



18 April 2024

(24-3237)

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Committee on Subsidies and Countervailing Measures

Original: English

SUBSIDIES

REPLIES TO QUESTIONS POSED BY CANADA¹ 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.

I. Subsidies at the Central Government Level

Question 1

Canada notes that China notified three subsidy programs at the central government level related to the fisheries sector:

- Program 27 – Preferential tax policies for farming, forest, animal husbandry and fishery product projects
- Program 68 – Subsidy Fund for Development of Fishery Industry
- Program 69 – Other general purpose transfer payment of fisheries

However, in China's 2021 subsidy notification³, China notified six other central government level programs related to the fisheries sector:

- Program 66 – Preferential tax policies for enterprises engage in project of agricultural, forestry, animal husbandry and fishery
- Program 67 – Fishery stocks enhancement and fish fries releasing
- Program 68 – Public Subsidy for the prevention of aquatic animal diseases
- Program 69 – Subsidy for fishery development and the scrapping, dismantling and renovating of vessels
- Program 70 – Subsidy for improved aquatic breed
- Program 71 – Subsidy for reform in tax and fee on refined oil (for fishery)

a. Do the additional programs China notified in their 2021 notification still exist?

Reply:

The specific contents of the Program 27 - "Preferential Tax Policies for Farming, Forest, Animal Husbandry and Fishery Product Projects" in this Notification are same as Program 66 - "Preferential Tax Policies for Enterprises Engage in Project of Agricultural, Forestry, Animal Husbandry and Fishery" in 2021 Notification. The Program 67 and Program 69 in 2021 Notification have now been integrated into the Program 68 in 2023 Notification. The Program 68 and Program 70 in 2021 Notification have coordinated as Program 69 in 2023 Notification. Program 71 in 2021 Notification is not in implementation.

¹ [G/SCM/Q2/CHN/126](#)

² [G/SCM/N/401/CHN](#)

³ [G/SCM/N/372/CHN](#)

Question 2

Did China provide any subsidies related to the COVID-19 pandemic at the central government level for the period covered by this notification?

Reply:

The Chinese Government has introduced a series of phased and inclusive tax incentives in response to the COVID-19 pandemic.

In terms of domestic tax policies, in 2020, in response to the COVID-19 pandemic, China timely introduced and implement a series of phased and targeted policies for tax cuts and fee reduction, gave tax incentives to the production and supply of key guarantee materials for pandemic prevention and control, gave tax exemptions to industries and enterprises that are greatly affected by the pandemic, and increased tax incentives for individual businesses and small and micro enterprises. In 2021, China further optimized and implemented policies for tax cuts and fee reduction, introduced new structural policies for tax cuts and fee reduction, strengthened support for small and micro enterprises and technological innovation, as well as classified, adjusted, and orderly abrogated phased policies introduced during the pandemic. In 2022, China implemented new combined tax support policies, adhering to a combination of phased measures and institutional arrangements, with equal emphasis on tax cuts and refund. On the one hand, China continued to implement the policies for tax cuts and fee reduction to support the manufacturing industry, small and micro enterprises, and individual businesses, and increased the scope of reduction and application. On the other hand, China implemented large-scale VAT retained tax refund.

In terms of import and export tax policies, in 2020, China introduced a tax policy for export of goods returned due to force majeure of the COVID-19 pandemic. For goods declared for export in 2020 and re transported into China in their original state within one year from the date of export due to force majeure of the COVID-19 pandemic, no import tax was levied, the collected export tariff was refunded, and the handled export rebate that has been processed was made up. This policy was implemented until December 31, 2021.

Question 3

Program 3 (*Preferential Tax Policies for High-Tech Enterprises*) specifies that support is provided to "enterprises recognized as high or new technology enterprises":

- a. Could China please indicate what criteria is used to categorize an enterprise as a "high or new technology enterprise"?**

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 core independent 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. Are there any other specific conditions attached to support under this program?**

Reply:

High-tech enterprises that meet the conditions at their own discretion can apply for and enjoy relevant preferential policies without any additional conditions.

Question 4**Regarding Program 13 (*Preferential VAT Treatment for New Type Wall Material Products*):**

- a. Could China please provide more information on the products supported by this program, including whether they are destined for residential or commercial uses?**

Reply:

"Notice of the Ministry of Finance and the State Taxation Administration on Value-Added Tax Policy for New-Type Wall Materials" (CS [2015] No. 73) (<https://www.chinatax.gov.cn/chinatax/n810341/n810765/n1465977/n1466037/c1810429/content.html>) specifies that taxpayers who sell self-produced new wall materials listed in the "Catalogue of New-Type Wall Materials Subject to the VAT Policy of Immediate Refund upon Payment" shall be subject to the VAT policy of immediately refunding 50% upon payment. Taxpayers selling self-produced new wall materials, whether for residential or commercial purposes, can apply for immediate refund upon payment according to regulations as long as they meet the other conditions listed in the Catalogue and documents.

Question 5**Regarding Program 31 (*Preferential Tax Policies on Backfilling Mining and Mining Resources of Depleted Mines*):**

- a. Could China please provide more details on the eligibility requirements associated with this program?**
- b. Could China indicate whether this program was renewed or replaced by a new program after August 31, 2023?**

Reply to a-b:

The "Resource Tax Law of the People's Republic of China" stipulates that "a 30% reduction shall be given to resource tax on mineral products exploited from mines at the stage of depletion". "Mines at the stage of depletion" means mines with a designed service life of more than 15 years, whose remaining recoverable reserves have dropped to less than 20% of the originally designed recoverable reserves or whose remaining service life is not more than five years. A mine at the stage of depletion shall be determined on the basis of a single mine subordinate to a mining enterprise.

"Announcement on Continuing the Implementation of Preferential Resource Tax Policies" formulated and issued by the Ministry of Finance and the State Taxation Administration ([2020] No. 32) (https://www.gov.cn/zhengce/zhengceku/2020-07/03/content_5524006.htm) stipulates that "From December 1, 2014 to August 31, 2023, for the coal replaced through cut and fill mining, the resource tax thereon shall be reduced by 50%".

The above preferential policies shall be implemented through the method of "self-determination, application for enjoyment, and retention of relevant materials for future inspection". Taxpayers are responsible for determining whether they meet the conditions for enjoying preferential policies and enjoy them after tax declaration, while retaining relevant materials for future inspection.

In August 2023, the Ministry of Finance and the State Taxation Administration printed and issued the "Announcement on Continuing the Preferential Policy of Lowering the Resource Tax on the Coal Replaced through Cut and Fill Mining" ([2023] No. 36) (https://www.gov.cn/zhengce/zhengceku/202309/content_6902065.htm), extending this preferential policy until December 31, 2027.

The above policies are stipulated in the "Resource Tax Law of the People's Republic of China" and are currently effective and have not been renewed or replaced.

Question 6

Regarding Program 46 (*Fund for Energy Conservation and Emission Reduction*):

- a. **What are the eligibility requirements associated with this program?**
- b. **Could China provide information on the maximum amount of funding available for an individual grant provided under this program?**

Reply to a-b:

The relevant content of "*Fund for Energy Conservation and Emission Reduction*" can be found on: https://www.mof.gov.cn/gkml/caizhengwengao/202001wg/202002wg/202005/t20200522_3518767.htm

https://www.gov.cn/zhengce/zhengceku/2023-04/24/content_5752916.htm.

The specific subsidy amount under this policy will be settled based on the actual situation.

Question 7

Program 54 (*Preferential Tax Treatment for Environmental Protection of Specific Mobile Pollution Sources*) indicates that support is provided to "taxpayers who own mobile pollution sources":

- a. **Could China please provide more information on the eligibility requirements to receive support under this program?**

Reply:

Article 12 (2) of the "*Environmental Protection Tax Law of the People's Republic of China*" stipulates that "The following circumstances shall be exempted from environmental protection tax for the time being: taxable pollutants are discharged from motor vehicles, railway locomotives, non-road mobile machineries, vessels, aircrafts and other mobile pollution sources.". This is mainly due to the fact that in China's current tax system, vehicle and vessel taxes, car excise duties are levied based on the exhaust emissions of automobiles, and finished oil excise duties are levied based on the capacity of gasoline and diesel, which reflects the role of tax regulation and economic compensation. Therefore, the Environmental Protection Tax Law stipulates that taxable pollutants discharged by automobiles and other mobile pollution sources shall be exempted from environmental protection tax for the time being.

Question 8

This question is in reference to the following programs:

- **Program 56 (*Preferential Tax Treatment on Environment Protection for Comprehensive Utilization of Solid Waste*)**
 - **Program 57 (*Preferential Environmental Protection Tax for Enterprises that are Below Pollutant Discharge Standards Prescribed*)**
- a. **Could China provide more details on the eligibility requirements of these programs, including with regard to the national and local environmental standards, and where can these standards can be found?**

Reply:

Article 12 of the "*Environmental Protection Tax Law of the People's Republic of China*" stipulates that "The following circumstances shall be exempted from environmental protection tax for the time being: the solid wastes comprehensively utilized by taxpayers comply with the national and local environmental protection standards"; Article 13 stipulates that "Where the concentration value of the taxable air pollutants or water pollutants discharged by a taxpayer is lower than 30% of the

pollutant discharge standards as prescribed by the state or the local area, the environmental protection tax thereon shall be collected at a reduced rate of 75%. Where the concentration value of the taxable air pollutants or water pollutants discharged by a taxpayer is lower than 50% of the pollutant discharge standards as prescribed by the state or the local area, the environmental protection tax thereon shall be collected at a reduced rate of 50%". The specific discharge standards can be found on the official website of the Ministry of Ecology and Environment of the People's Republic of China (<https://www.mee.gov.cn/ywqz/fqgz/bz/>).

Question 9

The following question is in reference to programs entailing exemptions from China's "environmental protection tax", namely:

- **Program 53 (Preferential tax treatment on environmental protection in agricultural production (excluding large-scale breeding))**
 - **Program 54 (Preferential Tax Treatment for Environmental Protection of Specific Mobile Pollution Sources)**
 - **Program 55 (Preferential tax treatment for environmental protection in urban and rural centralized sewage treatment and domestic waste treatment plants)**
 - **Program 56 (Preferential Tax Treatment on Environment Protection for Comprehensive Utilization of Solid Waste)**
 - **Program 57 (Preferential Environmental Protection Tax for Enterprises that are Below Pollutant Discharge Standards Prescribed)**
- a. **Can China please indicate if these tax exemptions are applied automatically or if enterprises have to request them? If the latter, what is the process?**

Reply:

The "Project Cities" here refer to the cities where the central government supports clean heating projects in the northern region. Through the central government's special transfer payments to local governments, the local government accepts the project funds, and enterprises or industries will not directly receive support from the project funds. 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 may indirectly accept financial support for clean heating projects.

For the above preferential policies, taxpayers are responsible for determining whether they meet the conditions for enjoying preferential policies and enjoy them after tax declaration, while retaining relevant materials for future inspection.

II. Subsidies at the Sub-Central Government Level

Question 10

The following question is in reference to programs related to "electric vehicles", namely:

- **Beijing Municipality Program 1.3 (*Fund for Construction of Charging Infrastructures of Electric Vehicles*)**
 - **Tianjin Municipality Program 2.10 (*Special funds for electricity demand-side management*)**
- a. **What requirements must be met in order for an "enterprise" to be considered eligible to receive a grant or reward under these programs?**

Reply:

Beijing Municipality Program 3: 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 Policy 3 (*Fund for Construction of Charging Infrastructures of Electric Vehicles*).

Tianjin Municipality Program 10: Tianjin special funds for electricity demand-side management 2021 to 2023 is mainly be used to carry out electricity demand response activities during peak and valley periods in Tianjin, in order to balance electricity supply and ensure electricity safety during peak and valley periods. According to the Implementation Rules for Power Demand Response in Tianjin from 2021 to 2023, enterprises participating in power demand response must meet the following conditions: firstly, the power user located within the administrative scope of Tianjin and submit an application for participation in power demand response; secondly, during the execution period, the actual daily response volume on the demand response date is greater than or equal to 50% of the daily declaration volume; thirdly, after the completion of the demand response execution, submit the supporting materials such as the confirmation form of the demand response evaluation results and the account stubs of non-budget units. Enterprises that meet the above conditions are considered eligible to receive electricity demand response grant.

Question 11

Regarding Shanxi Province Program 4.1 (*Fund for Fishery Resources Conservation*):

- a. **What "business entities" are considered eligible under this program?**

Reply:

The expenditure on fishery resource conservation is mainly used to support the proliferation and release of fisheries. It supports the proliferation and release in large rivers, lakes, and reservoirs with watershed characteristics, such as the Yellow River, Fen River, Wuxing Lake, Jinyang Lake, Xiaolangdi Reservoir, Wanjiashai Reservoir, Fenhe Reservoir and other water bodies with severe resource depletion, helping to improve the structure of biological populations, maintain biodiversity, and improve water quality and the ecological environment of water bodies. The provincial government will allocate funds in blocks to the cities and counties in the basin according to the factor method, and the agricultural and rural departments of the cities and counties will complete the proliferation and release tasks.

Question 12

Jiangsu Province Program 10.23 (*Special Fund for Green Development of Modern Fisheries*) lists "enterprises with the ability to process and refrigerate aquatic products" as an eligible enterprise.

- a. Does this include those enterprises with the ability to process and refrigerate wild marine capture aquatic products?**

Reply:

The Special Fund for Green Development of Modern Fisheries focuses on supporting the on-site processing of bulk freshwater and marine aquaculture products in major aquaculture producing counties.

Question 13

Jiangsu Province Program 10.24 (*Subsidy for Conservation of Fisheries Resources*) specifies eligible enterprises as "offshore fishing enterprises in compliance with international conventions for the conservation of international fisheries resources."

- a. Could China please provide examples of what international conventions this program is referring to?**
b. Can China also please specify if this support is solely provided to fishing enterprises operating outside of Chinese jurisdiction?

Reply:

This policy is consistent with the subsidy target and method of Program 68 in the central subsidy notification. In practice, the funds in Jiangsu Province are used to support conservation for the fishery resources and do not subsidize fishing enterprises operating outside of Chinese jurisdiction.

Question 14

Regarding Fujian Province Program 13.2 (*Special Fund for Marine Service and Fishery High Quality Development*):

- a. Is support under this program available to enterprises engaged in marine wild capture fishing and fishing related activities? If so, what are the eligibility requirements to receive support?**

Reply:

The support scope of the fund is as follows: ocean observation and early warning forecasting, fishery resource conservation and environmental monitoring, fishery diseases and quality and safety control, fishery science and technology promotion, recreational fisheries, comprehensive law enforcement and safety emergency response of marine fisheries, planning investigation and statistical evaluation, etc. Enterprises engaged in marine wild capture fishing and fishing related activities are not the support target of the special fund.

Question 15

Regarding Guangxi Zhuang Autonomous Region Program 20.5 (*Offshore Fishermen Reduce their Boats and Switch to Other Production*):

- a. Could China please specify what activities are considered "other production" for the purposes of this program?**

Reply:

"Other production" refers to production activities in industries other than fishing, such as animal husbandry, working in factory, etc.

Question 16

Regarding Hainan Province Program 21.5 (*Subsidy for Reform in Tax and Fee Reform on Refined Oil (For Fishery)*):

- a. Could China please specify what is considered a "small fishing vessel" for the purposes of this program?**

Reply:

"Small fishing vessels" refer to marine fishing vessels with a length of less than 12 metres in accordance with the "*Provisions on the Administration of Fishing Licences*". Please refer to: http://www.moa.gov.cn/govpublic/CYZCFG/202201/t20220127_6387843.htm

Question 17

Xiamen City of Fujian Province Program 35.1 (*Special Fund for Marine and Fishery Development*) specifies that this subsidy is provided to "eligible enterprises legally engaged in marine activities."

- a. What requirements must be met in order for an "enterprise" to be considered eligible to receive a grant or reward under this program?**

Reply:

The support scope of this program includes: marine strategic emerging industries, marine cultural industries, marine ecological civilization, smart oceans, marine finance, marine youth talent cultivation, marine industry support system, etc. The project undertaking entity must be an enterprise or institution registered in Xiamen with independent legal personality.
