and cancellation formalities needed for Import & export trade. Foreign exchange under trade items can be transferred overseas as required from operation. Annual post-tax profit can be transferred freely out of China, among which RMB can be exchanged into foreign exchange and transferred outside the country. The amount of domestic sales volume can be used to buy foreign currency after approval.

Income Tax: Tax rate for foreign-funded manufacturing enterprises is 15%. As for enterprises operating for more than 10 years, income tax will be, since the first profitable year, exempted for the first 2 years and refunded 50% for the next 3 years.

Corporate Income Tax of processing trade: Tax rate for foreign funded manufacturing companies is 15%. As for enterprises with operation period exceeding 10 years, starting from the first profit-making year, 100% tax remittal for the first 2 years and 50% tax relief for the subsequent 3 years. After the tax holidays, hi-tech and export-oriented enterprises can continue to enjoy the related tax rebate.

Taxes are exempted for machines and equipment needed to build infrastructure facilities for productive in the area, building materials needed to construct production plants and storage facilities and reasonable amount of office equipment and stationery used by the inside enterprises and administrative bodies.

Raw materials, parts, components, packaging materials, and other consumptive materials for the processing of products used by the inside enterprises are tax bonded.

VAT: Export products can claim VAT refund, sales to enterprises in the zone is exempted from VAT.

Financial Subsidy: Manufacturing enterprises can get project subsidy according to the elements of projects investment amount, advanced technology etc. Regulating tax for the direction of fixed assets investment is exempted.

Refunded VAT for exporter: VAT can be refunded for export products that are made of Chinese materials or made by Chinese equipment and most fees have been cancelled; the government will subsidize the cost of water & power capacities enlargement for projects to some proportion.

Infrastructure

Airways: Zhejiang has seven airports located respectively in Hangzhou, Ningbo, Wenzhou, Zhoushan, Yiwu, Taizhou and Quzhou. Among them, the handling capacity of passengers and freight of Hangzhou Xiaoshan International Airport

ranks the 8th in China. Highways: The total length of the highways is over 90,000 kms and the density of the highway network is 93.6 kms per 100 square kilometers. A "Four-Hour Highway Ring" has been constructed to connect the provincial capital Hangzhou with other cities on the land.

Railways: Zhejiang railway transportations network has been formed with lines of Shanghai-Hangzhou, Zhejiang-Jiangxi, Anhui-Hangzhou, etc., whereas Hangzhou, the capital, is the hub.

Water Traffic: There are seven major coastal and river ports located in Ningbo, Zhoushan, Wenzhou, Taizhou, Jiaxing, etc. The Ningbo-Zhoushan Port is a large comprehensive harbor with a handling capacity of 100 million tons. It is open to over 600 ports in over 100 countries and regions. Its annual goods throughput has exceeded 400 million tons, ranking the 2nd in China and the 4th in the world.

Development Zones

Aside from Ningbo FTZ Zhejiang Province has several important Development Zones. One of them is the Ningbo Economic and Technological Development Zone.

Ningbo Economic & Technical Development Zone, known as the NETD, was founded with the approval of China's State Council in October of 1984, covering an area of 29.6 square kilometers. NETD is among China's earliest and largest national development zones.

NETD is dedicated to optimizing its investment environment and is awarded

ISO14001 in 2002. Meanwhile, the administrative committee of NETD is also awarded ISO9001 certificate. By the end of Jun. 2009, the zone had approved more than 1416 foreign-funded enterprises involving US\$23 billion in total investment and US\$ 11.8 billion in contracted capital among which over 380 are large-sized projects each with total investment over US\$ 10 million. NETD has already become the strategic focus of opening-up and new economic growth both in Ningbo and Zhejiang Province.

There are six advantageous industries in the zone: Plastic molding industry, textile & garment industry, foundry industry, stationery industry, cereal & oil and foodstuffs processing industry, port logistics industry.

Foreign Direct Investment (FDI) in Zhejiang Province

There were 45,773 approved foreign-funded enterprises with a total investment of USD 282.5 billion, including contract value of USD 152.3 billion, and actual FDI of USD 76 billion. 89 of the Top Fortune 500 have invested among 233 enterprises. Regions along Shanghai-Hangzhou-Ningbo expressway and economic development zones are hotspots for foreign investor.

The top FDI countries and regions are: HK (\$5,797.17), VIRGIN IS. (\$1,020.13), US (\$386.43), Japan (\$383.95), and Singapore (\$321.26).

FDI Policy

(1) Enterprise Income Tax

The income tax on enterprises with foreign investment established in Special Economic Zones, on foreign enterprises which have establishments or places in Special Economic Zones engaged in production or business operations, and on production-oriented enterprises with foreign investment in Economic and Technological Development Zones, shall be levied at the reduced rate of fifteen percent.

The income tax on production-oriented enterprises with foreign investment established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located, shall be levied at the reduced rate of twenty-four percent.

The income tax on enterprises with foreign investment engaged in energy resource, transportation, port, and dock projects may be levied at the reduced rate of fifteen percent with the approval of the State Administration of Taxation.

Production-oriented enterprises with foreign investment scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a fifty percent reduction in the third to fifth year. However, the exemption from or reduction of income tax on enterprises with foreign investment engaged in the exploitation of resources such as petroleum, natural gas, rare

metals, and precious metals shall be regulated separately by the State Council.

Chinese-foreign equity joint ventures engaged in port and dock construction where the period of operation is 15 years or more shall, following application by the enterprise and approval thereof by the tax authorities of provinces, autonomous regions, or municipalities directly under the Central Government of the location and commencing with the first profit-making year, be exempt from enterprise income tax from the first year to the fifth year and subject to enterprise income tax at a rate reduced by one half for the sixth year through the tenth year.

Enterprises with foreign investment engaged in agriculture, forestry or animal husbandry and enterprises with foreign investment established in remote underdeveloped areas may, upon application filed by the enterprise and approval by the competent department of tax affairs under the State Council, be allowed a fifteen to thirty percent reduction of the amount of income tax payable for a period of another ten years following the expiration of the period for tax exemption or reduction.

Export-oriented enterprises invested in and operated by foreign businesses may be levied at the reduced rate of fifty percent after the expiration of the period for tax exemption or reduction in accordance with the provisions of the Tax Law if the export value accounts for 70% or more of that year's total output value of the enterprise. However, export-oriented enterprises in the special economic zones and economic

and technological development zones and other such enterprises subject to enterprise income tax at the tax rate of 15% that qualify under the above-mentioned conditions shall pay enterprise income tax at the tax rate of 10%.

Advanced technology enterprises invested in and operated by foreign businesses which remain advanced technology enterprises after the period of enterprise income tax exemptions or reductions has expired in accordance with the provisions of the Tax Law may continue to be taxed by half for an additional three years.

Losses incurred in a tax year by any enterprise with foreign investment and by an establishment or a place set up in China by a foreign enterprise to engage in production or business operations may be made up by the income of the following tax year. Should the income of the following tax year be insufficient to make up for the said losses, the balance may be made up by its income of the subsequent year, and so on, over a period not exceeding five years.

(2) Individual Income Tax

For foreign nationals working in enterprises with foreign investment or foreign enterprises set up in China, their taxable income is the balance of their monthly income after the deductions for expenses of 3200 RMB in addition to a monthly deduction for expenses of 800 RMB.

(3) Profit

The profits that foreign investors make from the enterprises with foreign

investment are exempt from the income tax.

(4) Importing Equipment

Tariffs and import link value-added tax shall be exempted with respect to import equipment for their own use (including technology, matching components and parts along with imported equipment in accordance with contract) within the total amount of investment of encouraged projects in line with the Catalogue for the Guidance of Foreign Investment Industries, with the exception of the commodities listed in the Catalogue of Non-Duty-Free Commodities to Be Imported for Foreign-Funded Projects.

Foreign-funded enterprises whose business scope falls into the Encouragement Industry Catalogue stipulated by the state, or foreign-funded R&D centers, or foreign-funded technically advanced enterprises or foreign-funded export-oriented enterprises will be exempted from tariffs and import link value added tax in accordance with Circular of the State Council on the Adjustment of Tax Policy on Equipment Imports (Guo Fa [1997] No. 37) when they import, for their own technical updating, equipment and supporting parts, auxiliaries and relative technology within their original business scope that the local enterprises cannot produce or supply or the local products' performance cannot meet their requirement.

If foreign-funded enterprises import equipment for self use, as well as technology, matching components and

parts along with imported equipment in accordance with contract in order to manufacture the commodities listed in the Catalog of the State High-tech Products, these items, except the ones listed in Catalogue of Non-Duty-Free Commodities to Be Imported for Domestic Investment Projects (Guo Fa [1997] No. 37), shall be exempted from tariffs and import link value-added tax.

(5) Purchasing Domestic Equipment For investment projects whose capital of foreign investors reaches 25% or above of the capital paid up by all the investors of the foreign-funded enterprises and which also accord with the encouraged types in Catalogue for the Guidance of Foreign Investment Industries and Catalogue of Key Industries, Products and Technologies Encouraged for Development by the State, the unused domestic equipment purchased by foreign-invested enterprises with currency in China (including products of plastic, rubber, ceramic and porcelain and petrochemical tubes purchased together with the equipment and listed in purchase contracts), will be refunded the value-added tax in full amount.

For equipment purchased from the domestic market specified in the Catalogue of Non-Duty-Free Commodities to Be Imported for Foreign-Funded Projects and Catalogue of Non-Duty-Free Commodities to Be Imported for Domestic Investment Projects issued by the State Council, enterprises cannot enjoy the preferential policy of tax drawback.

(6) Reinvestment

Any foreign investor of an enterprise with foreign investment which reinvests its share of profit obtained from the enterprise directly into that enterprise by increasing its registered capital, or uses the profit as investment capital to establish other enterprises with foreign investment to operate for a period of not less than five years shall, upon approval by the tax authorities of an application filed by the investor, be refunded forty percent of the income tax already levied on the reinvested amount.

Where foreign investors reinvest directly to set up or expand export-oriented or advanced technology enterprises within the boundaries of China, the entire portion of enterprise income tax levied on the reinvested amount may, in accordance with the provisions of the State Council, be refunded.

(7) Fixed Assets Depreciation. Where, for special reasons, it is necessary to shorten the useful life of fixed asset, an application may be submitted by the enterprise to the local tax authorities which following examination and verification shall be reported level-by-level to the State Tax Bureau for approval. Such fixed assets include:

(1) machinery and equipment subject to strong corrosion by acid or alkali and factory buildings and structures subject to constant shaking and vibration;

(2) machinery and equipment operated continually year-round for the purpose of raising the utilization rate or increasing the intensity of use;

(3) fixed assets of a Chinese-foreign contractual joint venture having a period of cooperation shorter than the useful life specified in Article 35 of these Rules and which will be left with the Chinese party upon termination of the cooperation.

(8) Miscellaneous Income tax of the royalty received for the supply of technical know-how in scientific research, exploitation of energy resources, development of the communications industries, agricultural, forestry and animal husbandry production, and the development of important technologies may, upon approval by the competent department for tax affairs under the State Council, be levied at the reduced rate of ten percent. Where the technology supplied is advanced or the terms are preferential, exemption from income tax may be allowed.

Incomes of units or individuals (including enterprises with foreign investment, R&D centers invested and set up by foreign investors, foreign enterprises and foreign nationals) from technology transfer, business of technology development and related business of technical consultancy and service shall be exempt from business tax.

Imported advanced technologies that are listed in the Catalog of State New and High-Tech Products, and the software fee paid overseas in accordance with the contract, are exempt from customs duty and import-link value added tax.

Enterprises with foreign investment where technology development fee in China has increased by over 10% (including 10%)