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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 24 June 2015, 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

2012-2013.

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) Laws and regulations: Agriculture Development Act.

Food Administration Act.

(b) Responsible authorities: Council of Agriculture.

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

There are three types of rice purchases - 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 are set at NT\$26 per kilogram for Japonica-type rice, and NT\$25 for Indica-type rice and glutinous rice. The quantity of the planned purchase is limited to 2,000 kg per hectare for the first crop and 1,500 kg for the second crop. Supplementary rice purchase prices are set at NT\$23 per kilogram for Japonica-type rice, and NT\$22 for Indica-type rice and glutinous rice. The quantity of the supplementary purchase is limited to 1,200 kg per hectare for the first crop and 800 kg for the second crop. The prices for additional purchases are set at NT\$21.6 per kilogram for Japonica-type rice, and NT\$20.6 for Indica-type rice and glutinous rice. The quantity of the additional purchase is limited to 3,000 kg per hectare for the first crop and 2,400 kg per hectare for the second crop.

Planned, supplementary and additional rice purchases are made only for the farmers who produce rice in paddy fields. Those who produce rice in the upland areas, 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\$812 million and NT\$1,187 million for 2012 and 2013, 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	2012	1,368.2	1,279.4	156.8	24.8
	2013	1,275.5	1,270.7	138.8	22.4

Note: The data in above table have converted to brown rice, and are sourced from "Food Supply and Utilization Yearbook" published by the Council of Agriculture.

B. SUPPORT FOR SORGHUM AND FEED CORN**1. Title of the programme**

Support for sorghum and feed corn.

2. Period covered by the notification

2012-2013.

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) Laws and regulations:**

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

(b) Responsible authorities: 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 are 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 exceeds the purchase quantity ceiling, farmers may sell their products to the Government at the import prices.

Purchases at the set prices are made for those 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 is limited to the first crop grown in the western plain area. The first and second crops of feed corn are purchased for the western mountainous area and the eastern region, while only the second crop is purchased for the western plain area. Farmers are free to decide whether or not they want to sell products to the Government. The purchase of sorghum has been cancelled since 2011, and the purchase of feed corn has been cancelled since the second crop of 2012.

6. Amount of the subsidy

NT\$44,000 for 2012.

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

The subsidy is abolished in the end of 2012.

8. Statistical data

Unit: 1,000 MT.

Item	Year	Production	Consumption	Import	Export
Feed corn	2012	29.8	4,219.0	4,189.2	0.021
Sorghum	2012	3.6	102.1	98.5	-

Note: "Production" is sourced from "Agricultural Statistics Yearbook" published by the Council of Agriculture. "Import" and "Export" are sourced from the import and export statistics compiled by the Directorate-General of Customs of the Ministry of Finance. "Consumption" is estimated by deducting the export from the sum of the production and the import.

C. SUPPORT FOR DIVERSIFIED CROPS

1. Title of the programme

Support for diversified crops.

2. Period covered by the notification

2012-2013.

3. Policy objective and/or purpose

The policy objectives are to facilitate the adjustment of farmland 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) Laws and regulations: Agriculture Development Act.
- (b) Responsible authorities: 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 those farmers who follow the diversion programme from rice production to the production of diversion crops and adhere to any of the following cases:

- (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 policy objective and national conditions for such crops as feed corn, soybean, forage crops, wheat, sugarcane and other specialty local crops. Diversion payments are made at NT\$15,000-45,000 per hectare.

6. Amount of the subsidy

NT\$2,285 million and NT\$3,131 million for 2012 and 2013, 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 effects

After the three stages of the rice diversion programme and the set-aside programme had been implemented, the acreage planted in rice dropped from 645,855 hectares to 270,264 hectares for a decrease of 58.2% between 1983 (the year prior to the implementation of the projects) and 2013. The production of rice also fell from 2.48 million tons to 1.28 million tons for a decline of 48.4%. The quantity of rice purchased by the Government was dropped from 1.1 million tons to 0.49 million tons for a decrease of 55.5%. Measures relating to sweet potatoes, peanuts, vegetable, forage and other miscellaneous crops 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 2011/2012-2012/2013.

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) Laws and regulations:**

The Tobacco and Alcohol Administration Act.

(b) Authorities: Ministry of Finance.**5. Form of the subsidy/to whom and how the subsidy is provided**

A purchase under restricted price tendering is made according to the Government Procurement Act. The amount of subsidy is the purchase quantity multiplied by the price difference between the purchase price and the external reference price which is based on the average of prices from 1990 to 1992.

6. Amount of the subsidy

NT\$210.1 million and NT\$219.9 million for the crop years 2011/2012 and 2012/2013, 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	2012	1,642	14,641	13,427	428
	2013	1,700	13,603	12,406	503

Note: "Production" is sourced from "Agricultural Statistics Yearbook" published by the Council of Agriculture. "Import" and "Export" are sourced from the import and export statistics compiled by the Directorate-General of Customs of the Ministry of Finance. "Consumption" is estimated by deducting the export from the sum of the production and the import

E. SUPPORT FOR SUGAR**1. Title of the subsidy programme**

Support for sugar.

2. Period covered by the notification

Crop years 2013-2014.

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) Laws and regulations: Regulation for the Sugarcane Planting Contract.

(b) Authorities: TSC

Ministry of Economic Affairs.

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

(1) Guaranteed purchase:

TSC made contracts with farmers for the purchase of sugarcane and sugar sharing. The sugarcane farmers obtain 55% 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 is set after taking the domestic selling price and the marketing costs into account. It has been frozen since 1990.

(2) Other grants:

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

6. Amount of the subsidy

NT\$34.4 million and NT\$50.1 million for the fiscal years 2013 and 2014, 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	2013	41.3	589.3	476.2	0
	2014	52.5	615.1	518.7	0

F. INTEREST SUBSIDY1. Title of the subsidy programme

The policy-oriented special agricultural loan.

2. Period covered by the notification

2012-2013.

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 of their products, strengthen product sales, and enhance their competitiveness. In addition, the plan helps farmers who are affected by natural disasters to rebuild their homes and their livelihoods, thus allowing them to maintain their standard of living.

4. Background and responsible authorities

- (a) Laws and regulations: Agriculture Development Act, Agriculture Finance Act,
Regulations of the 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 is provided by credit departments of farmers' associations and fishermen's associations or the Agricultural Bank. The source of finance for the interest subsidy 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 loans. Each loan application 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\$2,352 million and NT\$2,156 million for the fiscal years 2012 and 2013, 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 2012 and 2013

Unit: NT\$1,000

Name of Project	2012	2013
Loans to expand the family farm; to support land purchases by farmers	138,015	117,067
Loans for farm machinery	90,470	81,867
Loans for natural agricultural disasters	126,109	98,921
Loans for accelerating rural construction	1,997,381	1,858,279
Total	2,351,975	2,156,134

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 to improve 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

2013-2014.

3. Policy objective and/or purpose

Due to severe overfishing worldwide, the United Nations (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) Laws and regulations:

Directions on Buying Back and Processing Fishing vessels and Rafts in 2013-2014

(b) Authorities: 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 is the buy-back amount for fishing vessels, calculated and accumulated in 2013-2014:

- NT\$50,000 for each gross ton of the 1st to 5th ton;
- NT\$40,000 for each gross ton of the 6th to 10th ton;
- NT\$30,000 for each gross ton of the 11th to 20th ton;
- NT\$25,000 for each gross ton of the 21st to 50th ton;
- NT\$20,000 for each gross ton of the 51st to 100th ton;
- NT\$18,000 for each gross ton over 100 tons; with the maximum amount for each eligible vessel being NT\$7.9 million.

2. Since 2008, the buy-back of fishing rafts have been calculated according to the length of raft, the pipe diameter and the power of main engine.

7. Amount

Funds spent on buying back fishing vessels and rafts in 2013 totalled NT\$112.992million; funds spent in 2014 totalled NT\$47.804 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 SEASON1. Title of the programme

Reward for Closing Fishery Season.

2. Period covered by the notification

2013-2014.

3. Policy objective and/or purpose

Due to the problem of overfishing globally, 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) Laws and regulations: Regulations for the Voluntary Closing Fishery.

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

5. Form

Grant.

6. To whom and how assistance is provided

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

7. Amount

The budget for the programme totalled NT\$179.830 million in 2013 and NT\$181.790 million in 2014.

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 REWARD1. Title of the programme

Fishing Vessels Marine Insurance Reward.

2. Period covered by the notification

2013-2014.

3. Policy objective and/or purpose

Insure fishing vessels against marine disasters.

4. Background and responsible authorities

(a) Laws and regulations:

Regulations for the Insurance Reward for Owners of Fishing Vessels.

(b) Authorities: 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 a portion of the insurance costs for fishing vessels if damaged at sea.

7. Amount

The budget for the programme totalled NT\$51.367 million for 2013 and NT\$57.353 million in 2014.

8. Duration

On-going 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

2012-2014.

3. Policy objective and/or purpose

Qualified SMEs are entitled to apply for financing and loans that are provided to help enterprises restructure during replacement of machinery and purchase of new automated equipment.

4. Background and responsible authorities

(a) Laws and regulations:

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

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

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

(b) Authorities: Ministry of Economic Affairs.

Note: The cumulative amount reached by the end of fiscal year 2014 for the SME Development Fund was NT\$5.4 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% 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: NT\$million.

Title of Programme	2012-2014
Urgent financing for major natural disasters	12.4

8. Duration

The above-mentioned programme loaned by the SME Development Fund was scheduled to be terminated after 2009. However, in order to assist SMEs with accessing funding for recovery from disastrous damage, we decided to continue this programme.

9. Trade effects or related statistical data

Given the fact that 98% of enterprises are 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

2012-2014.

3. Policy objective and or/purpose

These programmes are implemented for 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) Laws and regulations:

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

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

(b) Authorities: 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 2012-2014: NT\$1.74 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 98% of enterprises are 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

2013-2014.

3. Policy objective and/or purpose

This programme is implemented for the purpose of improving production technology and product quality, promoting industrial upgrading and assisting in the upgrading of small and medium-sized enterprises and private enterprises.

4. Background and responsible authorities

(a) Law and regulation:

1. Prior to 12 May 2010 – Sub-paragraphs (2) and (3), and Paragraph 1 of Article 21 of the Statute for Upgrading Industries.
2. Sub-paragraphs (2) and (3), and Paragraph 1 of Article 21 of the Statute for Upgrading Industries were superseded by Article 30 of the Industrial Innovation Act, which was promulgated on 12 May 2010.

(b) Authorities:

The guidelines for the loan programme are given in the Development Fund.

5. Form

Loans: 25% of each loan is provided by the Development Fund and 75% by domestic banks.

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 the Industrial Innovation Act.

9. Trade effects or related statistical data

(a) Trade effects:

This programme is mainly implemented 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 2013

Name of Project	Number of Granted Cases	Total Amount of Granted Loans (NT\$ hundred million)
Loans to assist in the upgrading of small and medium-sized enterprises	319	36.75

Total amount of loans granted in 2014

Name of Project	Number of Granted Cases	Total Amount of Granted Loans (NT\$ hundred million)
Loans to assist in the upgrading of small and medium-sized enterprises	169	22.97

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 2013-2014.

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. 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:

Act for Establishment and Administration of Science Parks (Article 20);
Enforcement Rules of Act for Establishment and Administration of Science Parks (Article 17).

(b) Authorities: The Park is managed by the Science Park Bureau;
The policy-making body is the Ministry of Science and Technology.

5. Form

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

6. To whom and how assistance is provided

(a) Effective from 1 January 2000, the merged Park entities in accordance with the domestic Company Law, or surviving or new Park entities after mergers, shall succeed to 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:

Customs duties, commodity tax, and business tax on imported machinery and equipment, raw materials, commodities, fuel, and semi-finished products.

Note: "Park enterprise" refers to a science-based industry and to an enterprise approved and established in the Park that is 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.

A 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.

7. Amount

2013-2014 Business Tax Exemption for all Imports

Unit: NT\$ million

Year	Total Import Value	Total Amount of Business Tax Exemption
2013	789,691	39,485
2014	754,889	37,744

8. Duration

There is no time limit attached to the programme.

9. Trade effects or related statistical data

Unit: NT\$ million

Year	2013	2014
Number of approved park enterprises (accumulated numbers)	746	785
Total import value	789,691	754,889
Total export value	1,339,872	1,367,185

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

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 2013-2014.

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) Laws and regulations:

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 Industries 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

Duties 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 importation, all machinery and equipment are 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

2013-2014 Business Tax Exemption for all Imports

Unit: US\$ thousand

Year	Total Import Value	Total Amount of Business Tax Exemption
2013	268,092	13,405
2014	279,582	13,979

8. Duration

There is no time limit attached to the programme.

9. Trade effects or related statistical data

Unit: NT\$ million

Year	2013	2014
Number of approved park enterprises (accumulated numbers)	568	590
Total import value	268,092	279,582
Total export value	374,889	444,167

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

D. SUBSIDIES FOR THE ESTABLISHMENT AND OPERATION COSTS OF PETROLEUM FACILITIES, AND PRODUCTS CONSUMPTION COSTS IN THE REMOTE AREAS, ABORIGINAL AREAS AND ISOLATED ISLAND AREAS

1. Title of the programme

Subsidies for the establishment and operation costs of petroleum facilities, and products consumption costs in the remote areas, aboriginal areas and isolated island areas.

2. Period covered by notification

(1) 2013-1.11.2014 for facility and household liquefied petroleum gas (LPG) costs in the aboriginal mountain areas and isolated island areas.

(2) 2.11.2014-31.12.2014 for facility and household liquefied petroleum gas (LPG) costs in the remote areas, aboriginal areas and isolated island areas.

3. Policy objective

(1) To encourage facility operators to maintain product supplies in such areas.

(2) To reduce the pricing level differences between cities and such areas.

4. Background and responsible authorities

(1) Laws and regulations: Petroleum Administration Act and its related regulations. (Petroleum Administration Act was amended on 4 June 2014. The subsidy regulation was promulgated on 31 October and effective on 2 November 2014).

(2) Responsible authorities: 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 petroleum facilities in these areas are entitled to apply for the following items:

(a) Subsidy for the establishment of petroleum facilities in such areas.

(b) Subsidy for maintenance costs of petroleum facilities in such areas.

(c) Subsidy to offset the cost of shipping petroleum or LPG to such areas.

(d) Subsidy for extra personnel costs in the operation of petroleum facilities in such areas.

(2) Subsidy to diminish the price difference of household LPG between remote areas, aboriginal areas and urban or/and suburban areas.

7. Amount for the past two years

Statistics for specific subsidies:

Unit: NT\$ thousand

Title of Subsidy	2013	2014
Subsidy for the establishment of petroleum facilities in such areas	28,082	14,071
Subsidy for maintenance costs of petroleum facilities in such areas	5,589	10,199
Subsidy to offset the cost of shipping petroleum or LPG to such areas	175,003	195,244
Subsidy for extra personnel costs in the operation of petroleum facilities in such areas	34,693	29,687
Subsidy to diminish the price difference of household LPG between remote areas, aboriginal areas and urban or/and suburban areas	23,633	28,111
Total	267,000	277,312

8. Duration

- (1) The Programme was initialized in 2002, but the household LPG subsidy in aboriginal areas was started on 19 August 2010.
- (2) The subsidies for the remote areas, aboriginal plan areas were started on 2 November 2014.
- (3) Not subject to deadline.

9. Trade effects or related statistical data

The Programme is based on the annual budget of the Petroleum Fund. In light of the scope and nature of activities that 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 NEW OUTSTANDING PRODUCTS

1. Title of the programme

- (a) Grants for development of new leading industries.
- (b) Project for subsidizing development of major market-comprehensive products.
- (c) Grants for development of innovative applications and services

2. Period covered by the notification

2013 to 2014.

3. Policy objective and/or purpose

In order to encourage research and development of new leading products and upgrade the technical capability of the leading industries, the programme grants funds to private enterprises.

In response to promoting "critical leading edge of product development plan" and taking into consideration the "market applicability" and "technological competitiveness", the Industrial

Development Bureau of the Ministry of Economic Affairs launched the new special "project for subsidizing development of major market-comprehensive products" in June 2010 and thereafter.

To encourage the development of innovative market-oriented trading service model, and guide the planning of market assessment, developing the market-oriented innovative business or service model through the integration of cross-cutting technology applications or services business processes and business model of innovation.

4. Background and responsible authorities

(a) Laws and regulations:

Measures for Assistance in the Development of New Leading Products were promulgated on 26 April 1991 and were superseded by the Subsidy and Assistance Regulations for Promoting Industry Innovation by the Ministry of Economic Affairs on 15 November 2010.

(b) Authorities:

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 and without ever having a record of refusal or bounced cheque through a domestic bank, may apply for the assistance fund relating to the development of a new leading product. The product should possess great market potential and its core technology should surpass the current level of domestic industrial technology.

(b) The assistance funds granted are a total of no more than fifty per cent (50%) of the amount of the following expenses incurred exclusively for the development of new leading products:

1. Costs incurred for full-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.
5. Travel fees related to the project.

7. Amount

(a) Since the programme's inception, the cumulative amount of grants stands at NT\$17,814,475,323 at the end of fiscal year 2014 (fiscal years 1992-2014).

(b) For the fiscal year 2013: the amount of grants was NT\$468,428,332. A breakdown of the products involved is shown below:

Unit: NT\$ thousand

Name of Project (or Sector)	Grant Amount
Grants for development of new leading industries	371,492
Project for subsidizing development of major market-comprehensive products	96,936
Total	468,428

- (c) For the fiscal year 2014: the amount of grants was NT\$1,198,650,137. A breakdown of the products involved is shown below:

Unit: NT\$ thousand

Name of Project (or Sector)	Grant Amount
Grants for development of new leading industries	920,096
Project for subsidizing development of major market-comprehensive products	188,874
Grants for development of innovative applications and services	89,680
Total	1,198,650

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 Enterprises.

2. Period covered by the notification

2013-2014.

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) Laws and regulations:

Regulations of Subsidization for Encouraging Enterprises R & D Activities were promulgated on 27 November 2002 and were superseded by the Subsidy and Assistance Regulations for Promoting Industry Innovation by the Ministry of Economic Affairs on 15 November 2010.

(b) Authorities:

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 the Company Law with sound financial standing and 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. Research and development of advanced technologies that may be aptly characterized as vital and innovative in the long term.
2. Technologies research and development that enhance vertical or horizontal integration and drive the forming of industry chain ecosystems or clusters.
3. Establishment of research and development centers in Taiwan that create innovative technologies and services.
4. Development of innovative or integrative manufacturing technology by small and medium-sized businesses.

(b) The assistance funds to be granted shall not exceed 50% 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 travel expenses.

7. Amount

The total amount of grants in the fiscal year 2013-2014 was NT\$5,944,539,000.

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

2013-2014.

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) Laws and regulations: Petroleum Administration Act.
- (b) Responsible authorities: 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 geochemical 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% of the budget in the applicant's proposal. The total subsidy allocated for an applicant's development proposal is not to exceed 12% of the budget in the applicant's proposal.

While the proposal is successful, the whole grant plus additional feedback, computed by 10% compound interest, must be returned in 5-15 years.

7. Amount

Unit: NT\$ thousand

Year	2007	2008	2009	2010	2011	2012	2013	2014
Total	150,510	212,250	294,125	308,751	398,648	251,542	350,000	430,000

8. Duration

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

9. Trade effects or related statistical data

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