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Committee on Subsidies and Countervailing Measures

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SUBSIDIES

REPLIES¹ TO FOLLOW-UP QUESTIONS² FROM THE EUROPEAN UNION REGARDING THE NEW AND FULL NOTIFICATION OF CHINA³

The following communication, dated and received on 26 April 2021, is being circulated at the request of the delegation of China.

Scheme 2.13 - Fund for research and development of applicative technologies

Question 38

What are the eligibility criteria for this programme? What is the approval process for investment decisions? Are SOE eligible to this Fund? If yes what is the share of SOEs among beneficiaries? To what extent is the Fund related to MIC2025? How are the subsidies channelled to the beneficiaries? Directly? Via cooperation agreements with Banks? If yes which banks? In what form? (Loan, subsidies interest rates, subsidised insurance premia, grants, equity?)

Reply

Eligibility criteria for this programme: Compliance with the relevant provisions of the Administrative Measures on the Use of Luoyang City Fund for Research and Development of Applied Technology. The beneficiaries are all enterprises, scientific research institutes, colleges and universities with independent legal personality registered in Luoyang City, regardless of the nature of ownership. The Fund is not related to Made in China 2025, and its form is direct payment.

Scheme 2.17 - Fund for development of emerging industries

Question 39

Can China explain which banks administer this scheme? Can support from this fund be cumulated with support from the national Fund for development of strategic emerging industries (1.77)? Can China explain why only one sub-central fund for strategic emerging industries is notified? Is it China's understanding that there is only one sub-central fund of this kind? How does China explain that funds such as the Shandong Guidance Fund for strategic emerging industries and set up in 2015 (Lu Caiqi 2015/51, 28 sept 2015) or Shandong Province's New and Emerging Industries and Business Creation Guidance Fund (ref: http://www.gov.cn/zhengce/2015-09/25/content_5044504.htm) are not notified?

Reply

In practice, there is no bank involved in the scheme. In addition, it is clearly stipulated in the document that the management and use of the Fund follow the principle of "non-repetitive benefits".

¹ Please note that partial replies were provided in document G/SCM/Q2/CHN/96.

² G/SCM/Q2/CHN/79.

³ G/SCM/N/315/CHN.

Therefore, support from this Fund cannot be accumulated with support from the National Fund for Development of Strategic Emerging Industries.

The Fund for Investment and Start-ups in Emerging Industries is market-oriented, and has significant differences with fiscal fund in terms of forms and operating modes. The Fund for Investment and Start-ups invests in the form of equity participation, which is an equity investment activity. The Fund for Guidance insists on holding shares but not controlling shares. All types of its equity investment funds are operated independently in a market-oriented manner. Fund-raising, investment, management, and exit are all independently operated and managed by the fund management team in a market-oriented manner.

Scheme 2.3 - Fund for renovation of boilers and industrial furnaces

Question 40

Can China please provide information on the companies that benefit from this program? Are there steel and aluminium manufacturing companies included? If so, which companies are they?

Reply

Steel and aluminium manufacturing companies are not included.

Scheme 2.5 - Fund for development of low-carbon manufacturing industry

Question 41

What companies in what sectors benefit from these interest subsidies? Which banks administer this scheme?

Reply

The Fund supports enterprises in low-carbon manufacturing industries such as green food processing, new energy and new materials, and intelligent manufacturing. No specific bank was designated to administer this scheme.

Scheme 2.25 - Subsidy for purchase of pure electric passenger vehicles

Question 42

Who are the subsidies paid to – car manufacturers or purchasers? Is this scheme still in operation? What is the amount paid in 2016?

Reply

Beneficiaries: Owners of new energy passenger vehicles, plug-in hybrids, pure electric special vehicles and fuel cell vehicles (except those purchased with fiscal funds). The scheme was released in 2015 and ceased to be implemented in 2016.

Scheme 2.27 - Fund for research and development of enterprises

Scheme 2.28 - Fund for technical renovation of industrial enterprises

Scheme 2.29 - Fund for development of industrial enterprises

Scheme 2.57 - Fund for promotion of industrial restructuring

Question 43

What industries/sectors are covered by these schemes? What are the criteria to qualify for support? How are the funds paid?

Reply

For Scheme 2.27 - Fund for Research and Development of Enterprises of Shandong Province

The fund is not specific to any industry or sector.

Eligibility criteria: 1) Resident enterprises registered in Shandong Province (excluding Qingdao City). 2) The research and development activities carried out by the enterprise fall within the scope of the national R&D expenses pre-tax deduction policy. 3) For enterprises with annual sales revenue of more than RMB 200 million yuan, their R&D investment in the current year shall be higher than that of the previous year and account for at least 3% of their sales revenue of the current year, in addition, they have applied for and have been given annual R&D expenses pre-tax deduction treatment for two consecutive tax years. For enterprises with annual sales revenue of up to RMB 200 million yuan, their R&D investment in the current year shall account for at least 5% of the current year's sales revenue.

The form of the paid fund has been included in our notification.

For Scheme 2.28 - Fund for Technical Renovation of Industrial Enterprises of Tianjin City

Eligibility criteria: Enterprises in Tianjin with complete corporate governance structures, clear property rights, independent accounting, law-abiding operations, and sound financial systems, who have no record of violation of laws or regulations in the past three years, and have good accounting and tax credit rating. The scheme mainly supports enterprises to invest in fixed assets.

The form of the paid fund has been included in our notification.

Scheme 2.29 - Fund for Development of Industrial Enterprises of Tianjin City

Industries and sectors covered by the scheme: Manufacturing platform construction, industrial infrastructure capacity building, intelligent manufacturing, etc.

The form of the paid fund has been included in our notification.

For Scheme 2.57 - Fund for Promotion of Industrial Restructuring of Beilun District, Ningbo

Industries and sectors covered by the scheme: Recipient enterprises, in principle, shall engage in Ningbo's strategic emerging industries.

Eligibility criteria: High-quality, strategic, and new-type industrialized enterprises: registered industrial enterprises in Beilun District, with high quality and performance and sound growth. Their actual tax payment in the current year shall be more than RMB 2 million yuan, and shall be more than 15% higher than that of the previous year or than the average tax payment of previous three years.

The form of the paid fund has been included in our notification.

Schemes 2.31 and 2.63 - Funds supporting public listing of companies

Question 44

It is noted that China has notified two schemes supporting the public listing of companies. We note that there may be other such schemes in existence such as the "ZHUHAI City Fund for public listing of enterprises". Can China explain why it has not notified this scheme and if there are others which should have been notified?

Reply

China has made notifications based on the collected information.

Scheme 2.55 - Fund for product quality improvement**Question 45**

What are the criteria to qualify for this fund? What industries/sectors are covered?

Reply

Eligibility criteria: 1) Each recognized Wenzhou Mayor Quality Award enterprise will be awarded a lump sum of RMB 500,000 yuan. 2) Each zone or industry given the title of Wenzhou High-quality Product Production Demonstration Zone (Industry) will be awarded a lump sum of RMB 100,000 yuan.

Scheme 2.34 - Fund for the industrialization of high and new technologies

What type of projects are covered by this scheme? What industries qualify for support?

Reply

Electronic information, biotechnology and modern medicine, new energy and energy saving and environmental protection, new energy vehicles, new materials, etc.

Scheme 2.38 - Fund in support of leading fishery enterprises

What are the criteria applicable for this fund? What are the enterprises that have benefitted from support under the fund?

Reply

For eligibility criteria of this Fund, please refer to the Notice of the Tianjin Municipal Commission of Rural Affairs and Tianjin Finance Bureau on Issuing the Administrative Measures on the Development of and Fiscal Fund for Pilot Projects of Key Leading Fishery Enterprises in Tianjin (Jin Nong Wei Ji Cai [2016] No. 81).

Schemes 2.40, 2.45 and 2.67 - Funds for dissolving overcapacity

While these three schemes relate to overcapacity reduction in coal, only one (2.40) concerns reduction in overcapacity in the steel industry - for Yunnan province. In the 13th FYP for Steel, China seeks to reduce China's steel overcapacity by 100-150 mmt by the year 2020. In this context can China explain why only one scheme for reducing overcapacity in steel is notified. In this context were other schemes put in place to reduce overcapacity in steel and, if so, why were these not notified?

Reply

China has made notifications based on the collected information.

Scheme 2.53 - Fund to foster start-up science and technology enterprises**Question 46**

What are the criteria applicable to this fund? Which banks are the loans channelled through?

Reply

The Hangzhou municipal finance authorities will provide subsidized loan interest to enterprises that are included in the city's technology-based start-ups training project and meet the funding criteria after review. Eligible enterprises will receive the interest subsidy from the municipal and district finances after they actually paid interest on the loan taken out.

Schemes 1.20, 1.22, 1.23, 1.69, 2.1, 2.25, 2.68, 2.93 - Schemes relating to new energy vehicles

Can China confirm that these schemes emanate from the Made in China 2025 priorities, to support the NEV sector? Are the funds governed centrally? In a notice on its website on 19 March 2019, The Ministry of Industry and Information Technology (MIIT) announce the preliminary review of new energy vehicles (NEV) subsidies from 2016 and previous years until 25 Mar 2019, in line with 'Notice on settling 2015 and 2016 NEV subsidies. Can China please explain which of the subsidies in the lists provided in MIIT website are notified in the current Subsidy notification. For those schemes in the lists, which were not notified, can China please explain why this is the case and if they intend to make a supplementary notification.

Reply

China has notified the new energy vehicles (NEV) subsidies. China makes notifications based on the requirements of the subsidy agreement and its own understanding.

ANNEX - SCHEMES FOR WHICH EU WOULD LIKE TO RECEIVE THE CHINESE NAME**CENTRAL LEVEL**

1.76	Fund for development of strategic emerging industries
1.77	Fund for the development of international economic relations and trade
1.78	Reward for public-private PPP projects
1.79	Industrial transformation and upgrading fund
1.80	Reward and support fund for restructuring of industrial enterprises
1.81	Fund for promotion of energy-saving products

SUBCENTRAL LEVEL

2.13	Luoyang Fund for research and development of applicative technologies
2.17	Nanjing City (Jiangsu) Fund for development of emerging industries
2.18	Yancheng city (Jiangsu) Fund for transformation and upgrading of industry and IT
2.27	Shandong Fund for research and development of enterprises
2.28	Tianjin Fund for technical renovation of industrial enterprises
2.29	Tianjin Fund for development of industrial enterprises
2.31	Tianjin Fund supporting public listing of enterprises
2.34	Tianjin Fund for the industrialisation of high and new technologies
2.48	Hebei Fund in support of scientific and technology innovation
2.49	Hebei Fund rewarding public listing of enterprises
2.52	Hangzhou Fund for science and technology innovation projects
2.55	Wenzhou Fund for product quality improvement
2.56	Ningbo Fund in support of engineering (technology) centers of enterprises
2.57	Ningbo Fund for promotion of industrial restructuring
2.61	Shaanxi Reward for public private partnership projects PPP
2.63	Ningxia Hui Fund supporting public listing of enterprises
2.64	Ningxia Hui Fund for projects of new type industrialisation development
2.65	Ningxia Hui Fund for the development of SMEs and non-public economy
2.72	Guangxi Fund for the transformation of scientific and technology achievements purchased by enterprises
2.83	Shanghai Fund for industrial transformation and development
2.86	Shanghai Fund for scientific and technology innovation
2.88	Shanghai Fund for development through structural adjustment and change in growth pattern
2.89	Shanghai Fund for development of emerging industries
2.90	Shanghai Fund for industry and information technology projects
2.106	Chaozhou Fund for high and new technology enterprises