

9. Duration of the subsidy and/or any other time-limits attached to it  
1949-2000

10. Statistical data permitting an assessment of the trade effects of a subsidy  
Not available.

## **II. THE PRIORITY IN OBTAINING LOANS AND FOREIGN CURRENCIES BASED ON EXPORT PERFORMANCE**

1. Title of the subsidy program  
The priority in obtaining loans and foreign currencies based on export performance.

2. Period covered by the notification  
1994-1996

3. Policy objective and/or purpose of the subsidy  
To promote the exportation of automobiles.

4. Background and authority for the subsidy  
State Planning Commission.

5. legislation under which it is granted  
State Council Circular on Industrial Policy on Automobiles..

6. Form of the subsidy  
Priority in obtaining loans and foreign currencies.

7. To whom and how the subsidy is provided  
Priority is given to:

1)Automotive production enterprises whose export of whole vehicle products has reached the percentage points in the volume of their sales as indicated in the following chart;

| <b>Vehicles Types</b> | <b>Category</b> | <b>Percentages</b> |
|-----------------------|-----------------|--------------------|
| Passenger Vehicles    | M1              | 3%                 |
|                       | M2              | 5%                 |
|                       | M3              | 8%                 |
| Freight Vehicles      | N1              | 5%                 |
|                       | N2, N3          | 4%                 |
| Motorcycles           | L               | 10%                |

and

2)Automobile and motorcycle components manufacturing enterprises whose exports account for 10 per cent of their total annual sales.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy  
Zero, because that no enterprises have reached the level for enjoying the priority up till now.

9. Duration of the subsidy and/or any other time-limits attached to it  
China commits itself to eliminate this measure by the year of 2000.

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

### **III. PREFERENTIAL TARIFF RATES BASED ON LOCALIZATION RATE OF AUTOMOTIVE PRODUCTION.**

**1. Title of the subsidy program**

Preferential tariff rates based on localization rate of automotive production.

**2. Period covered by the notification**

1994-1996

**3. Policy objective and/or purpose of the subsidy**

To promote the localization process of automobile industry of China.

**4. Background and authority for the subsidy**

State Planning Commission.

**5. Legislation under which it is granted**

State Council Circular on Industrial Policy on Automobiles.

**6. Form of the subsidy**

Preferential tariff rates.

**7. To whom and how the subsidy is provided**

The preferential tariff rates are granted to the automotive enterprises whose localization reaches the following ratios:

- 1) Localization rate reaches 40 per cent, 60 per cent or 80 per cent on products that incorporate imported technology on whole vehicles of M Category;
- 2) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on whole vehicles of N and L Categories; and
- 3) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on automobile and motorcycle assemblies and key components.

**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**

China commits itself to phase out this measure by the year of 2000.

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

The trade effect is negligible.

### **IV. PREFERENTIAL POLICIES FOR THE SPECIAL ECONOMIC ZONES**

**1. Title of the subsidy program**

Preferential tax policies for foreign-invested enterprises in the Special Economic Zones.

**2. Period covered by the notification**

1984 - now (for Pudong area of the Shanghai Municipality, 1991 - now).

**3. Policy objective and/or purpose of the subsidy**

To promote regional development and absorb foreign investment.

4. Background and authority for the subsidy

State Administration of Taxation and local taxation authorities.

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 income tax, and exemption of the income tax and consolidated tax of industry and commerce.

7. To whom and how the subsidy is provided

Preferential income tax rate is applied to Sino-foreign equity and contractual joint ventures, and wholly foreign owned enterprises in the Special Economic Zones.

1. For enterprises in such productive sectors as manufacturing, transportation, agriculture, forestry and animal husbandry, where the operation term is longer than 10 years, income tax for the first two years shall be exempted and that for the third to the fifth year shall be reduced by 50 per cent subject to the application and approval by the local taxation authorities. The base year shall be the first profit-making year of the enterprises.

2. For enterprises in services sectors with foreign investment more than US\$ 5 million and operation term over 10 years, income tax for the first year shall be exempted and that for the second and third years shall be reduced by 50 per cent.

3. For profits of the foreign investors of the enterprises, income tax shall be exempted when the profits are remitted out of China.

4. For dividends, interests, rentals, franchising fees and other forms of income of foreign investors who have no commercial establishments in China, the preferential income tax shall be 10 per cent if exemption is not applied. Government of the Special Economic Zones may decide further reduction and exemption preferences for those investors who provide capital or equipment with favorable conditions, or transfer advanced technologies.

5. For imported goods of the enterprises in the Special Economic Zones which are subject to the consolidated tax of industry and commerce, the tax shall be exempted when the goods fall into such categories as machinery and equipment, raw materials, spare parts, transportation vehicles and other capital goods. However, the tax shall remain for transportation vehicles which the State does not encourage importing, and also for sustainable consumer goods.

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

The preferential income tax rate applied is 15 or 10 per cent.

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

1984 -

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

Not available.

**V. PREFERENTIAL POLICIES FOR ECONOMIC AND TECHNOLOGY DEVELOPMENT AREAS IN THE 14 COASTAL CITIES**

1. Title of the subsidy program

Preferential tax policies for foreign-invested enterprises in the economic and technology development areas in the 14 coastal cities of Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang, Beihai.

2. Period covered by the notification

1984 - now.

3. Policy objective and/or purpose of the subsidy

To accelerate the opening-up of the region and absorb foreign investment.

4. Background and authority for the subsidy

State Administration of Taxation and local taxation authorities.

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 income tax, and exemption of the income tax and consolidated tax of industry and commerce.

7. To whom and how the subsidy is provided

1. For enterprises manufacturing and operating in the economic and technology development areas, preferential income tax rate of 15 per cent shall be applied; for those with operation term longer than 10 years, the income tax for the first two years shall be exempted and that for the third to the fifth year shall be reduced by 50 per cent subject to the application and approval by the local taxation authorities. The base year shall be the first profit-making year of the enterprises.

2. For profits of the foreign investors of the enterprises, income tax shall be exempted when the profits are remitted out of China.

3. For foreign investors who have no commercial establishments in China but have dividends, interests, rentals, franchising fees and other forms of income from the economic and technology development areas, preferential income tax rate of 10 per cent shall be applied if income tax exemption is not available. Government of the 14 cities may decide further reduction and exemption preferences for those investors who provide capital or equipment with favorable conditions, or transfer advanced technologies.

4. For imported goods of the enterprises in the economic and technology development areas which are subject to the consolidated tax of industry and commerce, the tax shall be exempted when the goods fall into such categories as building materials, production equipment, raw materials, spare parts, transportation vehicles, office equipment, etc. and when they are imported for self-use.

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

The preferential income tax rate applied is 15 or 10 per cent.

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

1984 -

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

Not available.

## **VI. PREFERENTIAL POLICIES FOR FOREIGN INVESTED ENTERPRISES**

1. Title of the subsidy program

Preferential tax policies for foreign-invested enterprises in China.

2. Period covered by the notification

1985 - 1996

3. Policy objective and/or purpose of the subsidy

To absorb foreign investment.

4. Background and authority for the subsidy

State Administration of Taxation and local taxation authorities.

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 income tax.

7. To whom and how the subsidy is provided

1. For foreign invested productive enterprises, preferential income tax rate of 24% shall be applied; for those enterprises with operation term more than 10 years, the income tax for the first two years shall be exempted and that for the third to the fifth year shall be reduced by 50 per cent. The base year shall be the first profit-making year of the enterprises.

2. For foreign investors who re-invest their profits into the enterprises or to set up other new enterprises with operation term more than 5 years, 40 per cent of their income tax payment for the re-invested profits shall be refunded subject to their application to and approval from the local taxation authorities. In case that the new enterprises with the re-investment are hi-tech enterprises, 100 per cent of the paid income tax for the re-investment 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

The preferential income tax rate applied is 24 per cent.

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

1985-

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

Not available.

**VII. LOANS FROM THE STATE POLICY BANKS**

1. Title of the subsidy program

Loans of the State Policy Banks (the State Development Bank, the Export and Import Bank of China, and the Agriculture Development Bank of China).

2. Period covered by the notification

For the State Development Bank, 1994 - 1996;

For the Export and Import Bank of China, 1991 - 1995

For the Agriculture Development Bank of China., 1994 - 1996.

3. Policy objective and/or purpose of the subsidy

To adjust investment structure.

4. Background and authority for the subsidy

There are three State Policy Banks in China: the State Development Bank, the Export and Import Bank of China, and the Agriculture Development Bank of China. The three State Policy Banks

accumulate capital by issuing treasury bonds to commercial banks and the market. Generally the State budget does not provide interest rate subsidy to the State Policy Banks. The interest rates of the State Policy Banks loans are usually the same as the market interest rates.

5. Legislation under which it is granted

Assistance by budget.

6. Form of the subsidy

Loans.

7. To whom and how the subsidy is provided

Loans from the State Development Bank are mainly directed to infrastructure constructions in energy, transportation, telecommunications and water conservancy, resources development in the middle and western parts of China, as well as technology renovation of some enterprises.

Loans from the Export and Import Bank of China are mostly directed to guarantee for export credit of commercial banks, and a small part is for direct export credit.

Loans from the Agriculture Development Bank of China are mainly provided for purchase and storage of agricultural and side-line products, forestry construction and water conservancy development.

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

RMB 200 billion for the State Development Bank, and 9.6 per cent of which is directed to the manufacturing industry;

RMB 21 billion export credit (mainly sellers' credit) for the Export and Import Bank of China;

RMB 500 billion for the Agriculture Development of China.

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

1991 -

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

Not available.

**VIII. FINANCIAL SUBSIDIES FOR POVERTY ALLEVIATION**

1. Title of the subsidy program

Financial subsidies for poverty alleviation.

2. Period covered by the notification

For direct allocation of funds, 1991 - now

For poverty alleviation loans, 1994 - now.

3. Policy objective and/or purpose of the subsidy

To alleviate poverty.

4. Background and authority for the subsidy

For direct allocation of funds, State Planning Commission and Ministry of Finance.

For poverty alleviation loans, the Agriculture Development Bank of China.

5. Legislation under which it is granted

Assistance by budget.

6. Form of the subsidy

Direct appropriation and provision of poverty alleviation loans.

7. To whom and how the subsidy is provided

The subsidies are provided to regions in China where annual income per capita is less than RMB 400.

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

For direct appropriation, RMB 27.8 billion (RMB 18.3 billion from 1991 to 1995, RMB 4 billion in 1996, and RMB 5.5 billion in 1997).

For poverty alleviation loans, RMB 30 billion.

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

1991 -

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

Not available.

**IX. FUNDS FOR TECHNOLOGY RENOVATION, RESEARCH AND DEVELOPMENT**

1. Title of the subsidy program

Funds for technology renovation , research and development.

2. Period covered by the notification

1991 - 1995.

3. Policy objective and/or purpose of the subsidy

To encourage scientific research and technology development, and to promote application of science and technology in the rural areas.

4. Background and authority for the subsidy

Ministry of Finance

5. Legislation under which it is granted

State Council Circular No. 99, 1987.

6. Form of the subsidy

Grant and loans.

7. To whom and how the subsidy is provided

To scientific research institutes and some enterprises.

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

RMB 173.5 billion (RMB 18.1 billion for 1991, RMB 22.3 billion for 1992, RMB 42.1 billion for 1993, RMB 41.5 billion for 1994 and RMB 49.5 billion for 1995).

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

1991 -

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

Not available.

## **X. INFRASTRUCTURE CONSTRUCTION FUNDS FOR AGRICULTURAL WATER CONSERVANCY PROJECTS**

**1. Title of the subsidy program**

Infrastructure construction funds for agricultural water conservancy projects

**2. Period covered by the notification**

1991 - 1994

**3. Policy objective and/or purpose of the subsidy**

To improve agricultural irrigation systems and flood-defending facilities.

**4. Background and authority for the subsidy**

Ministry of finance.

**5. Legislation under which it is granted**

Assistance by budget.

**6. Form of the subsidy**

Grant.

**7. To whom and how the subsidy is provided**

To key infrastructure projects in water conservancy.

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

RMB 35.5 billion (RMB 7.5 billion for 1991, RMB 8.5 billion for 1992, RMB 9.5 billion for 1993 and RMB 10 billion for 1994).

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

1991 -

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

Not available.

## **XI. TAX AND TARIFF REFUND FOR EXPORT PRODUCTS**

**1. Title of the subsidy program**

Tariff refund for imported contents of export products, and value-added tax refund for export products.

**2. Period covered by the notification**

1985 - now.

**3. Policy objective and/or purpose of the subsidy**

To alleviate unreasonable tax and tariff burdens of export enterprises.

**4. Background and authority for the subsidy**

For tariff refund, taxation and customs authorities; and for tax refund, taxation authorities.

**5. Legislation under which it is granted**

State Council Circular No. 43, 1985.