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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 Agreement on
Subsidies and Countervailing Measures

THE SEPARATE CUSTOMS TERRITORY OF TAIWAN,
PENGHU, KINMEN AND MATSU

The following notification, dated 22 June 2011, is being circulated at the request of the Delegation of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

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I. AGRICULTURE

A. SUPPORT FOR RICE

1. Title of the programme

Support for rice.

2. Period covered by the notification

2007-2009.

3. Policy objective and/or purpose

The policy objectives are to ensure the security of the food supply by balancing supply and demand for rice, and to stabilize rice prices for the maintenance of farmers' income.

4. Background and responsible authorities

(a) Law and regulation: Agriculture Development Act.

Food Administration Act.

(b) Responsible authority: Council of Agriculture.

5. Form of the subsidy/to whom and how the subsidy is provided

There are three types of rice purchase - planned purchase, supplementary purchase and additional purchase. The planned purchase is made at guaranteed prices which are determined by taking into account production costs. The prices have been set at NT\$23 per kilogram for Japonica-type rice and NT\$22 for Indica-type rice. The quantity of the planned purchase has been limited to 1,920kg per hectare for the first crop and 1,440kg for the second crop respectively. Supplementary purchases have been made to supplement shortages on the planned purchase quantity. Supplementary

rice purchase prices are set at NT\$20 per kilogram for Japonica-type rice and NT\$19 for Indica-type rice respectively. The quantity of the supplementary purchase has been limited to 1,200kg per hectare for the first crop and 800kg for the second crop respectively. An additional purchase was made from the second crop in 2003. The prices for additional purchase are set at NT\$18.6 per kilogram for Japonica-type rice and NT\$17.6 for Indica-type rice. The quantity of the additional purchase has been limited to 3,000kg per hectare for the first crop and 2,360kg per hectare for the second crop respectively.

Planned, supplementary and additional rice purchases are made only for the farmers who produce rice in paddy fields and follow the irrigational rotation scheme for planting and not planting. For those who produce rice in the upland areas or produce in the paddy fields but do not follow the government scheduling for planting, are only eligible for supplementary and additional purchases. Farmers are free to decide whether they want to sell products to the Government or not.

6. Amount of the subsidy

NT\$563 million, NT\$452 million and NT\$382 million for 2007, 2008 and 2009 respectively.

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

The duration of the subsidy is not specified.

8. Statistical data

Unit: 1,000 MT.

Item	Year	Production	Consumption	Import	Export
Rice	2007	1,098.3	1,304.5	161.6	53.6
	2008	1,178.2	1,315.9	122.0	66.1
	2009	1,276.5	1,317.9	103.3	8.4

B. SUPPORT FOR SORGHUM AND FEED CORN

1. Title of the programme

Support for sorghum and feed corn.

2. Period covered by the notification

2007-2009.

3. Policy objective and/or purpose

The policy objectives are to maintain sorghum and feed corn production and to facilitate the adjustment of paddy field utilization.

4. Background and responsible authorities

(a) Law and regulation:

Regulation for the Purchase and the Sale of Dry-land Food Crops.

(b) Responsible authority: Council of Agriculture.

5. Form of the subsidy/to whom and how the subsidy is provided

Purchase prices are determined by adding the net profits to the production costs of each. The purchase prices have been set at NT\$15 per kilogram for feed corn and NT\$14 for sorghum. The purchase quantities are limited to 5,000 kilograms per hectare for feed corn and sorghum. When the actual yield per hectare is above the purchase quantity ceiling, farmers may sell their products to the Government at the import prices.

Purchases at the set prices are made for the farmers whose production of sorghum or feed corn had been purchased by the Government in the base year (1994-96) or the year preceding the current year. The purchase of sorghum has been limited to the first crop grown in the western plain area of Taiwan. The first and second crops of feed corn have been purchased for the western mountainous area and the eastern region, while only the second crop has been purchased for the western plain area. The farmers are free to decide whether or not they want to sell products to the Government.

6. Amount of the subsidy

NT\$218 million, NT\$149 million and NT\$107 million for 2007, 2008 and 2009 respectively.

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

The duration of the subsidy is not specified.

8. Statistical data

Unit: 1,000 MT.

Item	Year	Production	Consumption	Import	Export
Feed corn	2007	33.9	4,644.3	4,427.8	0.4
	2008	37.3	4,449.1	4,343.6	0.9
	2009	46.0	4,428.3	4,625.0	0.9
Sorghum	2007	4.9	72.8	67.9	0.0
	2008	2.5	91.2	88.6	0.0
	2009	0.7	69.7	68.9	0.0

C. SUPPORT FOR DIVERSIFIED CROPS1. Title of the programme

Support for diversified crops.

2. Period covered by the notification

2007-2009.

3. Policy objective and/or purpose

The policy objectives are to facilitate the adjustment of paddy field utilization and to strengthen the farmland environmental conservation plan for sustainable use of farmland as the structure of agricultural production undergoes adjustment.

4. Background and responsible authorities

- (a) Law and regulation: Agriculture Development Act.
- (b) Responsible authority: Council of Agriculture.

5. Form of the subsidy/to whom and how the subsidy is provided

(1) Diversion payment:

The diversion payment is granted to the farmers who follow the diversion programme from rice production to the production of diversion crops and cohere with any of the following case:

- (a) Growing rice in the base year (1994-2003); or,
- (b) Growing guaranteed price purchase crops of feed corn, sorghum or sugarcane in the base year; or,
- (c) Registering as set-aside or diversion under "Rice Production and Rice field Diversion Projects" in the base year.

Diversion crops are selected according to supply and demand conditions for such crops as sweet potatoes, peanuts, vegetable, forage and other miscellaneous crops. Diversion payments are made at NT\$22,000 per hectare.

(2) Bonus payment:

In addition to the diversion payment, there is a bonus payment of NT\$4,000 per hectare for the group diversion.

6. Amount of the subsidy

NT\$880 million, NT\$889 million and NT\$1,214 million for 2007, 2008 and 2009 respectively.

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

The duration of the subsidy is not specified.

8. Trade effect

After the three stages of the rice diversion programme as well as set-aside programme had been implemented, the acreage planted in rice went down from 645,855 hectares to 255,415 hectares; that is a decrease of 60.5 per cent between 1983 (the year prior to the implementation of the projects) and 2009. The production of rice was also down from 2.48 million tons to 1.28 million tons, a decline of 48.4 per cent. The quantity of rice purchased by the Government was reduced from 1.1 million tons to 0.18 million tons, a decrease of 83.64 per cent. Measures relating to sweet potatoes, peanuts, vegetable, forage and other miscellaneous crops had contributed to reductions in the production of rice.

D. SUPPORT FOR TOBACCO LEAVES

1. Title of the subsidy programme

Support for tobacco leaves.

2. Period covered by the notification

Crop years 2006/2007-2008/2009

3. Policy objective and/or purpose

The purposes of the programme are to maintain the tobacco farmers' income level and improve the quality of tobacco leaves produced.

4. Background and responsible authorities

(a) Law and regulation:

The Tobacco and Alcohol Administration Act (The former is The Provisional Statute for Monopoly of Tobacco and Wine in Taiwan Province).

(b) Authorities: Ministry of Finance.

Note: The Provisional Statute for the Monopoly of Tobacco and Wine in Taiwan Province was abolished on 1 January 2002. The Taiwan Tobacco and Wine Monopoly Bureau was replaced by the Taiwan Tobacco & Liquor Corporation from 1 July 2002.

5. Form of the subsidy/to whom and how the subsidy is provided

A purchase under restricted price tendering:

The Taiwan Tobacco & Liquor Corporation now makes a purchase under restricted price tendering according to the Government Procurement Act. The amount of subsidy is the purchase quantity multiplied the price difference between the purchase price and external reference price which is based on average of the price in 1990-1992.

6. Amount of the subsidy

NT\$ 174.4 million, NT\$ 193.2 million and NT\$ 234.7 million for the crop years 2006/2007, 2007/2008 and 2008/2009 respectively.

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

The duration of the subsidy is not specified.

8. Statistical data

Unit: MT.

Item	Year	Production (Crop year)	Consumption	Import	Export
Tobacco leaves	2007	1,672	12,271	12,826	2,227
	2008	1,725	16,230	14,505	0.0
	2009	1,928	16,152	14,224	0.1

E. SUPPORT FOR SUGAR

1. Title of the subsidy programme

Support for sugar.

2. Period covered by the notification

Crop years 2008-2010.

3. Policy objective and/or purpose

The purpose of the programme is to develop the sugar industry in cooperation with the farmers.

4. Background and responsible authorities

(a) Law and regulation: Regulation for the Sugarcane Planting Contract.

(b) Authorities: The Taiwan Sugar Corporation.
Ministry of Economic Affairs.

5. Form of the subsidy/to whom and how the subsidy is provided

(1) Guaranteed purchase:

The Taiwan Sugar Corporation made contracts with farmers for the purchase of sugarcane and sugar sharing. The sugarcane farmers obtain 55 per cent of the sugar made from sugarcane. If the domestic selling price of sugar is higher than the prepaid contract price, the sugarcane farmers are paid the domestic selling price. If the domestic selling price is lower than the prepaid contract price, the farmers are paid the prepaid contract price. The contract price was set after taking domestic selling price and the marketing costs into account. It has been frozen since 1990.

(2) Other grants:

The corporation provides grants to sugarcane farmers such as interest subsidy for loans for the purchase of inputs, insurance premium for sugarcane farms, fees for pest and disease control, inspection fees for sugar brix, and others.

6. Amount of the subsidy

NT\$ 125.5 million, NT\$ 94.3 million and NT\$ 56.7 million for the fiscal years 2008, 2009 and 2010 respectively.

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

The duration of the subsidy is not specified.

8. Statistical data

Unit: 1,000 MT.

Item	Year	Production	Consumption	Import	Export
Raw Sugar	2008	67.8	601.6	549.5	11.5
	2009	45.7	606.8	564.0	0
	2010	56.8	554.2	419.4	0

F. INTEREST SUBSIDY

1. Title of the subsidy programme

The policy-oriented special agricultural loan.

2. Period covered by the notification

2007-2009.

3. Policy objective and/or purpose

The overall objective is to assist farmers and businesses in agricultural industries to raise the funds needed for them to be able to operate smoothly. This plan was devised to help them update their equipment, improve developmental skills and innovation, increase the added-value in their products, and strengthen product sales and their competitiveness in the world. In addition, the plan helped farmers who were affected by natural disasters to rebuild their homes and their livelihoods, thus helping to raise their standard of living.

4. Background and responsible authorities

(a) Law and regulation: Agriculture Development Act. Agriculture Finance Act.

Regulation of Agricultural Development Fund

(b) Authorities: Council of agriculture.

5. Form of the subsidy/to whom and how the subsidy is provided

Preferential interest rate loans: the loan capital was provided from credit departments of farmers' associations and fishermen's associations or The Agricultural Bank of Taiwan. The source of finance for the interest subsidies is the Agricultural Development Fund.

6. To whom and how assistance is provided

(a) These preferential interest rate loans are available to all farmers and fishermen, and are not limited to a specific industry or enterprise of agriculture.

(b) Different ceilings are set for different types of loan. Each application (for the loan) is subject to the given loan ceiling. The amount of loan granted is decided by the bank, based on the financial situation of the applicant.

7. Amount of the subsidy

The amount of interest subsidy was NT\$2,083.1 million, NT\$2,485.5 million and NT\$ 2,803.1 million for the fiscal years 2007, 2008 and 2009 respectively.

8. Duration

The duration of the subsidy is not clearly specified.

9. Trade effects or related statistical data

(a) Trade effects:

The programme is mainly used to promote the upgrading of the industry. Given the scope and nature of the programme, it is not possible to determine what, if any, trade effects may result directly from this programme.

(b) Related statistical data:

Interest subsidy for loans granted in 2007, 2008 and 2009

Unit: 1,000 NT\$

Name of Project	2007	2008	2009
Loans for expanding the family farm; to support farmers buying land	76,831	101,007	122,073
Loans for farm machinery	141,938	145,818	145,777
Loans for natural agricultural disasters	60,388	54,870	63,666
Loans for accelerating rural construction	1,803,937	2,183,819	2,471,600
Total	2,083,094	2,485,514	2,803,116

Note: Loans for accelerating rural construction include such items as:

1. Loans in the agricultural food industry to provide guidance and assistance to management.
2. Loans in the livestock and poultry industry for improving management efficiency.
3. Loans to farmers to provide guidance, assistance and management improvement.
4. Preferential loans extended to those businesses that move into the agricultural technology park.
5. Loans for agriculture production and marketing groups.

II. FISHERIES

A. FISHING VESSELS BUY-BACK PROGRAMME

1. Title of the programme

Fishing Vessels Buy-back Program.

2. Period covered by the notification

January 2009-December 2010.

3. Policy objective and/or purpose

Due to severe overfishing worldwide, the UN has been urgently calling on nations to reduce their fishing capacities. This programme seeks to alleviate pressures on the fishery resources and ensure their sustainability.

4. Background and responsible authorities

(a) Law and regulation:

Regulation for the Fishing Vessels Buy-back Procedures (2009-2010).

(b) Authority: Fisheries Agency, Council of Agriculture.

5. Form

Grant.

6. To whom and how assistance is provided

(a) Beneficiaries: Owners of all varieties of fishing vessels with valid fishing licences, including recreational fishing vessels.

(b) Content:

1. The following are the buy-back amounts of fishing vessels of deep-sea fishery, calculated and accumulated in 2009:

- NT \$70,000 for each gross ton for the 1st to 5th ton;
- NT \$60,000 for each gross ton for the 6th to 10th ton;
- NT \$50,000 for each gross ton for the 11th to 20th ton;
- NT \$40,000 for each gross ton for the 21st to 50th ton;
- NT \$35,000 for each gross ton for the 51st to 100th ton;
- NT \$18,000 for each gross ton over 100 tons;

Total amount for each eligible vessel is unlimited.

2. The following is the buy-back amount of fishing vessels of inshore fisheries, calculated and accumulated in 2009-2010:

- NT \$50,000 for each gross ton for the 1st to 5th ton;
- NT \$40,000 for each gross ton for the 6th to 10th ton;
- NT \$30,000 for each gross ton for the 11th to 20th ton;
- NT \$25,000 for each gross ton for the 21st to 50th ton;

- NT \$20,000 for each gross ton for the 51st to 100th ton;
- NT \$18,000 for each gross ton over 100 tons; with

The highest total amount for each eligible vessel being NT \$7.9 million.

3. The following is the buy-back amount of fishing rafts calculated in 2006:

- NT \$200,000 for below 6 M;
- NT \$300,000 for 6-below 10 M;
- NT \$450,000 for 10-below 15 M;
- NT \$600,000 for 15-below 20 M;
- NT \$700,000 for 20 M and over.

4. The following is the buy-back amount of fishing rafts calculated in 2007:

- NT \$190,000 for below 6 M;
- NT \$285,000 for 6-below 10 M;
- NT \$427,500 for 10-below 15 M;
- NT \$570,000 for 15-below 20 M;
- NT \$665,000 for 20 M and over.

5. Since 2008, the buy-back of fishing rafts were calculated according to the length of raft, the pipe diameter and the power of main engine respectively.

7. Amount

Funds spent on buying back fishing vessels and rafts in 2009 totalled NT \$607.623million; funds spent in 2010 totalled NT \$ 118.245 million.

8. Duration

The duration of the subsidy is not clearly specified.

9. Trade effects or related statistical data

N/A

B. REWARD FOR CLOSING FISHERY SEASON

1. Title of the programme

Reward for Closing Fishery Season.

2. Period covered by the notification

January 2009-December 2010.

3. Policy objective and/or purpose

Due to the global overfishing problem, the UN is calling on nations to reduce their catches. This programme seeks to alleviate pressures on fishery resources and ensure their sustainability.

4. Background and responsible authorities

(a) Law and regulation: Regulation for the Voluntary Closing Fishery in 2010.

(b) Authority: Fisheries Agency, Council of Agriculture.

5. Form

Grant.

6. To whom and how assistance is provided

Any fishing vessels with valid fishing licences that correspond with the related regulations of closing fishery except recreational fishing charter boats.

7. Amount

The budget for the programme totalled NT\$159.151 million in 2009 and NT\$166.670 million in 2010.

8. Duration

The duration of the subsidy is not clearly specified.

9. Trade effects or related statistical data

N/A

C. FISHING VESSELS MARINE INSURANCE REWARD

1. Title of the programme

Fishing Vessels Marine Insurance Reward.

2. Period covered by the notification

January 2009-December 2010.

3. Policy objective and/or purpose

Insure fishing vessels against marine disasters.

4. Background and responsible authorities

(a) Law and regulation:

Regulation for the Insurance Reward for Owners of Fishing Vessels.

(b) Authority: Fisheries Agency, Council of Agriculture.

5. Form

Grant.

6. To whom and how assistance is provided

(a) Beneficiaries: Owners of fishing vessels

(b) Content: The programme provides grants to cover part of the costs of insurance for fishing vessels in case of damage at sea.

7. Amount

The budget for the programme totalled NT\$87.413 million for 2009 and NT\$103.655 million in 2010.

8. Duration

Ongoing since 1987.

9. Trade effects or related statistical data

N/A

III. INDUSTRY

A. LOANS - LOANS FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

1. Specific and urgent financing and loans intended for recovery plans from damage caused by disasters

1. Title of the programme

Specific and urgent financing and loans intended for recovery plans from damage caused by disasters.

2. Period covered by the notification

Fiscal year 2008-2009.

3. Policy objective and or/purpose

Qualified SMEs are entitled to apply for financing and loans that are provided for helping enterprises restructure during periods of replacing machinery and purchasing new automated equipment.

4. Background and responsible authorities

(a) Law and regulation:

Statute for Development of Small and Medium-Sized Enterprises (Articles 9, 15, 17 and 18).

Procedure for Income-Expenditure Safeguarding and Utilization of the SME Development Fund.

The SME Development Fund was established based on Article 9 of the Statute for Development of Small and Medium-Sized Enterprises.

(b) Authority: The Ministry of Economic Affairs.

Note: The cumulative amount reached by the end of fiscal year 2009 for the SME Development Fund was NT\$ 6.87 billion.

5. Form

Financing and loan.

6. To whom and how assistance is provided

All enterprises which meet the "Standards for Identifying a Small and Medium-Sized Enterprise" are eligible to apply.

According to the "Standards for Identifying a Small and Medium-Sized Enterprise" published by the Ministry of Economic Affairs, an SME is a company or commercial enterprise registered in accordance with the law with capital or operating revenue below the following thresholds:

- (a) For enterprises engaged in manufacturing, construction, mining or excavating, paid-in capital of less than NT\$ 80 million.
- (b) For enterprises engaged in other economic activities such as agriculture, logging, fishing, the raising of livestock, utilities, commerce, transport, warehousing, communications, finance, insurance, real estate, commercial, social or individual services, an annual operating revenue of less than NT\$ 100 million.

The loan granted is provided by the SME Development Fund. The ceiling interest rate is 1 per cent plus a flat rate of the 2-year postal fixed savings rate.

7. Amount

Statistics for Specific Programmes:

Loaned by the SME Development Fund

Unit: million NT\$.

Title of Programme	2008-2009
Urgent financing for major natural disasters	354.9

8. Duration

The above-mentioned programme loaned by the SME Development Fund ceased to apply after 2009.

9. Trade effects or related statistical data

Given the fact that in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, 98 per cent of enterprises can meet the criteria and thus be termed SMEs, it is difficult to estimate the trade effects of these programmes.

2. Medium- and long-term loans for product marketing and loans for overseas investment and construction projects

1. Title of the programme

Medium- and long-term loans for product marketing, and loans for overseas investment and construction projects.

2. Period covered by the notification

Fiscal year 2008-2009.

3. Policy objective and or/purpose

Those programmes are implemented with the purpose of providing SMEs with financial assistance in exploring new markets for their machinery and equipment, in investing and establishing plants in foreign countries, and in undertaking overseas contracts for construction projects.

4. Background and responsible authorities

(a) Law and regulation:

Statute for Development of Small and Medium-Sized Enterprises (Articles 9, 15, and 16).

Procedure for Income-Expenditure, Safeguarding and Utilization of the SME Development Fund.

(b) Authority: The Ministry of Economic Affairs.

5. Form

Loan.

6. To whom and how assistance is provided

(a) All enterprises which meet the "Standards for Identifying a Small and Medium-Sized Enterprise" are eligible for application.

(b) The approval of loan applications is performed by commercial banks. However, the capital needed is provided entirely by the SME Development Fund.

7. Amount

Loaned by the SME Development Fund.
FY 2008-2009: NT\$ 1 billion.

8. Duration of subsidy

The programmes are not subject to any fixed completion date.

9. Trade effects or related statistical data

Given the fact that in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, 98 per cent of enterprises can meet the criteria and thus be termed SMEs, it is difficult to estimate the trade effects of these programmes.

B. LOANS FOR PRIVATE ENTERPRISES

1. Loans for small and medium-sized enterprises and private enterprises

1. Title of the programme

Loans for small and medium-sized enterprises and private enterprises.

2. Period covered by the notification

The fiscal years 2009 and 2010.

3. Policy objective and/or purpose

The programme is implemented with the purpose of improving production technology and product quality, promoting industrial upgrading and to assist in the upgrading of small and medium-sized enterprises and private enterprises.

4. Background and responsible authorities

(a) Law and regulation:
Industrial Innovation Act, Article 30.

(b) Authorities:
The guidelines for the loan programme are produced by the Development Fund.

5. Form

Loans: each loan is provided by the Development Fund (25 per cent) and the bank (75 per cent).

6. To whom and how assistance is provided

The loans are available to all enterprises and are not limited to a specific industry or enterprise.

7. Amount

There are no official statistics with respect to the programme.

8. Duration

The projects will be implemented until the expiration of Industrial Innovation Act.

9. Trade effects or related statistical data

(a) Trade effects:

The programme is mainly used to promote industry upgrading. In light of the scope and nature of the programme, it is not possible to determine what, if any, trade effects may result.

(b) Related statistical data:

Total amount of loans granted in 2009

Name of Project	Number of granted cases	Total amount of granted loans (hundred million NT\$)
Loans to assist in the upgrading of small and medium-sized enterprises	336	36.55

Total amount of loans granted in 2010

Name of Project	Number of granted cases	Total amount of granted loans (hundred million NT\$)
Loans to assist in the upgrading of small and medium-sized enterprises	485	58.24

C. DUTY AND TAX EXEMPTIONS GRANTED TO ENTERPRISES LOCATED WITHIN A DESIGNATED ZONE

1. **Duty and tax exemptions for high-technology industries**

1. Title of the programme

Duty and tax exemptions for high-technology industries.

2. Period covered by the notification

Fiscal year 2009-2010.

3. Policy objective and/or purpose

This programme is implemented with a view to stimulating the research and innovation of industrial technology and to promote the development of advanced technology in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu. The "Science-Based Industrial Park" ("the

Park") has been established by introducing sophisticated industries and personnel with advanced technological backgrounds into a designated zone.

4. Background and responsible authorities

(a) Law and regulation:

Statute for the Establishment and Administration of a Science-Based Industrial Park (Article 20);
Implementing Regulation of Statute for the Establishment and Administration of a Science-Based Industrial Park (Article 17).

(b) Authorities: The Park is managed by the Science Park Administration;
The policy-making body is the National Science Council.

5. Form

The subsidy programme will be implemented in the form of duty and tax exemptions.

6. To whom and how assistance is provided

(a) Effective from 1 January 2000, the merged Park entities in accordance with domestic Company Law, or surviving or new Park entities after mergers, shall succeed to the tax benefits, which are not yet terminated nor fully offset, originally enjoyed by the dissolving science-based industry before mergers. As for succeeding to the exemption of profit-seeking income tax as investment incentives from the dissolving Park entities, the surviving Park entities within the scope of science-based industries under the merger/consolidation projects shall continue to produce products or to provide services identical to those produced or provided by the dissolving Park entities and such tax benefits shall apply only to the portion of income derived from products or services independently produced or provided by the original dissolving Park entities. If the tax benefits are provided in the manner of investment offset or deduction, such tax benefits shall apply only to the payable tax portion of the surviving or new Park entities after mergers of the dissolving science-based industries (Article 18).

(b) All Park enterprises are entitled to the following exemptions:

- (i) Customs duties, commodity tax, and business tax on imported machinery and equipment, raw materials, commodities, fuel, and semi-finished products, and
- (ii) Commodity tax and business tax on exported goods or labour services.

Note 1: Park enterprise refers to the science-based industry and to an enterprise approved and established in the Park able to provide services in respect of operational, management or technical support to science-based industries.

A research and development institution or a venture capital investment incubatory centre may also apply for establishment and operation in the Park.

The venture capital investment incubatory centre eligible for establishment in the Park shall be limited to one that engages in research and development activities, does not engage in mass

production and has been approved by the Park Administration. It will stay in the Park for a period of not more than three years.

Note 2: According to Section 2, paragraph 1, Article 3 of the Commodity Tax Statute and Article 7 of the Value-added and Non Value-added Law, exports can be exempted from commodity tax and the business tax rate on exported goods is zero. These tax treatments are not specific to enterprises located in the Park, as they are generally available for exported goods, regardless of whether or not the manufacturers are located in the Park.

7. Amount

2009-2010 Business Tax Exemption for all Imports

Unit: NT\$ million

Year	Total Import Value	Total Amount of Business Tax Exemption
2009	450,930	22,546
2010	757,636	37,881

8. Duration

There is no time limit attached to the programme.

9. Trade effects or related statistical data

Unit: NT\$ million

Year	2009	2010
Number of approved park enterprises (accumulated numbers)	686	721
Total import value	450,930	757,636
Total export value	886,478	1,227,250

In light of the scope and nature of the programmes granted, it is not yet possible to determine what, if any, trade effects may result from this subsidy programme.

2. **Duty and tax exemptions for in-zone enterprises**

1. Title of the programme

Duty and tax exemptions for in-zone enterprises.

2. Period covered by the notification

Fiscal years 2009-2010.

3. Policy objective and/or purpose

Export Processing Zones have been established for the purpose of promoting investment and international trade.

4. Background and responsible authorities

(a) Law and regulation:

Statute for Establishment and Administration of Export Processing Zones (the EPZ Law), (Articles 1, 5 and 13).

Measures for the Screening of Application for Establishment of Enterprises in Export Processing Zones.

Categories of Industry eligible to be established in Export Processing Zones.

(b) Authorities:

Export Processing Zones are managed by the Export Processing Zone Administration. The policy-making body is the Ministry of Economic Affairs.

The task for reviewing the eligibility of enterprises established in Export Processing Zones shall be undertaken by the Export Processing Zone Administration together with the other government agencies involved.

Note: In-zone enterprises include industries authorized to be engaged in manufacturing, processing, assembly, research and development, trade, consulting, technical services, warehousing, transportation, loading and unloading, packing, repairs and other related businesses approved by the Ministry of Economic Affairs for Export Processing Zones.

5. Form

Duty and tax exemptions.

6. To whom and how assistance is provided

All in-zone enterprise industries are entitled to the following exemptions:

(a) Import duty, commodity tax and business tax on imported machinery and equipment.

(b) Import duty, commodity tax, and business tax on imported raw and consumption materials, fuels, semi-finished products, samples, and finished products for transshipment by traders and warehousing operators.

(c) Deed tax when acquiring a new standard plant building in the Export Processing Zone or acquiring a building from the Export Processing Zone Administration.

It should be noted that, within five years of import, all machinery and equipment is not entitled to duty and tax exemptions when shipped to leviable areas from Export Processing Zones. Moreover, products manufactured by in-zone enterprises shall be subject to customs duties, commodity taxes and business taxes when they are shipped to leviable areas. While customs duties would be applied on the basis of ex-factory prices minus value-added resulting from manufacturing or processing activities in the EPZs, other taxes would be based on the ex-factory price.

7. Amount

2009-2010 Business Tax Exemption for all Imports

Unit: US\$ Thousand

Year	Total Import Value	Total Amount of Business Tax Exemption
2009	6,164,645	308,232
2010	9,086,176	454,309

8. Duration

There is no time limit attached to the programme.

9. Trade effects or related statistical data

In light of the scope and nature of the programmes granted, it is not yet possible to determine what, if any, trade effects may result from this subsidy programme.

D. SUBSIDIES FOR THE ESTABLISHMENT AND OPERATION COSTS OF PETROLEUM FACILITIES, AND PRODUCTS CONSUMPTION COSTS IN THE MOUNTAIN AREAS AND OFFSHORE ISLAND AREAS

1. Title of the programme

Subsidies for the establishment and operation costs of petroleum facilities, and products consuming costs in the mountain areas and offshore island areas.

2. Period covered by notification

- (1) The Facilities Costs—the years 2009-2010
- (2) Household Liquefied Petroleum Gas (LPG) costs—from August 19, 2010

3. Policy objective

- (1) To encourage the facilities operators maintaining products supplies in such areas.
- (2) To reduce the pricing level differences between cities and such areas.

4. Background and responsible authorities

- (1) Law and regulation: Petroleum Administration Act and its relative regulations.
- (2) Responsible authority: Bureau of Energy, Ministry of Economic Affairs.

5. Form

Grant.

6. To whom and how the subsidy is provided

- (1) Owners and/or operators of the petroleum facilities in these areas are entitled to apply for the following items:
 - (a) Subsidy for the establishment of petroleum facilities in mountain and offshore island areas.
 - (b) Subsidy for maintenance cost of petroleum facilities in mountain and offshore island areas.
 - (c) Subsidy to offset the cost of shipping petroleum or LPG to mountain and offshore island areas.
 - (d) Subsidy for extra personnel costs in the operation of petroleum facilities in mountain or offshore island areas.
- (2) Subsidy to diminish the price difference of Household LPG between the mountain Areas and urban or/and suburban areas.

7. Amount for the past three years

Statistics for specific subsidies:

Unit: thousand NT\$

Title of Subsidy	Year 2009	2010
Subsidy for the establishment of petroleum facilities in mountain and offshore island areas	2	6,948
Subsidy for maintenance cost of petroleum facilities in mountain and offshore island areas	8,593	7,834
Subsidy to offset the cost of shipping petroleum or LPG to mountain and offshore island areas	141,287	149,353
Subsidy for extra personnel costs in the operation of petroleum facilities in mountain or offshore island areas	28,671	28,160
Subsidies to diminish the price difference of Household LPG between the mountain Areas and urban or/and suburban areas	-	1,094
Total	178,553	193,389

8. Duration

- (1) The Programme was initiated in 2002, but the household LPG subsidy in mountain areas was started since August 19, 2010.
- (2) Not subject to any fixed deadline date.

9 Trade effects or related statistical data

The Programme is based on annual budgetary from Petroleum Fund. In light of the scope and nature of the activities may be financially supported by these subsidies, it is not yet possible to determine what, if any, trade effects may eventually result from this programme.

IV. RESEARCH AND DEVELOPMENT

A. FUNDS GRANTED FOR DEVELOPMENT OF PRODUCTS OF THE NEW LEADING INDUSTRIES

1. Title of the programme

Grants for development of products of the new leading industries.

2. Period covered by the notification

The fiscal years 2009 and 2010.

3. Policy objective and/or purpose

In order to encourage research and development on new leading products and upgrade the technical capability of the leading newly-emerging, important and strategic industries, the programme grants funds for private enterprises.

4. Background and responsible authorities

(a) Law and regulation:

Measures for Assistance in the Development of New Leading Products was promulgated on 26 April 1991 and amended on 30 June 1995, 27 November 2002, 23 July 2003, 20 October 2005, 20 June 2007, and 28 October 2008, and terminated on 1 Jan 2011 since the new law of *the Ministry of Economic Affairs assists the industry innovative activities to subsidize and to counsel the means* has promulgated on 15 November 2010.

(b) Authority:

The Industrial Development Bureau, Ministry of Economic Affairs.

5. Form

Grant.

6. To whom and how assistance is provided

- (a) Any company incorporated under the Company Law with sound financial standing, whose book value is over 50 per cent of the capital, never having record of refusal or bounced cheque of the bank and possessing a research and development department with sufficient R&D specialists in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, may apply for the assistance fund relating to the development of a product within the scope of the "emerging, important and strategic industry".¹ The

¹ See page 18 for the definitions of the "emerging, important and strategic industry".

product should possess great market potential and its core technology should surpass the current level of domestic industrial technology. Besides, products within the scope of the "Digital Content Industry", and whose innovative content reaches the level of international-class products, are also eligible for the use of the measures.

- (b) The assistance funds granted are a total of no more than fifty percent (50 per cent) of the amount of the following expenses incurred exclusively for the development of new leading products:
1. Costs incurred for full-time and/or part-time research personnel;
 2. Costs of consumable instruments and raw materials;
 3. Costs for use and maintenance of R&D equipment;
 4. Costs for technology transfer.

7. Amount

- (a) Since the programme's inception, the cumulative amount of grant stands at NT\$ 14,558,429,854 at the end of fiscal year 2010 (fiscal years 1992-2010).
- (b) For the fiscal year 2009: the amount of grant was NT\$ 500,578,340. A breakdown of the products involved is shown below:

Unit: thousand NT\$

Name of Project (or Sector)	Grant
3C Industry	68,757
Medical and health care	38,824
Precision machinery and automation	76,427
Pollution Prevention	7,897
Specialty chemicals and pharmaceuticals	53,730
Aerospace	7,756
Advanced materials	94,686
Semi-conductors	54,962
Culture industry	97,539
Total	500,578

- (c) For the fiscal year 2010: the amount of grant was NT\$ 799,902,154. A breakdown of the products involved is shown below:

Unit: thousand NT\$

Name of Project (or Sector)	Grant
3C Industry	133,395
Medical and health care	84,788
Precision machinery and automation	85,954
Precision Machinery	52,351
Pollution Prevention	44,009
Specialty chemicals and pharmaceuticals	94,407
Aerospace	46,159
Advanced materials	80,898
Semi-conductors	145,924
Culture industry	32,017
Total	799,902

8. Duration

There is no time-limit attached to the programme.

9. Trade effects or related statistical data

It is not yet possible to determine what, if any, trade effects may result from this subsidy programme.

B. FUNDS GRANTED FOR PROMOTING DEVELOPMENT OF INDUSTRIAL TECHNOLOGY

1. Title of the programme

Technology Development Programme for Enterprise.

2. Period covered by the notification

Fiscal year 2009-2010 (Jan 2009 to Dec 2010).

3. Policy objective and/or purpose

The programme's objective is to encourage businesses to engage in the development of technological innovations and applications for the purpose of reinforcing domestic enterprises' capabilities, especially in the field of research and development.

4. Background and responsible authorities

- (a) Law and regulation:
"Subsidy and Assistance Regulations for Promoting Industry Innovation of Ministry of Economic Affairs", promulgated by 15 November 2010.
- (b) Authority:
Department of Industrial Technology, Ministry of Economic Affairs.

5. Form

Fund assistance for advanced research and development.

6. How assistance is provided and to whom

- (a) Any company established according to Company Law with sound financial standing and a Research and Development Department that has made significant achievements in the past, and which is currently staffed by competent specialists, in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, may apply for this fund to offset the costs of the following activities:
 - 1. The planning or development of industrial technologies that may be aptly characterized as vital, innovative or integrative.
 - 2. Development of innovative or integrative manufacturing technology by small and medium-sized businesses.
 - 3. Development of innovative IT application systems.

4. Development of innovative business models by strategic services-oriented research.
 5. Cooperate with major national technology-related policies and create an environment conducive to the development of technology and industry within civilian business enterprises.
- (b) The assistance funds to be granted shall not exceed 50 per cent of the total amount of the following expenses:
1. Costs incurred for full-time and/or part-time research personnel;
 2. Costs of consumable instruments and raw materials;
 3. Costs for use and maintenance of R&D equipment;
 4. Costs for technology transfer; and
 5. Domestic and overseas travel expenses.

7. Amount

The total amount of grant in the fiscal year 2009-2010 was NT\$ 6,563,000,000.

8. Duration

There is no time-limit attached to the programme.

9. Trade effects or related statistical data

It is not yet possible to determine what, if any, trade effects may result from this subsidy programme.

C. FUND GRANTED FOR ENCOURAGING EXPLORATION AND DEVELOPMENT OF OIL AND NATURAL GAS RESERVES

1. Title of the programme

Fund Granted for Encouraging Exploration and Development of Oil and Natural Gas Reserves.

2. Period covered by notification

2009-2010.

3. Policy objective and/or purpose

The policy objectives of the programme are to secure oil supply and stabilize the domestic oil market.

4. Background and responsible authorities

- (a) Law and regulation: Petroleum Administration Law.
- (b) Responsible authority: Bureau of Energy, Ministry of Economic Affairs.

5. Form

Grant.

6. How assistance is provided and to whom

Companies limited by shares incorporated under the Company Law that engage in the exploration and development of oil and natural gas reserves are eligible for the grant.

The grant is used only in support of the following activities:

- (1) The implementation of geological, geophysical, and/or geochemistry surveys and research necessary for the exploration of oil and natural gas.
- (2) Drilling for the exploration and/or development of oil and/or natural gas reserves.
- (3) Any other necessary pertinent activities that have been reviewed and approved by the authorities.

The total subsidy allocated for an applicant's exploration proposal is not to exceed 50 per cent of the budget in the applicant's proposal. The total subsidy allocated for an applicant's development proposal is not to exceed 12 per cent of the budget in the applicant's proposal.

7. Amount

Unit: thousand NT\$						
Year	2005	2006	2007	2008	2009	2010
Total	192,380	194,380	150,510	212,250	294,125	308,751

8. Duration

The programme was initiated in 2002. It is not subject to any fixed completion date.

9. Trade effects or related statistical data

In light of the scope and nature of the activities that may be financially supported by the subsidy, it is not yet possible to determine what, if any, trade effects may eventually result from this programme.