

# WORLD TRADE ORGANIZATION

G/SCM/N/123/CHN  
13 April 2006

(06-1762)

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Committee on Subsidies and  
Countervailing Measures

Original: English

## SUBSIDIES

New and Full Notification Pursuant to Article XVI:1  
of the GATT 1994 and Article 25 of the SCM Agreement

PEOPLE'S REPUBLIC OF CHINA

The following communication, dated 11 April 2006, is being circulated at the request of the Delegation of the People's Republic of China.

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The following notification constitutes the People's Republic of China's new and full notification of information on programmes granted or maintained at the central government level in China. In general, the period to which the following information applies is 2001 to 2004.

Insofar as the notification obligation is a transparency-orientated provision that, pursuant to Article 25.7 of the Agreement, carries no legal weight as to the actual identification or measurement of a subsidy, its action ability status, or its trade effects, China has included certain activities in this notification which arguably are not (or are not always) "specific subsidies" within the meaning of the Agreement.

**I.**

1. Title of the subsidy programme

Preferential tax policies for foreign-invested enterprises

2. Period covered by the notification

2001-2004

3. Policy objective and/or purpose of the subsidy

To encourage foreign investment

4. Background and authority for the subsidy

Ministry of Finance (MOF), State Administration of Taxation (SAT), Ministry of Commerce (MOFCOM)

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* (the Tax Law);

*Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprise;*

State Council Circular Guo Fa No. 37 of 2000

6. Form of the subsidy

Preferential tax treatment

7. To whom and how the subsidy is provided

(1) Any enterprise with foreign investment of a production nature scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a fifty per cent reduction in the third to fifth years ("two years of exemption and three years fifty per cent reduction"). (2) Any foreign investor of an enterprise with foreign investment which reinvests its share of profit obtained from the enterprise directly into that enterprise by increasing its registered capital, or uses the profit as capital investment to establish other enterprises with foreign investment to operate for a period of not less than five years, may be refunded forty per cent of the income tax already paid on the reinvested amount. (3) For direct reinvestment in China by foreign investors for the organization and expansion of export-oriented enterprises or advanced technology enterprises, the entire portion of enterprises income tax that has been paid on the reinvested amount may be refunded. (4) Any foreign enterprise which has no establishment or place in China but derives profit, interest, rental, royalty and other income from sources in China, or though it has an establishment or a place in China, the said income is not effectively connected with such establishment or place, may, since January 1 2000, be levied at the