

ANNEX 5A

NOTIFICATION PURSUANT TO ARTICLE XXV OF THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

I. SUBSIDIES FROM CENTRAL BUDGET PROVIDED TO CERTAIN STATE-OWNED ENTERPRISES WHICH ARE RUNNING AT A LOSS

1. Title of the subsidy program
Subsidies provided to certain State-owned enterprises which are running at a loss.
2. Period covered by the notification
1990-1998.
3. Policy objective and/or purpose of the subsidy
To promote restructuring of those State-owned enterprises which are running at a loss, while keeping employment by means of promoting rationalization and maintaining stable production and safety of the society(compensation for the lack of social security system).
4. Background and authority for the subsidy
Ministry of Finance.
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Grant and Tax Forgiving
7. To whom and how the subsidy is provided
Subsidy is provided to severe loss-making State-owned enterprises due to either fixed price of the products they produce or the increasing cost of exploitation of the resources.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

Unit: 100 million RMB

Sector/Year	1990	1991	1992	1993	1994	1995	1996	1997	1998
Metallurgic industry	1.16	1.46	1.35	3.13	4.07	3.02	5.04	10.96	8.36
Ferrous-metal industry	0.63	0.86	1.28	1.51	5.80	5.86	4.78	6.58	4.65
Machinery industry	3.80	5.07	14.61	3.98	14.09	8.34	9.67	11.17	8.38
Coal industry	55.86	66.70	70.14	49.80	47.19	12.13	13.21	16.83	14.85
Oil industry	42.53	54.36	52.89	28.08	0.00	0.00	0.00	6.78	3.28
Chemical industry	3.83	4.03	3.70	4.11	6.90	3.47	4.26	5.32	4.96
Textile industry	1.90	2.39	2.07	3.09	2.65	3.38	6.97	16.41	15.36
Light industry	6.65	7.88	6.31	9.30	3.99	1.52	2.63	6.82	2.35
Tobacco industry	0.00	0.00	0.00	0.00	12.00	8.62	9.26	10.25	8.83
Total of the nine sectors	116.36	142.75	152.35	103.00	96.69	46.34	55.92	91.12	71.02
Other sectors	1.65	1.94	1.99	1.53	1.24	0.42	1.28	4.62	3.67
Total	118.01	144.69	154.34	104.53	97.93	46.76	57.2	95.74	74.69

9. Duration of the subsidy and/or any other time-limits attached to it
1949-2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

II. SUBSIDIES FROM LOCAL BUDGET PROVIDED TO LOSS MAKING STATE OWNED ENTERPRISES

1. Title of the subsidy program
Subsidies provided to certain State-owned enterprises which are running at a loss.
2. Period covered by the notification
1990-1999.
3. Policy objective and/or purpose of the subsidy
To promote restructuring of those State-owned enterprises which are running at a loss, while keeping employment by means of promoting rationalization and maintaining stable production and safety of the society(compensation for the lack of social security system).
4. Background and authority for the subsidy
Ministry of Finance and local governments.
5. Legislation under which it is granted
Assistance by local budget.
6. Form of the subsidy
Grant and Tax Forgiving
7. To whom and how the subsidy is provided
Subsidy is provided to severe loss-making State-owned enterprises due to either fixed price of the products they produce or the increasing cost of exploitation of the resources and restructuring of state owned enterprises.

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

Unit:100 million RMB

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Beijing						57.69	59.28	63.26	63.11
Tianjin						9.23	8.79	7.29	7.29
Hebei						6.84	5.89	4.76	4.91
Shanxi						5.52	6.05	5.42	5.75
Inner-Mongolia						3.53	2.77	2.22	2.29
Liaoning						18.02	17.10	16.63	13.14
Jilin						6.07	5.88	5.75	4.02
Heilongjiang						11.77	7.07	5.21	4.47
Shanghai						44.95	45.50	45.88	45.94
Jiangsu						11.75	10.46	8.81	9.15
Zhejiang						25.06	30.10	34.79	37.85
Anhui						4.17	7.11	6.69	5.41
Fujian						2.53	1.40	1.05	0.78
Jiangxi						0.67	0.65	0.52	0.50
Shandong						8.48	8.12	6.37	4.92
Henan						4.27	3.80	3.66	2.66
Hubei						11.60	10.99	10.92	9.83
Hunan						4.57	5.16	4.23	5.18
Guangdong						17.52	17.35	15.39	13.60
Guangxi						2.22	2.01	1.60	1.33
Hainan						0.70	0.43	0.32	0.61
Chongqing								3.18	1.93
Sichuan						5.99	6.37	2.01	1.89
Guizhou						1.48	1.55	2.25	1.46
Yunnan						7.51	7.82	6.49	3.22
Tibet						0.87	1.16	1.19	1.18
Shaanxi						4.67	4.46	4.66	4.09
Gansu						0.47	0.22	0.18	0.56
Qinghai						0.91	0.96	0.51	0.44
Ningxia						0.18	0.16	0.20	0.19
Xingjiang						1.74	1.54	1.27	1.08
Total	460.87	365.55	290.62	306.76	268.29	281.01	280.20	272.75	258.81

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

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

III. THE PRIORITY IN OBTAINING LOANS AND FOREIGN CURRENCIES BASED ON EXPORT PERFORMANCE

- Title of the subsidy program
The priority in obtaining loans and foreign currencies based on export performance.
- Period covered by the notification
1994-1999.
- Policy objective and/or purpose of the subsidy

To promote the exportation of automobiles.

4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles..
6. Form of the subsidy
Priority in obtaining loans and foreign currencies.
7. To whom and how the subsidy is provided
Priority is given to:
 - (1) Automotive production enterprises whose export of whole vehicle products has reached the percentage points in the volume of their sales as indicated in the following chart;

Vehicles Types	Category	Percentages
Passenger Vehicles	M1	3%
	M2	5%
	M3	8%
Freight Vehicles	N1	5%
	N2, N3	4%
Motorcycles	L	10%

and

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

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Zero, because no enterprises have reached the level for enjoying the priority up till now.
9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to eliminate this measure by the year of 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
Zero.

IV. PREFERENTIAL TARIFF RATES BASED ON LOCALIZATION RATE OF AUTOMOTIVE PRODUCTION.

1. Title of the subsidy program
Preferential tariff rates based on localization rate of automotive production.
2. Period covered by the notification
1994-1999.
3. Policy objective and/or purpose of the subsidy
To promote the localization process of automobile industry of China.
4. Background and authority for the subsidy
State Planning Commission.
5. Legislation under which it is granted
State Council Circular on Industrial Policy on Automobiles.

6. Form of the subsidy
Preferential tariff rates.
7. To whom and how the subsidy is provided
The preferential tariff rates are granted to the automotive enterprises whose localization reaches the following ratios:
 - (1) Localization rate reaches 40 per cent, 60 per cent or 80 per cent on products that incorporate imported technology on whole vehicles of M Category;
 - (2) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on whole vehicles of N and L Categories; and
 - (3) Localization rate reaches 50 per cent, 70 per cent or 90 per cent on products that incorporate imported technology on automobile and motorcycle assemblies and key components.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
Not available.
9. Duration of the subsidy and/or any other time-limits attached to it
China commits itself to phase out this measure by the year of 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
The trade effect is negligible.

V. PREFERENTIAL POLICIES FOR THE SPECIAL ECONOMIC ZONES (EXCLUDING THE PUDONG AREA OF SHANGHAI)

1. Title of the subsidy program
Preferential income tax policies for foreign-invested enterprises in the Special Economic Zones of Shenzhen, Zhuhai, Shantou, Xiamen, Hainan.
2. Period covered by the notification
1984 - now.
3. Policy objective and/or purpose of the subsidy
To promote regional development and absorb foreign investment.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Before 1991, Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures and Income Tax Law of the People's Republic of China for Foreign Enterprises.
After 1991, Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy
Application of preferential income tax rate, and exemption of income tax.
7. To whom and how the subsidy is provided
 - (1) For foreign-invested enterprises established in the Special Economic

Zones and foreign enterprises engaging in production and business operation in the Special Economic Zones, preferential income tax rate of 15 per cent shall be applied.

(2) For foreign-invested productive enterprises established in the old areas of the cities where the Special Economic Zones are located, preferential income tax rate of 24 per cent shall be applied; for technology intensive projects, projects having foreign investment more than \$ 30 million with a long paying back period, and projects within sectors encouraged by the State such as energy, transportation etc., preferential income tax rate may further be reduced to 15 per cent.

(3) For enterprises in services sectors with foreign investment more than US\$ 5 million and operation term over 10 years, income tax for the first year shall be exempted and that for the second and third years shall be reduced by 50 per cent, subject to the application and approval by the local taxation authorities. The base year shall be the first profit-making year of the enterprises.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
The preferential income tax rate applied is 24 or 15 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it
1984 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

VI. PREFERENTIAL POLICIES FOR THE ECONOMIC AND TECHNOLOGY DEVELOPMENT AREAS

1. Title of the subsidy program
Preferential income tax policies for foreign-invested enterprises in the economic and technology development areas in Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Ningbo, Fuzhou, Guangzhou, Zhanjiang, Shanghai (Minhang, Hongqiao, Caohejing), Beihai, Shenyang, Wenzhou, Harbin, Changchun, Hangzhou, Wuhan, Chongqing, Wuhu, Xiaoshan, Huizhou, Nansha, Kunshan, Rongqiao, Weihai, Yingkou, Dongshan.
2. Period covered by the notification
1984 - now.
3. Policy objective and/or purpose of the subsidy
To accelerate the opening-up of the region and absorb foreign investment.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Before 1991, Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures and Income Tax Law of the People's Republic of China for Foreign Enterprises.
After 1991, Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy
Application of preferential income tax rate, and exemption of income tax..

7. To whom and how the subsidy is provided
 - (1) For foreign-invested productive enterprises established in the economic and technology development areas, preferential income tax rate of 15 per cent shall be applied.
 - (2) For foreign-invested productive enterprises established in the old areas of the cities where the economic and technology development areas are located, preferential income tax rate of 24 per cent shall be applied; for technology intensive projects, projects having foreign investment more than \$ 30 million with a long paying back period, and projects within sectors encouraged by the State such as energy, transportation etc., preferential income tax rate may further be reduced to 15 per cent.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

The preferential income tax rate applied is 24 or 15 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it

1984 -
10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available.

VII. PREFERENTIAL POLICIES FOR THE SPECIAL ECONOMIC ZONE OF THE PUDONG AREA OF SHANGHAI

1. Title of the subsidy program

Preferential income tax policies for foreign-invested enterprises in the Special Economic Zone of the Pudong area of Shanghai.
2. Period covered by the notification

1991 - now.
3. Policy objective and/or purpose of the subsidy

To accelerate the opening-up of the region and absorb foreign investment.
4. Background and authority for the subsidy

State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted

Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy

Application of preferential income tax rate, and exemption of income tax.
7. To whom and how the subsidy is provided
 - (1) For foreign-invested productive enterprises established in the Special Economic Zone of the Pudong area of Shanghai and for foreign-invested enterprises established there to engage in infrastructure constructions, preferential income tax rate of 15 per cent shall be applied.
 - (2) For foreign-invested enterprises established in the Special Economic Zone of the Pudong area of Shanghai, engaged in such energy and transportation construction projects as airport, ports, railways, power stations etc. with operation term longer than 15 years, income tax for the first five years shall be exempted and that for the sixth to the tenth years shall be reduced by 50 per cent.

The base year shall be the first profit-making year of the enterprises.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
The preferential income tax rate applied is 15 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

VIII. PREFERENTIAL POLICIES FOR FOREIGN INVESTED ENTERPRISES

1. Title of the subsidy program
Preferential income tax policies for foreign-invested enterprises in China.
2. Period covered by the notification
1985 - now.
3. Policy objective and/or purpose of the subsidy
To absorb foreign investment and expand economic cooperation.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Before 1991, Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures and Income Tax Law of the People's Republic of China for Foreign Enterprises.
After 1991, Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.
6. Form of the subsidy
Application of preferential income tax rate, and exemption of income tax.
7. To whom and how the subsidy is provided
 - (1) For foreign-invested productive enterprises with operation term more than 10 years, the income tax for the first two years shall be exempted and that for the third to the fifth year shall be reduced by 50 per cent. The base year shall be the first profit-making year of the enterprises.
 - (2) For Chinese-foreign joint enterprises engaged in the construction of ports, docks and berths, preferential income tax rate of 15 per cent shall be applied, and for those with operation term longer than 15 years, income tax for the first five years shall be exempted and that for the sixth to the tenth years shall be reduced by 50 per cent. The base year shall be the first profit-making year of the enterprises.
 - (3) For foreign-invested advanced technology enterprises, in case that the technologies they possess or provide are still regarded as advanced when the initial income tax exemption and reduction period expires, income tax reduction of 50 per cent may continue to be applied, for another 3 years.
 - (4) For foreign-invested enterprises engaged in agriculture, forestry and animal husbandry, and for foreign-invested enterprises established in remote areas with less developed economic level, income tax reduction of 15 to 30 per

cent may continue to be applied for another ten years after the initial exemption and reduction period expires, subject to application and approval of local taxation authorities.

(5) For foreign-invested enterprises of industries and sectors in which foreign investment is encouraged by the State, provincial government may determine whether to reduce or exempt the local part of income tax.

(6) For profits of foreign investors which are re-invested into the enterprises to increase the register capital, or to set up other new enterprises with operation term more than 5 years, 40 per cent of their income tax payment for the re-invested profits shall be refunded subject to application and approval from the local taxation authorities. In case that the new or the expanded enterprises with the re-investment are hi-tech enterprises, or that profits are from foreign-invested enterprises in Hainan Special Economic Zone and re-invested into infrastructure projects or agriculture development projects of the same Special Economic Zone, 100 per cent of the paid income tax for the re-investment shall be refunded.

(7) For dividends, interests, rentals, franchising fees and other forms of income of foreign investors who have no commercial establishments in China, preferential income tax rate of 20 per cent shall be applied except for profits of foreign investors gained from the enterprises they have invested in China, which are subject to 100 per cent income tax exemption. For franchising fees gained from provision of special technology to scientific research, energy development, transportation development, agriculture, forestry and animal husbandry, preferential income tax rate of 10 per cent may be applied, subject to application and approval of local taxation authorities; in case that the technology is advanced or is provided with favorable conditions, income tax exemption may be applied.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
The preferential income tax rate applied is 20, 15 or 10 per cent.
9. Duration of the subsidy and/or any other time-limits attached to it
1985-
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

IX. LOANS FROM THE STATE POLICY BANKS

1. Title of the subsidy program
Loans of the State Policy Banks (the State Development Bank, the Export and Import Bank of China, and the Agriculture Development Bank of China).
2. Period covered by the notification
For the State Development Bank, 1994 - 1996;
For the Export and Import Bank of China, 1991 - 1995
For the Agriculture Development Bank of China., 1994 - 1996.
3. Policy objective and/or purpose of the subsidy
To adjust investment structure.
4. Background and authority for the subsidy
There are three State Policy Banks in China: the State Development Bank, the Export and Import Bank of China, and the Agriculture Development Bank of China. The three State

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

5. Legislation under which it is granted
None.
6. Form of the subsidy
Loans.
7. To whom and how the subsidy is provided
Loans from the State Development Bank are mainly directed to infrastructure constructions in energy, transportation, telecommunications and water conservancy, resources development in the middle and western parts of China, as well as technology renovation of some enterprises.
Loans from the Export and Import Bank of China are mostly directed to guarantee for export credit of commercial banks, and a small part is for direct export credit.
Loans from the Agriculture Development Bank of china are mainly provided for purchase and storage of agricultural and side-line products, forestry construction and water conservancy development.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
RMB 200 billion for the State Development Bank, and 9.6 per cent of which is directed to the manufacturing industry;
RMB 21 billion export credit (mainly sellers' credit) for the Export and Import Bank of China;
RMB 500 billion for the Agriculture Development of China.
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

X. FINANCIAL SUBSIDIES FOR POVERTY ALLEVIATION

1. Title of the subsidy program
Financial subsidies for poverty alleviation.
2. Period covered by the notification
For direct allocation of funds, 1991 - now
For poverty alleviation loans, 1994 - now.
3. Policy objective and/or purpose of the subsidy
To alleviate poverty.
4. Background and authority for the subsidy
For direct allocation of funds, State Planning Commission and Ministry of Finance.
For poverty alleviation loans, the Agriculture Development Bank of China.
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Direct appropriation and provision of poverty alleviation loans.

7. To whom and how the subsidy is provided
The subsidies are provided to regions in China where annual income per capita is less than RMB 400.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
For direct appropriation from the central budget, the total from 1991 to 2000 is RMB 103.6 billion (RMB 18.3 billion from 1991 to 1995, RMB 4 billion in 1996, RMB 15.2 billion in 1997, RMB 17.8 billion for 1998, RMB 24.3 billion in 1999 and RMB 24.0 billion being planned in 2000).

For poverty alleviation loans, RMB 30 billion.
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XI. FUNDS FOR TECHNOLOGY RENOVATION, RESEARCH AND DEVELOPMENT

1. Title of the subsidy program
Funds for technology renovation, research and development.
2. Period covered by the notification
1991 - 1998
3. Policy objective and/or purpose of the subsidy
To encourage scientific research and technology development, and to promote application of science and technology in the rural areas.
4. Background and authority for the subsidy
Ministry of Finance
5. Legislation under which it is granted
State Council Circular No. 99, 1987.
6. Form of the subsidy
Grant and loans.
7. To whom and how the subsidy is provided
To scientific research institutes and some enterprises.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
RMB 301.9 billion (RMB 18.1 billion for 1991, RMB 22.3 billion for 1992, RMB 42.1 billion for 1993, RMB 41.5 billion for 1994, RMB 49.5 billion for 1995 and RMB 52.6 billion for 1996, RMB 64.3 billion for 1997, RMB 64.1 billion for 1998).
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XII. INFRASTRUCTURE CONSTRUCTION FUNDS FOR AGRICULTURAL WATER CONSERVANCY AND FLOOD PROTECTING PROJECTS

1. Title of the subsidy program
Infrastructure construction funds for agricultural water conservancy projects
2. Period covered by the notification
1991 - 1999
3. Policy objective and/or purpose of the subsidy
To improve agricultural irrigation systems and flood-defending facilities.
4. Background and authority for the subsidy
Ministry of Finance and the Provincial Bureau of Finance
5. Legislation under which it is granted
Assistance by budget.
6. Form of the subsidy
Grant.
7. To whom and how the subsidy is provided
To key infrastructure projects in water conservancy and flood protection.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
RMB 35.5 billion (RMB 7.5 billion for 1991, RMB 8.5 billion for 1992, RMB 9.5 billion for 1993, RMB 10 billion for 1994, RMB 11.0 billion for 1995, RMB 14.1 billion for 1996, RMB 15.9 billion for 1997, RMB 20.89 billion for 1998 and 21.36 for 1999).
9. Duration of the subsidy and/or any other time-limits attached to it
1991 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XIII. TAX AND TARIFF REFUND FOR EXPORT PRODUCTS

1. Title of the subsidy program
Tariff refund for imported contents of export products, and value-added tax refund for export products.
2. Period covered by the notification
1985 - now.
3. Policy objective and/or purpose of the subsidy
To alleviate unreasonable tax and tariff burdens of export enterprises.
4. Background and authority for the subsidy
For tariff refund, taxation and customs authorities; and for tax refund, taxation authorities.
5. Legislation under which it is granted
State Council Circular No. 43, 1985.
6. Form of the subsidy
Tax and tariff refund.

7. To whom and how the subsidy is provided

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

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

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

For other products subject to the official value-added tax rate of 17%, the refund rate is 9%.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it

1985 -
10. Statistical data permitting an assessment of the trade effects of a subsidy

Not available.

XIV. TARIFF AND IMPORT DUTIES REDUCTION AND EXEMPTION FOR ENTERPRISES

1. Title of the subsidy program

Tariff and import duties reduction and exemption for enterprises.
2. Period covered by the notification

1985 - 2000.
3. Policy objective and/or purpose of the subsidy

To attract foreign investment, to encourage technology renovations in domestic enterprises, and to promote such trade forms as border trade, processing trade, compensation trade etc..
4. Background and authority for the subsidy

Taxation and customs authorities.
5. Legislation under which it is granted

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

Tariff and import duties reduction and exemption.
7. To whom and how the subsidy is provided

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

 - (1) goods imported for embassies, and offices of international organizations in China, donations from foreign governments and international organizations, and goods imported by Chinese diplomats, Chinese students studying abroad and

etc. for personal consumption;

(2) imports into the Yangpu Economic Development Area in Hainan Province, a bonded area;

(3) equipment and materials imported during the period of 1996 to 2000 for drilling, petroleum and natural gas exploitation;

(4) aircraft imported by domestic civil airlines during the period of 1996 to 2000;

(5) spare parts of cars, of which tariff and import duties reduction and exemption shall be determined according to the localization rate;

(6) materials imported for domestic manufacturing of aircraft.

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

(1) for foreign-invested enterprises with total investment less than US\$ 30 million approved before April 1, 1996, tariff and import duties reduction and exemption of their imported equipment and materials shall remain valid within the transitional period till December 31, 1996; for those enterprises with total investment more than US\$ 30 million, the transitional period shall end on December 31, 1997;

(2) for industrial projects in such areas as energy, transportation, metallurgical industry with total investment more than RMB 50 million, and for technology renovation projects in manufacturing industries with total investment more than RMB 30 million, which were approved before April 1, 1996, tariff and import duties for their equipment importation shall be subject to 50 per cent reduction within the transitional period till December 31, 1997;

(3) goods imported into the five Special Economic Zones of Shenzhen, Zhuhai, Shantou, Xiamen, Hainan, as well as those into the Pudong area in Shanghai and the Industrial Development Zone in Suzhou, shall be subject to tariff and import duties after 1 April 1996 in accordance with the official tariff and import duties rates. However, refund of the tariff and import duties will be applied within the transitional period from 1996 to 2000, with the volume decreasing annually. The refund will terminate after the year 2000.

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

No specific statistics available.

9. Duration of the subsidy and/or any other time-limits attached to it
1985 - 2000.

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

XV. PROVISION OF LOW-PRICE INPUTS FOR SPECIAL INDUSTRIAL SECTORS

1. Title of the subsidy program

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

percentage of crude oil.

2. Period covered by the notification
1987 - now.
3. Policy objective and/or purpose of the subsidy
State pricing for certain percentage of the industrial inputs is to maintain the overall price level stable.
4. Background and authority for the subsidy
Reform of China's planning economic system began first with the reform of the pricing system, and by now 95 per cent of the commodities and services in China have already been determined by the market forces. State pricing remains only for certain percentage of those crucial products to maintain the ability of the government to curb the overall price level in emergent cases.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Pricing.
6. Form of the subsidy
State low pricing for inputs of certain industrial sectors.
7. To whom and how the subsidy is provided
37 per cent of coal in 1995 was subject to state pricing, and 70 per cent of the land oil production was subject to state pricing, price of the remaining 30 per cent as well as of all the off-shore oil production was determined by the market.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1987 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XVI. SUBSIDY TO CERTAIN ENTERPRISES IN THE FORESTRY INDUSTRY

1. Title of the subsidy program
Subsidy to the forestry industry.
2. Period covered by the notification
1994 - now.
3. Policy objective and/or purpose of the subsidy
To encourage full utilization of forest resources.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Value added Tax.
6. Form of the subsidy
Refund of value-added tax.

7. To whom and how the subsidy is provided
For certain enterprises in the forestry industry, when their products are based on the utilization of deficient timber resources, the collected value-added tax shall be refunded.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available as the quantity is minimal.
9. Duration of the subsidy and/or any other time-limits attached to it
1994 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XVII. PREFERENTIAL INCOME TAX TREATMENT TO HIGH-TECH ENTERPRISES

1. Title of the subsidy program
Preferential Income tax treatment to high-tech enterprises.
2. Period covered by the notification
1994 - now.
3. Policy objective and/or purpose of the subsidy
To accelerate the development of high-tech industries.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
For high-tech enterprises in the high-tech development zones approved by the State Council, the income tax rate applied shall be reduced to 15 per cent; for newly-established high-tech enterprises, income tax shall be exempted for the first two years since the operation.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1994 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XVIII. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES UTILIZING WASTE

1. Title of the subsidy program
Preferential income tax treatment to enterprises utilizing waste.
2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To encourage resources recycle.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
For enterprises utilizing waste gas, waste water and solid waste as major production inputs, income tax shall be reduced or exempted for five years.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XIX. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES IN POVERTY STRICKEN REGIONS

1. Title of the subsidy program
Preferential Income tax treatment to enterprises in poverty stricken regions
2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To alleviate poverty.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.

7. To whom and how the subsidy is provided
For newly-established enterprises in remote regions, poverty stricken regions, and regions with ethnic groups residence, income tax shall be reduced or exempted for three years.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XX. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES TRANSFERRING TECHNOLOGIES

1. Title of the subsidy program
Preferential Income tax treatment to enterprises transferring technologies.
2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To encourage technology transfer and extension.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income reduction and exemption.
7. To whom and how the subsidy is provided
For income of enterprises generated from transferring technologies, or from such relevant services as technology consultancy, training and etc., income tax shall be exempted when such annual net income is below RMB 300 thousand; however, in the case that the income exceeds RMB 300 thousand, for the part which exceeds RMB 300 thousand, income tax shall be applied as usual.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XXI. PREFERENTIAL INCOME TAX TREATMENT TO DISASTER STRICKEN ENTERPRISES

1. Title of the subsidy program

Preferential Income tax treatment to disaster stricken enterprises

2. Period covered by the notification
1993 - now.
3. Policy objective and/or purpose of the subsidy
To bring down disaster losses.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
In case that enterprises suffer from such disasters as fire, flood, tornado, earthquake and etc., income tax shall be exempted for one year subject to application to and approval from local taxation authorities.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XXII. PREFERENTIAL INCOME TAX TREATMENT TO ENTERPRISES WHICH PROVIDE JOB OPPORTUNITIES FOR THE UNEMPLOYED

1. Title of the subsidy program
Preferential income tax treatment to enterprises which provide job opportunities for the unemployed
2. Period covered by the notification
1993 - now
3. Policy objective and/or purpose of the subsidy
To increase job opportunities.
4. Background and authority for the subsidy
State Administration of Taxation and local taxation authorities.
5. Legislation under which it is granted
Provisional regulation of the People's Republic of China on Enterprises Income Tax.
6. Form of the subsidy
Income tax reduction and exemption.
7. To whom and how the subsidy is provided
For newly-established township enterprises, in case that the new jobs they provide in one certain year exceed 60 per cent of their total jobs, income tax shall be exempted for a

period of three years, subject to their application to and approval from local taxation authorities. In the same year when the three year exemption period expires, in case the enterprises provide another 30 per cent more job opportunities, income tax shall be reduced by 50 per cent for another two years, subject to their application to and approval from local taxation authorities.

8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1993 -
10. Statistical data permitting an assessment of the trade effects of a subsidy
Not available.

XXIII STATISTICS OF INCOME TAX REBATE TO ENTERPRISES SUBJECT TO NOTIFICATION XVII, XVIII, XIX, XX, XXI, XXII

Unit: 10,000 RMB

	1995	1996	1997
Beijing	19424	17492	33156
Tianjin	12793	6945	632
Hebei	184	50	5
Shanxi	11216	1519	1465
Inner-Mongolia	2525	445	129
Liaoning	665	477	8515
Jilin	130	1170	791
Heilongjiang	1218	734	1345
Shanghai	41960	110207	63659
Jiangsu	1343	1369	9
Zhejiang	41710	42220	61045
Anhui	14285	17490	23939
Fujian	2563	12953	15183
Jiangxi	28	2	0
Shandong	11586	3737	4277
Henan	192	918	221
Hubei	494	994	12230
Hunan	7019	12179	11915
Guangdong	10835	165	52
Guangxi	9013	6211	7716
Hainan	1194	1371	300
Chongqing			230
Sichuan	3548	3777	998
Guizhou	647	2006	3259
Yunnan	9027	6418	6563
Tibet	506	1173	228
Shaanxi	7320	4228	1230
Gansu	7519	251	1073
Qinghai	357	378	1815
Ningxia	532	465	2309
Xingjiang	6633	2812	1354
Total	226466	260156	265643

XXIV. TARIFF AND VAT EXEMPTION FOR IMPORTED TECHNOLOGY AND EQUIPMENT OF THE INVESTERS INVESTING IN AREAS ENCOURAGED BY THE GOVERNMENT

1. Title of the subsidy program
Tariff and VAT exemption for imported technologies and equipment imported by investors investing in the industrial areas encouraged by the state.
2. Period covered by the notification
1998 - 2000.
3. Policy objective and/or purpose of the subsidy
Reduce the investment cost of importing technologies and equipment from abroad, so as to attract foreign direct investment and promote domestic investment as well.
4. Background and authority for the subsidy
The State Council.
5. Legislation under which it is granted
The circular No. 37(1997) issued by the State Council.
6. Form of the subsidy
Tariff and VAT exemption for imported technologies and equipment.
7. To whom and how the subsidy is provided
For foreign investors investing in the encouraged industrial areas defined by the "The Industrial catalogues for Foreign Direct Investment"(jointly issued by SDPC, SETC and MOFTEC), their imported technologies and equipment can enjoy treatment of tariff and VAT exemption.
For domestic investors investing in the encouraged industrial areas defined by the "The Catalogues of Current Priorities of Industrial Sectors, Products and Technologies Encouraged by the State" (issued by The State Development Planning Commission), their imported technologies and equipment can enjoy treatment of tariff and VAT exemption.
8. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy
No specific statistics available.
9. Duration of the subsidy and/or any other time-limits attached to it
1998 - 2000.
10. Statistical data permitting an assessment of the trade effects of a subsidy
The importation of technologies and equipment has been encouraged by the subsidies, no specific import volume has been calculated.