

18 April 2024

(24-3241)

Page: 1/17

Committee on Subsidies and Countervailing Measures

Original: English

SUBSIDIES**REPLIES TO QUESTIONS POSED BY THE UNITED STATES¹ REGARDING
THE NEW AND FULL NOTIFICATION OF CHINA²**

The following communication, dated and received on 12 April 2024, is being circulated at the request of the delegation of China.

Question 1

A. In past submissions, we have sought additional information as to how "high-tech" is defined for purposes of Central Government Program 3 "Preferential tax policies for high-tech enterprises", but have been referred by China to the general legislation governing this program. Can China please further explain, beyond a reference to the underlying legislation, how "high-tech" is defined for purposes of this program?

Reply:

According to the "*Measures for the Administration of the Recognition of High-tech Enterprises*" (GKFH [2016] No. 32), high-tech enterprise means the resident enterprises registered within China that are engaging in continuous research and development as well as transformation of their technological achievements in the fields as prescribed in the "*High-tech Fields Supported by the State*", have formed their intellectual property rights and are carrying out business activities based on the said intellectual property rights. The "High-tech Fields Supported by the State" provides a detailed description of several technology categories in eight areas, including electronic information technology, biology and new pharmaceutical technology, high-tech service industry, new energy and energy-saving technology etc. Relevant information can be found on: <http://www.mofcom.gov.cn/aarticle/bh/200805/20080505534363.html>

B. Further, China uses the term "high-tech" with respect to several provincial-level programs. Could China elaborate how "high-tech" is defined for the purposes of the following programs:

- i. Shandong Province Programs 1, 5, and 7
- ii. Henan Province Programs 11, 18, 19, and 22
- iii. Guangdong Province Programs 11, 21, 22, and 24
- iv. Guangxi Zhuang Autonomous Region Programs 6, 9, 11, and 13
- v. Hainan Province Program 7
- vi. Sichuan Province Programs 8 and 22

Reply:

The recognition standards for "high-tech" by local governments and Central Governments are consistent. Therefore, the answer to this question is the same as replies to Question A above. The high-tech enterprise to which the subsidy project belongs shall be the enterprise identified and filed according to the "*Measures for the Administration of the Recognition of High-tech Enterprises*"

¹ [G/SCM/Q2/CHN/124](#)

² [G/SCM/N/401/CHN](#)

(GKFH [2016] No. 32), including resident enterprises registered within China that are engaging in continuous research and development as well as transformation of their technological achievements in the fields as prescribed in the *"High-tech Fields Supported by the State"*, have formed their intellectual property rights and are carrying out business activities based on the said intellectual property rights.

Question 2

A. With respect to Central Government Program 15 "Preferential tax treatment for energy-saving and new energy vehicles and vessels", are "vessels" referring explicitly to fishing vessels?

Reply:

"Vessels" do not explicitly refer to fishing vessels. The *"Vehicle and Vessel Tax Law of the People's Republic of China"* and its implementing regulations stipulate that "Reduction or exemption of vehicle and vessel tax may be granted to those vehicles and vessels that conserve energy or use new energy". In order to promote energy conservation and encourage the use of new energy, Article 2.3 of the *"Notice on Preferential Vehicle and Vessel Tax Policies for Energy-saving and New-energy Vehicles and Vessels"* (CS [2018] No. 74) (https://www.gov.cn/zhengce/zhengceku/2019-10/25/content_5445047.htm) stipulates that "New-energy vessels on which vehicle and vessel tax may be exempted shall satisfy the following standards: The main propulsion unit of the vessel shall be a pure natural gas engine, in which energy is released through the combustion of diesel and the percentage of heat of combustion is no higher than 5% of the total heating value". Article 5 stipulates that "When checking and inspecting the main propulsion unit of vessels, the Ship Inspection Organization (SIO) shall mark the words "Pure Natural Gas Engine" on the certificate of marine products for the vessels satisfying the Notice's standards of new-energy vessels; and when inspecting the building of vessels, the SIO shall mark the words "Vessel Powered by Pure Natural Gas" on the inspection certificate service book of vessels having the certificate of marine products marked with the words "Pure Natural Gas Engine" for its main propulsion unit. For a vessel using the main propulsion unit without marking the words "Pure Natural Gas Engine", the vessel owner or manager shall, when deeming it meets the Notice's standards for new-energy vessels, file to the SIO for approval application during the annual ship inspection, submit supporting materials, and be responsible for the authenticity of the information. The SIO shall, through reviewing the materials and on-site inspection, verify its authenticity, and mark the words "Vessel Powered by Pure Natural Gas" on the inspection certificate service book for vessels that meet the Notice's standards. Taxpayers shall enjoy the vehicle and vessel tax exemption by virtue of the ship inspection certificate marked with the words "Vessel Powered by Pure Natural Gas"". Therefore, new-energy vessels can enjoy exemption from vehicle and vessel tax as long as they meet the above requirements.

B. If so, please describe how incentivizing the creation of new fishing vessels is not contributing to fishing overcapacity.

Reply:

The answer to Question A is "no", so there is no need to answer this question.

C. China indicates that eligibility is limited to the "new energy vehicles that are listed in the Catalogue of the Models of New Energy Vehicles Exempted from Vehicle Purchase Tax." What new energy vehicles that are manufactured outside of China are included in the Catalogue of the Models of New Energy Vehicles Exempted from Vehicle Purchase Tax?

Reply:

According to preliminary statistics, nearly 100 imported foreign brands, such as Audi, BMW, Porsche, Volkswagen, Chrysler, Tesla and Cherokee, had been included in the *"Catalogue of the Models of New Energy Vehicles Exempted from Vehicle Purchase Tax"* as of the end of 2023.

Question 3

A. As noted in past submissions, China's subsidy notification appears to over-report inconsequential subsidy programs that need not be notified, and China's responses to these inquiries in the past have been largely nonresponsive and/or inadequate. Given that the following programs appear generally available to all enterprises, why does China believe that Central Government Programs 21, 22, 23, 24, 25, 26, 59, and 63 – programs benefiting enterprises employing the handicapped or disabled or benefitting the aforementioned classes of people directly, or subsidizing medicine to combat HIV-AIDS and cancer, or medicine for orphans – are specific under Article 2 of the Subsidies Agreement?

Reply:

China included the above-mentioned policies in the subsidy notification based on its understanding of the *SCM Agreement*. During this notification period, considering that the above-mentioned policies are still being implemented, in order to avoid misunderstandings and to share China's policies in promoting inclusive trade development, China continued notifying the above-mentioned policies. Moreover, we note that the U.S. indicates at the very beginning of its own subsidy notification that "The United States has included certain activities in this notification which arguably are not (or are not always) 'specific subsidies' within the meaning of the Agreement". China suggests the U.S. adopt a coherent position on the scope of subsidy notification.

Question 4

A. As noted in previous years, under Central Government Program 27 (Preferential tax policies for farming, forest, animal husbandry and fishery product projects), distant water fishing enterprises are completely exempt from income tax. Is that correct?

Reply:

The income obtained from distant water fishing business by distant water fishing enterprises that have obtained the "Qualification Certificate for Distant Water Fishing Enterprises" issued by Ministry of Agriculture and Rural Affairs (MARA) and are within its validity period shall be exempt from corporate income tax, but not all income of distant water fishing enterprises is completely exempt from income tax.

Question 5

A. China invests in various sectors by having government guidance funds that are majority state-owned purchase equity in Chinese enterprises. Pursuant to National Development and Reform Commission 2019 Document 1638, these investments must comply with China's national industrial policies, among other policies. Moreover, a report on below-market financing by the Organization for Economic Cooperation and Development (OECD) concluded that many of the government equity investments made by government guidance funds have not generated a return at a level consistent with the expectations of a private investor.

In light of these facts, why has China not notified the following government guidance funds: (1) National IC Fund; (2) Advanced Manufacturing Industry Investment Fund; (3) Strategic Emerging Industries Guidance Fund; and (4) National IC Fund, Phase 2?

Reply:

1. According to relevant documents of China, government investment funds (rather than government guidance funds) refer to funds arranged by the governments at all levels through their budgets and created by the governments solely or jointly with social capital for the purposes of, in such a market-oriented way as equity investment, directing various social capital to invest in the key fields and weak links of economic and social development and supporting the development of relevant industries and fields. The fundraising, investment, post-investment management,

liquidation and exit of a government investment fund shall be operated under the market-oriented principle. (https://www.gov.cn/gongbao/content/2016/content_5051233.htm). Therefore, saying that "China invests in various sectors by having government guidance funds that are majority state-owned purchase equity in Chinese enterprises" is wrong in the first place.

2. The description of this question seems to be based on the OECD Report, which suggests that China's government investment funds constitute subsidies. China is not a member country of OECD, and the relevant research reports of OECD do not consult with China. China does not recognize these reports. According to China's preliminary research, the OECD report has obvious problems in terms of methodology and data, lacking objectivity, impartiality, and accuracy. Specifically, in terms of methodology, the OECD report did not explain how it calculates the interest rate spread "excluding government guarantees", resulting in over 90% of Chinese corporate having loan interest rates lower than the so-called "market" benchmark, while over 90% of OECD countries have corporate loan interest rates higher than the market benchmark, which are obviously against market definitions and basic common sense. In terms of data sources, the OECD Report is mainly based on "other income" in the financial reports of listed companies, and the coverage of "other income" is much larger than that of "subsidy" defined by WTO. To sum up, it is untenable to conclude that government investment funds constitute subsidies based on the OECD Report.

3. Regarding the operation of China's government investment fund, the Chinese side clarified again that the fund is established in accordance with laws like the *Company Law of the People's Republic of China*, and a market-oriented fund governance structure is established based on the law. The government, together with other investors, participates in the contribution to the fund and shares the investment return brought by the fund. The fund is operated in a market-oriented manner and is an independent market entity. The government does not interfere with the daily management and operation of the fund. Therefore, the projects invested by government investment funds are the result of the market-oriented decision-making of relevant fund management companies and they are not subsidies.

Question 6

A. Why is China notifying a program that provides subsidies to "registered poor people" (Central Government Program 38 Promoting entrepreneurship and employment of key groups)?

Reply:

Please refer to the replies to Question 3.

Question 7

A. Are the benefits under Central Government Program 48 and Anhui Province Program 1, both for "development of international economy and trade," provided by the same program funding?

Reply:

The Special Funds for Development of International Economy and Trade are arranged through the central general public budget to support the high-quality development of foreign trade and economic cooperation. The fund at sub-central level are transfer payments through central budget.

B. Are the benefits provided under these programs linked to exports? If not, please explain in greater detail the criteria for evaluating eligibility for the program?

Reply:

The Negative List for the Use of Special Funds for Development of International Economy and Trade requires that funds shall not be used for prohibited subsidies that violate WTO rules, shall not be used contingent to export performance. The scope of support includes guiding the coordinated development of import and export, improving the level of international two-way investment, and

improving the public service system in foreign trade and economic cooperation. Projects or enterprises that meet the scope of support can apply for the funds.

Question 8

A. What types of industries receive benefits under Central Government Program 46 Fund for Energy Conservation and Emission Reduction?

B. Is this program limited to certain high-polluting industries, and if so, which industries?

Reply:

Reply to A-B: The scope of support for energy conservation and emission reduction includes the basic capacity building and construction for public platforms, comprehensive demonstration of fiscal policies for energy conservation and emission reduction, energy conservation and emission reduction in key areas, industries and regions, demonstration, promotion, transformation and upgrading of key technologies for energy conservation and emission reduction.

Question 9

A. China reported that "project cities" are recipients of benefits under Central Program 47 (Fund for Air Pollution Control). Does this mean that government bodies are receiving funds under this program, or are enterprises or industries receiving funds?

B. If enterprises or industries are receiving funds under this program, please explain what types of industries or enterprises receive benefits under this program.

Reply:

Reply to A-B: Funds for air pollution control are allocated by the project method and factor method, and the cities for winter clean energy heating projects in northern China are selected through competitive evaluation. The funds are mainly used for project renovation and operating subsidies in rural areas, of which the project renovation funds are mainly used to subsidize local governments to support the specific implementation of clean energy heating project renovation. Subsidies for operation in rural areas are mainly provided to residents of "coal-to-gas" and "coal-to-electricity" projects in relevant areas. The "project cities" shall formulate specific technical routes for renovation according to the relevant national requirements on clean energy heating. Clean energy heating can be achieved through electricity, natural gas, geothermal energy, biomass energy, combined heat and power generation, centralized heating, etc., and the energy conservation renovation of existing buildings can be promoted. Enterprises or industries involved in the above work indirectly accept financial support for clean energy heating projects.

Question 10

A. Under Central Government Program 49 (Special fund for the development of clean energy), China notified that certain users of natural gas and hydro-power were recipients of benefits. What types of industries receive benefits under this program?

Reply:

Benefits can be received by enterprises that carry out efficiency improvement and capacity expansion transformation of rural hydropower, as well as the development and utilization of unconventional natural gas such as coalbed methane (coal mine gas), shale gas and tight gas. For relevant information, please refer to:

http://jjs.mof.gov.cn/zhengcefaqui/202006/t20200630_3540905.htm

Question 11

A. Under Central Government Program 50 (Additional subsidy for renewable energy tariffs), China merely noted that "grid enterprises" are recipients of benefits. Can China explain further what types of industries or enterprises receive benefits under this program?

Reply:

The funds are mainly used to promote the development of renewable energy, involving industries such as wind power, solar power generation, and biomass power generation.

Question 12

A. What type of commercial enterprises are being subsidized under Central Government Program 60 (Preferential tax treatment for relocation from inhospitable areas for poverty alleviation)?

Reply:

In November 2018, the Ministry of Finance and the State Taxation Administration jointly issued the *Notice on Preferential Tax Policies for Poverty Alleviation and Relocation Projects* (CS [2018] No.135), which clarifies that from January 1, 2018 to December 31, 2020, the implementation entities of poverty alleviation and relocation projects (hereinafter referred to as "project implementation entities") shall be exempted from deed tax and stamp duty on land obtained for construction and resettlement housing; stamp tax that should be paid by project implementation entities and project units in the process of resettlement housing construction and distribution shall be exempted; land for resettlement housing shall be exempted from urban land use tax. Among them, the information on poverty alleviation and relocation projects, project implementation entities, impoverished populations of poverty alleviation and relocation and relevant resettlement housing shall be determined by the competent department of poverty alleviation and relocation at the county level, which shall provide the above information to the tax authorities at the same level promptly. In March 2021, the Ministry of Finance and the State Taxation Administration jointly issued an *Announcement on Extending the Implementation Period of Certain Preferential Tax Policies* ([2021] No. 6), which extended the implementation period of preferential tax policies stipulated in CS [2018] No. 135 to December 31, 2025.

The poverty alleviation and relocation projects and project implementation entities are the main beneficiaries of this above-mentioned preferential deed tax, stamp duty and urban land use tax policies.

Question 13

A. Please explain how Central Government Programs 68 and 69 are not contributing to the creation of new overcapacity in the fishing industry?

Reply:

Since 2021, China has implemented a new round of support policies for fishery development. Subsidy funds for fishery development mainly focus on fishery resource conservation, key projects included in national planning, and the renovation of facilities and equipment to promote fishery safety production. Other general purpose transfer payments for fishery development mainly support local governments to coordinate and promote the high-quality development of fishery in its region, which is mainly used for offshore fishermen's ship reduction and conversion, green development of the aquaculture industry, fishery resource conservation, etc.

B. How does Central Government Program 68 differ from the "Subsidy fund for fishery development and the scrapping, dismantling and renovating of vessels" program that expired December 31, 2019?

Reply:

The subsidy funds for fishery development support the construction of national marine ranching, modern fishery equipment and facilities, fishery infrastructure public facilities, green circular development of fishery, survey and fishery resource conservation and improvement of international performance capacity, with more focus on fishery resource conservation and sustainable development of fishery.

C. Can you confirm that the fifth key aspect for allocation of funding under Central Government Program 68 includes "basic resource factors" such as the number of distant water vessels and their tonnage? How does subsidizing based on the number of distant-water fishing vessels "Reduce the intensity of offshore fishing" or any of the other listed policy objectives?

Reply:

The funds for the survey and fishery resource conservation and improvement of international performance capacity are calculated according to basic resource factors (40%) and policy task factors (60%). Basic resource factors include the number of distant water fishing vessels and their tonnage. Policy task factors include the number of fishing vessels that have perform in compliance with international conventions, the base number of fishing vessels, and the number of fishery resources survey, monitoring and evaluation stations.

The survey and fishery resource conservation and improvement of international performance capacity focus on supporting distant water fishing vessels that implement international conventions to conserve international fishery resources, guiding the rational use of marine fishery resources, and supporting the investigation and monitoring of fishery resources.

Question 14

A. What types of industries or enterprises receive benefits under Beijing Municipality Programs 1, 2, 3, and 8?

Reply:

Enterprises scrapping or transferring high-emission old vehicles out of the city, enterprises with medical waste disposal qualifications and advanced low-carbon technology application units can receive benefits under Beijing Municipality Program 1 (energy conservation and emission reduction as well as environmental protection funds).

The subsidy objects of Beijing Municipality Program 2 (subsidy funds for new energy passenger cars) are the consumers of new energy passenger cars.

Enterprises whose charging facilities comply with relevant national and local standards and regulations, whose business licenses include construction and operation of charging facilities and sales of motor vehicle charging, who have charging safety liability insurance and signed a safety production management agreement, and whose charging facilities are connected to the municipal facility management platform and meet the power access requirements, can receive benefits under Beijing Municipality Program 3 (funds for the construction of electric vehicle charging infrastructure).

Beijing Municipality Program 4 (support funds for green development) supports the green development of economic and technological development zones, promotes pollution reduction, energy conservation and carbon reduction, and eligible enterprises in the zones.

Question 15

A. Were the companies that benefitted from Beijing Municipality Program 6 state-owned enterprises? If not, please explain which enterprises benefitted from the program during the period covered by China's notification.

Reply:

Enterprises listed on the domestic main board, sci-tech innovation board, growth enterprise market, etc. as per the *Measures of Beijing Municipality for the Administration of Municipal Subsidy Funds for the Listing of Enterprises* (JCJR [2018] No. 2347) can receive subsidy funds after being reviewed and approved by the competent department. The companies benefitted are not limited to the ownership nature of enterprises.

Question 16**A. Are any of the benefits provided under Beijing Municipality Program 10 for enhancing "international business capabilities" linked to exports?**Reply:

The support provided by this program is aimed at enhancing enterprises' international business capability and is not directly related to exports.

B. If not, please explain any criteria for eligibility for the program in greater detail.Reply:

The Program supports 15 types of enterprise projects and group projects for enterprise training, such as enterprises' participation in international exhibitions, management system certification, product certification, overseas patent application, trademark registration, overseas advertising, international market promotion, foreign trade software cloud services and other information construction, international market investigation (expenses for exhibitors at international exhibitions), overseas bidding (negotiation) tendering, improvement of the informatization level of operation and management, improvement of the scientific decision-making level of operation and management, improvement of financing services, online international exhibitions, authorized use of "three identical" ("identical line, identical standard, identical quality") product logos.

Question 17**A. Under Beijing Municipality Program 11, what are considered "cutting-edge industries"?**Reply:

Cutting-edge industries focus on innovation-driven, digital empowerment, green and low-carbon development. They are an industrial cluster led by technology-intensive industries, supported by efficiency-and-benefit-leading industries, with digital technologies extension and integration as the business format, and featuring green, low carbon and energy conservation.

Question 18**A. What types of industries or enterprises receive benefits under Anhui Province Program 2?**Reply:

Industrial enterprises (excluding Zongyang Conch Company) with independent legal person status that are registered in Zongyang County, pay taxes locally according to law, organize the implementation of the application project within the county and include it in the statistical scope, as well as R&D institutions and public service institutions established according to law that directly serve the industrial economy, are all included in the scope of special fund support. The Program applies to both foreign-invested and domestic enterprises, as well as foreign trade and domestic trade enterprises.

Question 19

A. For the Shaanxi Province Program 5 (Fund for New Energy Vehicle Promotion and Application Projects) and the Qingdao City of Shandong Province Program 1 (Fund for Promotion and Application of New Energy Vehicles), are certain models and/or brands of electric vehicles only eligible for these subsidies or are the subsidies widely available?

Reply:

It is not limited to specific model or brand.

B. If eligibility for either of these subsidies is limited, please elaborate on how and/or whom it is limited to.

Reply:

Subsidies are provided to buyers of eligible new energy vehicles according to the technical standards such as driving range, power consumption and energy density of battery system, etc.

Question 20

A. For Gansu Province Programs 5, 7, and 9, please elaborate on what makes an enterprise eligible for these three programs.

Reply:

In the *Several Measures of Baiyin City to Support Science and Technology Innovation and Promote High-Quality Development* (SWBF [2022] No. 34) of Gansu Province Program 5 and the *Opinions on Further Stimulating Innovation Vitality, Strengthening Science and Technology Guidance and Accelerating the Construction of Innovative Pingliang* (PBF [2021] No. 46) of Gansu Province Program 9, according to the stipulation of *Measures for the Administration of the Recognition of High-Tech Enterprises* (GKFH [2016] No. 32), eligible enterprises refer to resident enterprises registered within China that continue to conduct research and development, transform technological achievements, form intellectual property rights of enterprises, and carry out business activities based on this within the *High-tech Fields Supported by the State*.

According to the *Implementation Plan for Strengthening Science and Technology in Wuwei (2022-2025)* (WBF [2022] No. 36) of Gansu Province Program 7, eligible enterprises are state-recognized high-tech enterprises, provincial science and technology innovation enterprises and technological innovation demonstration enterprises. The high-tech enterprises recognized by China refer to those recognized following the *Measures for the Administration of the Recognition of High-Tech Enterprises* (GKFH [2016] No. 32).

B. To the extent that that only "high-tech" enterprises are eligible, can China please further explain how "high-tech" is defined for purposes of each program and whether these programs are limited to certain "high-tech" industries and/or enterprises?

Reply:

"High-tech" in Gansu Province Programs 5, 7 and 9 refers to the *High-Tech Fields Supported by the State* stipulated in the *Measures for the Administration of the Recognition of High-tech Enterprises* (GKFH [2016] No. 32). Please refer to Reply under Question No. 1A.

There are no further specific limitations for industries or enterprises on Gansu Province Programs 5 and 7. The industries in Gansu Province Program 9 refer to the manufacturing industries with relatively high R&D input intensity in national economic industries according to the *High-Tech Industry (Manufacturing Industry) Classification* (2017) issued by the National Bureau of Statistics, including 6 categories, i.e. pharmaceutical manufacturing, aviation and spacecraft equipment manufacturing, electronic and communication equipment manufacturing, computer and office

equipment manufacturing, medical instruments and apparatus manufacturing, information chemicals manufacturing.

Question 21

A. For Xiamen City of Fujian Province Program 1, please explain how this program is not contributing to fishing or fishing-related activities that lead to the creation of new overcapacity or overfishing in the fishing industry.

Reply:

The program is aimed at the transformation and industrialization of marine scientific and technological achievements, tackling technical bottlenecks and key problems in the marine industry, public service platforms and other types of projects, which will not lead to overcapacity or overfishing in the fishery industry.

Question 22

A. For the Xiamen City of Fujian Province Program 2, please elaborate on what makes integrated circuit (IC) enterprises eligible for this subsidy. Is eligibility based on a certain chip size or the type of IC an IC enterprise produces?

Reply:

Relevant enterprise qualifications: Enterprises with independent legal person status and fixed place of business, specializing in the design, manufacturing, package testing, production and R&D of equipment and materials in the integrated circuit field (including but not limited to BDA tools, DP, logic circuits, analog/power circuits, memories, characteristic process semiconductors, wide bandgap semiconductors, MEMS and intelligent sensors, basic electronic components, Mini/Micro LBD, OLED, laser indication, etc.). The subsidy is mainly for the financing guarantee, scientific research support, production and operation involved in the operation of enterprises. Certain preferential policies are introduced to reduce the upfront cost of enterprises and promote the development of regional integrated circuit industry clusters.

This program is not based on a certain chip size or the type of integrated circuit (IC) an IC enterprise produces, and it is an industry-wide inclusive benefit.

Question 23

A. For the Shenzhen City of Guangdong Province Program 4, please elaborate on what it is meant by "units" being eligible for this subsidy as opposed to "enterprises." Further, please explain what types of industries or enterprises benefit from this subsidy. Is this program limited to certain industries?

According to the *Measures of the Management of Yantian District*, the fund application objects include enterprises, private non-enterprise units, social organizations, government organs and public institutions and individuals. The "units" eligible for the fund refer to the private non-enterprise units, government organs and public institutions that meet the relevant application conditions in the *Measures of the Management of Yantian District*. From the actual situation of supported projects, enterprises supported by this program involve multiple industries including solar power, logistics and pharmaceutical industries. The supported objects and industries are inclusive and extensive, and not limited to individual industries.

Question 24

A. For the Xinjiang Uygur Autonomous Region Program 1, please specify which eligible industries constitute "strategic emerging industries" in this region.

Reply:

According to the *Classification of Strategic Emerging Industries (2018)* issued by the National Bureau of Statistics, strategic emerging industries include 9 categories, i.e. new-generation information technology, new energy, new materials, biotechnology, high-end equipment manufacturing, new energy vehicles, energy conservation and environmental protection, digital creativity, and related service industries.

Question 25

A. For the Shenzhen City of Guangdong Province Programs 6 and 7, are the funds targeted at certain industries with heavy pollution (e.g., steel)? If so, please specify which industries.

Reply:

Shenzhen City of Guangdong Province Programs 6 and 7 are not funds targeted at certain industries with heavy pollution (e.g., steel).

Program 6 (according to the *Detailed Rules for the Implementation of Longhua District*) mainly supports programs with energy conservation and emission reduction benefits, such as new energy charging infrastructure and new energy development and utilization. From the actual situation of supported projects, heavy pollution industries such as steel are not involved.

Program 7 (according to the *Measures for the Administration of Guangming District*) mainly supports technological transformation, industrialization and promotion, subject exhibitions, and energy management platform projects in the fields of energy conservation and circular economy. From the actual situation of supported programs, the supported industries involve many industries and fields such as electronic devices, optical instruments, dairy products, biological pharmaceutical products, paper products, sewage treatment and recycling, information technology consulting services, etc. There are no steel industry enterprises in this district, so there are no heavy pollution industries such as steel supported by this program.

Question 26

A. Please explain how "green and high-quality development" is defined for purposes of Fujian Province Programs 1, 2, and 4.

Reply:

The green and high-quality development involved in the above programs mainly refers to the coordinated, mutually reinforcing and integrated development of economic and social development and ecological environment protection through carrying out basic scientific research and development of green fishery aquaculture, evaluation of the effect of aquatic organism proliferation and releasing, rescue of aquatic wild animals and other projects.

Question 27

A. Under Fujian Province Program 3 (Special Fund for Marine Economic Development), what sort of industries, projects, and activities are targeted by this program? Please explain how the fund is not contributing to fishing or fishing-related activities that lead to the creation of new overcapacity or overfishing in the fishing industry.

Reply:

According to the *Measures for the Administration of Special Fund for Marine Economic Development in Fujian Province*, the special funds are divided into the part transferred to lower levels and those retained in the province.

The part transferred to lower levels is used as a special fund for the construction of demonstration counties for marine industry development to support projects related to the construction of marine

fishery public service system, innovation of marine fishery economic management system and promotion of comprehensive environmental improvement in aquaculture areas; marine fishery enterprises and institutions implement fishery transformation and upgrading projects such as innovative development of seed industry; village-level organizations organize infrastructure, public services and industrial projects for beautiful fishing villages. The part retained by the province is used to support projects declared by the Central People's Government stationed in Fujian and provincial institutions, also support the development and application of key technologies in the marine industry and build smart oceans. The objects and contents supported by special funds will not lead to the creation of new overcapacity or overfishing in the fishing industry.

Question 28

A. Under Shandong Province Program 3 (Subsidy for Offshore Wind and Floating Offshore Photovoltaic Projects), who is constructing these offshore wind power projects? Are the enterprises that benefit from this program state-owned enterprises? If not, please explain who the recipients of this program are.

Reply:

Regarding offshore wind power projects: offshore wind power projects completed and connected to the grid from 2022 to 2024. According to the ownership of the sea area where the project is located, the willingness of enterprises to cooperate and other conditions, related leading development enterprises may solely or establish investment consortia to develop and construct these projects. The established investment consortium consists of state-owned enterprises, private enterprises, etc. For example, Yantai Laizhou Offshore Wind Power and Marine Ranch Co-development Research and Experimental Project was jointly developed and constructed by CGN New Energy Holdings Co., Ltd. and Laizhou Blue Marine Environment Technology Co., Ltd. Huaneng Offshore Wind Power Project at the North BW Site of Shandong Peninsula was jointly constructed by China Huaneng Group Co., Ltd. and Yantai Wanhua Chemical International Co., Ltd.

Regarding biomass power generation: non-competitive configuration projects with all units connected to the grid but not yet included in the scope of subsidies of Central People's Government from January 20, 2020 (inclusive) to December 31, 2021 (inclusive); competitive configuration projects approved and under construction before the end of 2021 and with all units connected to the grid before June 30, 2023 (inclusive).

Question 29

A. For Shandong Province Program 4 (Subsidy for Biomass Power Projects), please explain what constitutes a biomass power project and which "eligible enterprises" are involved in their development.

Reply:

The biomass power generation project is a type of renewable energy generation project, which utilizes biomass energy to generate electricity. It mainly includes agricultural and forestry biomass power generation, waste incineration power generation and biogas power generation. According to relevant regulations, subsidy funds for all grid-connected projects of units after September 11, 2020 (inclusive) should be shared between central and local people's governments. The subsidy targets in biomass power generation include non-competitive configuration projects with all units connected to the grid but not yet included in the scope of subsidies of Central People's Government from January 20, 2020 (inclusive) to December 31, 2021 (inclusive); competitive configuration projects approved and under construction before the end of 2021 and with all units connected to the grid before June 30, 2023 (inclusive). From 2021 to 2022, a total of 34 biomass power generation projects are planned to be included in the list of subsidy projects in Shandong Province.

Question 30

A. For Shandong Province Program 8 (Reward and Subsidy for Restructuring of High Energy-Consuming Industries), please specify which "eligible enterprises" constitute "high energy-consuming industries."

Reply:

Specific subsidized enterprises have been shut down.

Question 31

A. For Henan Province Program 3 (Fund for Energy Conservation and Emission Reduction), are the funds targeted at certain industries with heavy pollution (e.g., steel)? If so, please specify which industries are eligible for these grants.

Reply:

The funds are mainly used for comprehensive energy-saving renovation of public institutions at the provincial level, the construction of venous industrial parks in cities and counties, the construction of energy-saving and environmental protection demonstration bases and the circular transformation of industrial clusters. It is not targeted at heavily polluting industries, e.g. steel.

Question 32

A. What type of commercial enterprises are being subsidized under Hubei Province Program 1 (Special Fund to Alleviate Poverty)? If no commercial enterprises receive subsidies under this program, why is a program provided to "poverty-stricken" communities included in the notification?

Reply:

The fund is mainly used to support targeted poverty alleviation, targeted difficulty relief, provincial targeted poverty alleviation transfer payments for rural subsistence allowance, and provincial integrated agricultural development projects in contiguous poverty-stricken areas. It focuses on cultivating and strengthening characteristic industries in poverty-stricken areas (technical support and personnel training, publicity and promotion of agricultural industries), improving the conditions of small-scale public welfare production and living facilities (improving agricultural irrigation, road hardening and dangerous house renovation in poverty-stricken areas), enhancing the self-development and risk resistance ability of the impoverished population, and using the poverty alleviation fund based on household policies and local conditions. The program clearly prohibits poverty alleviation funds from being used to "compensate for enterprises' losses".

Question 33

A. For Hunan Province Program 1 (Special Fund for Promotion and Application of New Energy Vehicles), what constitutes an eligible enterprise? Is eligibility contingent on exportation of new energy vehicles?

Reply:

The Program involves the following four situations:

1. The targets of the purchase subsidy fund are consumers. When selling new energy vehicle products, new energy vehicle manufacturers or sellers shall make settlement with the consumers based on the prices after subsidies are deducted.
2. The fund for promotion and subsidy of "green public transportation" is targeted at local governments of 14 cities, prefectures and pilot counties. The fund is coordinated for the promotion of new energy vehicles, charging infrastructure and related supporting facilities.
3. The provincial award and subsidy funds for industrial development are distributed to new energy vehicle enterprises, automotive battery producers and operating enterprises focusing on promoting new energy vehicles. Reward funds are used by these enterprises for advancing technological transformation, promoting active innovation, enhancing technology and reducing costs; urging operating enterprises to actively develop new centralized promotion models, such as hourly leasing, specialized vehicle operation and taxi operation.

4. The fund for construction and operation of charging (swapping) infrastructure is targeted at provincial party and government agencies and municipal and prefectural governments (not duplicated) and can be used to reward owners and operators of charging (swapping) infrastructure within the province.

The above policies do not involve the export of new energy vehicles. For specific information, please refer to:

http://www.hunan.gov.cn/szf/hnzb/2016/2016nd20q/szfbmwj_98782/201611/t20161104_4701686.html.

Question 34

A. For Guangxi Zhuang Autonomous Region Program 3 (Subsidy for Charging Infrastructure and Supporting Operation Services for New Energy Vehicles), does the construction and operation of charging piles and charging sockets result in an exportable good or service? Please explain which industries are involved in these activities.

Reply:

The scope of this Program is: construction and operation subsidies for charging piles and sockets built and put into operation in Guangxi Autonomous Region from October 1, 2019 to December 31, 2020 and providing public services to the society, with the subsidy period from October 1, 2019 to September 30, 2022; the subsidy targets are charging infrastructure construction organizations (enterprises) and operation organizations (enterprises), involving such industries as transportation, logistics, electricity, energy services, automobile sales and maintenance, cultural tourism and property services. Therefore, this Program is only applicable to the organizations (enterprises) established and put into operation and providing public services in Guangxi, not result in exportable goods or services.

Question 35

A. For Sichuan Province Program 12 (Fund for Energy Conservation Emission Reduction and Low Carbon Development), please explain which industries are eligible for this program, and what constitutes "low carbon development."

Reply:

Low carbon development is a sustainable development model characterized by low energy consumption, low pollution and low emissions. It is of great significance to sustainable development of the economy and the society. It is mainly to reduce resource consumption and environmental pollution, and protect and restore the ecology through green and low-carbon transformation of production and lifestyle, so as to reduce carbon dioxide emissions and promote economic and social development.

Question 36

A. For the program entitled "Preferential tax policies for enterprises transferring technology," (Central Government Program 5) how does an enterprise demonstrate the transferring of technology to become eligible for the subsidy?

Reply:

At present, enterprises enjoy the preferential treatment of enterprise income tax for technology transfer through the method of "self-discrimination, enjoyment declaration and retention of relevant information for future reference". Enterprises should judge whether they meet the conditions for preferential treatment based on their business situation and relevant tax regulations. The eligible enterprises should enjoy preferential taxes by filling out the enterprise income tax declaration form according to regulations.

B. What forms of technology transfer are eligible for the subsidy?

Reply:

The preferential corporate income tax policies may be applicable for the incomes obtained by residents and enterprises when transferring the ownership of their technologies within the prescribed scope, global exclusive licensing rights for more than 5 years (inclusive) and global non-exclusive licensing rights for more than 5 years (inclusive).

C. Are there limitations on what types of enterprises may receive the transferred technology?

Reply:

The preferential corporate income tax policies may be applicable for the incomes obtained by residents and enterprises when transferring the ownership of their technologies within the prescribed scope, global exclusive licensing rights for more than 5 years (inclusive) and global non-exclusive licensing rights for more than 5 years (inclusive).

Question 37**A. What advanced technology service enterprises are eligible for the program entitled "Preferential tax policies for advanced technology service enterprises" (Central Government Program 8)?**

Reply:

Advanced technology service enterprises eligible for "preferential tax policies for advanced technology service enterprises" must meet the following conditions:

- (1) Corporate enterprises registered within China;
- (2) Engage in one or more of advanced technology service businesses listed in the Scope of Accreditation for Technologically Advanced Service Business (Trial), adopting advanced technologies or having powerful research and development capabilities;
- (3) Employees with college degrees or above account for more than 50% of total number of employees in the enterprise;
- (4) The income from advanced technology services listed in the Scope of Accreditation for Technologically Advanced Service Business (Trial) accounts for more than 50% of total income of the enterprise for the year;
- (5) The income from offshore service outsourcing must not be less than 35% of total income of the enterprise for the year. The income from offshore service outsourcing refers to the income obtained by the enterprise from the overseas organizations by rendering the services of information technology outsourcing (ITO), business process outsourcing (BPO) and knowledge process outsourcing (KPO) specified in the Scope of Accreditation for Technologically Advanced Service Business (Trial) to such overseas organizations through the enterprise itself or its directly subcontracted enterprises, in accordance with the commission contract signed with such overseas organizations.

In addition, the corporate income tax can be levied at a reduced rate of 15% for advanced technology service enterprises (services trade) recognized. Among them, the scope of advanced technology service business that enterprises must meet shall be in accordance with the Scope of Accreditation for Technologically Advanced Service Business (Services Trade), and other necessary conditions and recognition management matters shall be executed in accordance with the above conditions.

B. How is an "advanced technology service enterprise" defined for the purposes of this program?Reply:

Advanced technology service enterprises refer to the enterprises meeting the following conditions:

- (1) Corporate enterprises registered within China;
- (2) Engage in one or more of advanced technology service businesses listed in the Scope of Accreditation for Technologically Advanced Service Business (Trial), adopting advanced technologies or having powerful research and development capabilities;
- (3) Employees with college degrees or above account for more than 50% of total number of employees in the enterprise;
- (4) The income from advanced technology services listed in the Scope of Accreditation for Technologically Advanced Service Business (Trial) accounts for more than 50% of total income of the enterprise for the year;
- (5) The income from offshore service outsourcing must not be less than 35% of total income of the enterprise for the year. The income from offshore service outsourcing refers to the income obtained by the enterprise from the overseas organizations by rendering the services of information technology outsourcing (ITO), business process outsourcing (BPO) and knowledge process outsourcing (KPO) specified in the Scope of Accreditation for Technologically Advanced Service Business (Trial) to such overseas organizations through the enterprise itself or its directly subcontracted enterprises, in accordance with the commission contract signed with such overseas organizations.

In addition, the corporate income tax can be levied at a reduced rate of 15% for advanced technology service enterprises (services trade) recognized. Among them, the scope of advanced technology service business that enterprises must meet shall be in accordance with the Scope of Accreditation for Technologically Advanced Service Business (Services Trade), and other necessary conditions and recognition management matters shall be executed in accordance with the above conditions.

Question 38**A. For the program entitled "Preferential tax treatment for enterprises with comprehensive utilization of resources," (Central Government Program 11) what are the "resources specified in the Catalogue of Comprehensive Use of Resources for Preferential Enterprise Income Tax Treatment?"**Reply:

According to the *Announcement on Publication of the 'Catalogue for Enterprise Income Tax Preferences for Environmental Protection and Energy and Water Saving Programs (2021)' and the 'Catalogue of Comprehensive Use of Resources for Preferential Enterprise Income Tax Treatment (2021)'* issued by the Ministry of Finance, the enterprises engaged in comprehensive utilization of resources within the scope of the *Catalogue of Comprehensive Use of Resources for Preferential Enterprise Income Tax Treatment (2021)* can enjoy enterprise income tax preferential policies in accordance with policy regulations. Relevant catalogues can be found on the official website of the Ministry of Finance.

Question 39

A. We note that while China has made extensive use of municipal- and provincial-level subsidy programs to promote purchases of electric vehicles, these programs are not included in China's notification.³ Please provide a detailed description of all subsidies provided to producers of electric vehicles and all incentives to promote the purchase of electric vehicles in the following localities: (1) Beijing; (2) Shanghai; (3) Chongqing; (4) Fujian; and (5) Hunan.

Reply:

1. The subsidy notification of China truthfully reports the subsidy projects for new energy vehicles at the local level, such as Programs 2-5 of Beijing, Program 4 of Shanghai, Program 5 of Jiangsu, Program 1 of Hunan, Program 1 of Hainan and Program 5 of Shaanxi. Therefore, the wording of "these programs are not included in the notification of China" in this Question is inconsistent with the facts.

2. Local policies encouraging the purchase of electric vehicles, including relevant policies of Beijing cited in the questions of the United States, benefit consumers purchasing new energy vehicles, but are not directly used to subsidize enterprises. For example, the Implementation Rules for Promoting Automobile Consumption Subsidies in Shanghai (HFGGF [2022] No. 4) (<https://www.shanghai.gov.cn/202215qfxwj/20220827/64cc5fa61c664ada8dac05adae919a03.html>), which is an inclusive support measure and mainly aims at promoting the consumption of new energy vehicles and providing support to individual users. This type of policy is not specific and are not subject to notification requirements.

³ For example, information on the programs in Beijing are detailed in <http://bj.people.com.cn/n2/2023/0302/c14540-40321060.html>