

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

None.

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.

## **IX. 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.

**X. 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.

## **XI. 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.

## **XII. 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.

### 6. Form of the subsidy

Tax and tariff refund.

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

For raw materials, spare parts, assemblies and packing materials imported for the purpose of processing and assembling for overseas clients or manufacturing products for export, tariffs shall be exempted, or in the case that tariffs have been collected, refund of the collected tariffs shall be made, according to quantities of the final products exported.

For agricultural products subject to the official value-added tax rate of 10%, the refund rate is 3%.

For industrial products subject to the official value-added tax rate of 17%, which take agricultural products as their raw materials, the refund rate is 6%.

For other products subject to the official value-added tax rate of 17%, the refund rate is 9%.

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

No specific statistics available.

### 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.

## **XIII. TARIFF AND IMPORT DUTIES REDUCTION AND EXEMPTION FOR ENTERPRISES**

### 1. Title of the subsidy program

Tariff and import duties reduction and exemption for enterprises.

### 2. Period covered by the notification

1985 - 2000.

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

To attract foreign investment, to encourage technology renovations in domestic enterprises, and to

promote such trade forms as border trade, processing trade, compensation trade etc..

4. Background and authority for the subsidy

Taxation and customs authorities.

5. Legislation under which it is granted

Regulation of import and export tariff of the People's Republic of China.

6. Form of the subsidy

Tariff and import duties reduction and exemption.

7. To whom and how the subsidy is provided

China adopted new taxation system on April 1, 1997. Under this new system, all domestic enterprises and institutes shall be subject to tariff and import duties in accordance with official rate except for the following few cases where tariff and import duties reduction and exemption are still applied:

1. goods imported for embassies, and offices of international organizations in China, donations from foreign governments and international organizations, and goods imported by Chinese diplomats, Chinese students studying abroad and etc. for personal consumption;
2. imports into the Yangpu Economic Development Area in Hainan Province, a bonded area;
3. equipment and materials imported during the period of 1996 to 2000 for drilling, petroleum and natural gas exploitation;
4. aircraft imported by domestic civil airlines during the period of 1996 to 2000;
5. spare parts of cars, of which tariff and import duties reduction and exemption shall be determined according to the localization rate;
6. materials imported for domestic manufacturing of aircraft.

Tariff and import duties reduction and exemption before April 1, 1996 of imported equipment and materials for foreign-invested enterprises, for domestic technology renovation and infrastructure construction projects, for Special Economic Zones and Economic and Technology Development Areas, and for border trade, processing trade and compensation trade, shall be terminated except for the following transitional period:

1. for foreign-invested enterprises with total investment less than US\$ 30 million approved before April 1, 1996, tariff and import duties reduction and exemption of their imported equipment and materials shall remain valid within the transitional period till December 31, 1996; for those enterprises with total investment more than US\$ 30 million, the transitional period shall end on December 31, 1997;
2. for industrial projects in such areas as energy, transportation, metallurgical industry with total investment more than RMB 50 million, and for technology renovation projects in manufacturing industries with total investment more than RMB 30 million, which were approved before April 1, 1996, tariff and import duties for their equipment importation shall be subject to 50 per cent reduction within the transitional period till December 31, 1997;
3. goods imported into the five Special Economic Zones of Shenzhen, Zhuhai, Shantou, Xiamen, Hainan, as well as those into the Pudong area in Shanghai and the Industrial Development Zone in Suzhou, shall be subject to tariff and import duties after April 1, 1996 in accordance with the official tariff and import duties rates. However, refund of the tariff and import duties will be applied within the transitional period from 1996 to 2000, with the volume decreasing annually. The refund will terminate after the year 2000.

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

No specific statistics available.

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

1985 - 2000.

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

Not available.

**XIV. PROVISION OF LOW-PRICE INPUTS FOR SPECIAL INDUSTRIAL SECTORS**

1. Title of the subsidy program

State low pricing for certain percentage of coal for electricity generating, and for certain percentage of crude oil.

2. Period covered by the notification

1987 - now.

3. Policy objective and/or purpose of the subsidy

State pricing for certain percentage of the industrial inputs is to maintain the overall price level stable.

4. Background and authority for the subsidy

Reform of China's planning economic system began first with the reform of the pricing system, and by now 95 per cent of the commodities and services in China have already been determined by the market forces. State pricing remains only for certain percentage of those crucial products to maintain the ability of the government to curb the overall price level in emergent cases.

5. Legislation under which it is granted

Provisional regulation of the People's Republic of China on Pricing.

6. Form of the subsidy

State low pricing for inputs of certain industrial sectors.

7. To whom and how the subsidy is provided

37 per cent of coal in 1995 was subject to state pricing, and 70 per cent of the land oil production was subject to state pricing, price of the remaining 30 per cent as well as of all the off-shore oil production was determined by the market.

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

No specific statistics available.

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

1987 -

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

Not available.

**XV. SUBSIDY TO CERTAIN ENTERPRISES IN THE FORESTRY INDUSTRY**

1. Title of the subsidy program

Subsidy to the forestry industry.

2. Period covered by the notification

1994 - now.

3. Policy objective and/or purpose of the subsidy

To encourage full utilization of forest resources.

4. Background and authority for the subsidy

State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted

Provisional regulation of the People's Republic of China on Value added Tax.

6. Form of the subsidy

Refund of value-added tax.

7. To whom and how the subsidy is provided

For certain enterprises in the forestry industry, when their products are based on the utilization of deficient timber resources, the collected value-added tax 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

No specific statistics available as the quantity is minimal.

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

1994 -

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

Not available.

## **XVI. PREFERENTIAL INCOME TAX TREATMENT TO HIGH-TECH ENTERPRISES**

1. Title of the subsidy program

Preferential Income tax treatment to high-tech enterprises.

2. Period covered by the notification

1994 - now.

3. Policy objective and/or purpose of the subsidy

To accelerate the development of high-tech industries.

4. Background and authority for the subsidy

State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted

Provisional regulation of the People's Republic of China on Enterprises Income Tax.

6. Form of the subsidy

Income tax reduction and exemption.

7. To whom and how the subsidy is provided

For high-tech enterprises in the high-tech development zones approved by the State Council, the income tax rate applied shall be reduced to 15 per cent; for newly-established high-tech enterprises,

income tax shall be exempted for the first two years since the operation.

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

No specific statistics available.

9. Duration of the subsidy and/or any other time-limits attached to it  
1994 -

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

**XVII. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES UTILIZING WASTE**

1. Title of the subsidy program

Preferential income tax treatment to enterprises utilizing waste.

2. Period covered by the notification

1993 - now.

3. Policy objective and/or purpose of the subsidy

To encourage resources recycle.

4. Background and authority for the subsidy

State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted

Provisional regulation of the People's Republic of China on Enterprises Income Tax.

6. Form of the subsidy

Income tax reduction and exemption.

7. To whom and how the subsidy is provided

For enterprises utilizing waste gas, waste water and solid waste as major production inputs, income tax shall be reduced or exempted for 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

No specific statistics available.

9. Duration of the subsidy and/or any other time-limits attached to it  
1993 -

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



## **XVIII. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES IN POVERTY STRICKEN REGIONS**

1. Title of the subsidy program

Preferential Income tax treatment to enterprises in poverty stricken regions

2. Period covered by the notification

1993 - now.

3. Policy objective and/or purpose of the subsidy

To alleviate poverty.

4. Background and authority for the subsidy

State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted

Provisional regulation of the People's Republic of China on Enterprises Income Tax.

6. Form of the subsidy

Income tax reduction and exemption.

7. To whom and how the subsidy is provided

For newly-established enterprises in remote regions, poverty stricken regions, and regions with ethnic groups residence, income tax shall be reduced or exempted 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

No specific statistics available.

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

1993 -

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

Not available.

## **XIX. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES TRANSFERRING TECHNOLOGIES**

1. Title of the subsidy program

Preferential Income tax treatment to enterprises transferring technologies.

2. Period covered by the notification

1993 - now.

3. Policy objective and/or purpose of the subsidy

To encourage technology transfer and extension.

4. Background and authority for the subsidy

State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted

Provisional regulation of the People's Republic of China on Enterprises Income Tax.

6. Form of the subsidy

Income reduction and exemption.

7. To whom and how the subsidy is provided

For income of enterprises generated from transferring technologies, or from such relevant services as technology consultancy, training and etc., income tax shall be exempted when such annual net income is below RMB 300 thousand; however, in the case that the income exceeds RMB 300 thousand, for the part which exceeds RMB 300 thousand, income tax shall be applied as usual.

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

No specific statistics available.

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

1993 -

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

Not available.

**XX. PREFERENTIAL INCOME TAX TREATMENT TO DISASTER STRICKEN ENTERPRISES**

1. Title of the subsidy program

Preferential Income tax treatment to disaster stricken enterprises

2. Period covered by the notification

1993 - now.

3. Policy objective and/or purpose of the subsidy

To bring down disaster losses.

4. Background and authority for the subsidy

State Administration of Taxation and local taxation authorities.

5. Legislation under which it is granted

Provisional regulation of the People's Republic of China on Enterprises Income Tax.

6. Form of the subsidy

Income tax reduction and exemption.

7. To whom and how the subsidy is provided

In case that enterprises suffer from such disasters as fire, flood, tornado, earthquake and etc., income tax shall be exempted for one year subject to application to and approval from local taxation authorities.

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

No specific statistics available.

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

1993 -