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ACCESSION OF CHINESE TAIPEI

Notification Pursuant to Article XVI.1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures

Industrial subsidies

Revision

The following communication has been received from the Representation of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu with the request that it be circulated to members of the Working Party.

I. INTRODUCTION AND GENERAL REMARKS

This notification is made in compliance with obligations of the Customs Territory of Taiwan, Penghu, Kinmen and Matsu (hereinafter referred to as “Chinese Taipei”) under Article XVI of the General Agreement on Tariffs and Trade (GATT) 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures (hereinafter referred to as the "Agreement").

Article 25 of the Agreement requires the notification of specific subsidies. The decision whether to report any program in this notification rests on the sometimes difficult judgement as to whether a particular program involves a "financial contribution" by a government, a benefit being conferred, while meeting the requirement of being "specific."

In light of Article 25.7 of the Agreement, and the fact that the purpose of the notification requirement is to achieve greater transparency, Chinese Taipei has included certain measures in this notification which arguably are not "specific subsidies" within the meaning of the Agreement. It may also be that not all the subsidies listed hereunder, meet the requirement of specificity. The evaluation of trade effects, if any, also poses a difficult task.

While Chinese Taipei has made considerable efforts to submit a comprehensive notification, there may still be room for supplementation through experience accumulated by reference to Members' practices and comments and the Committee's review of notifications submitted by Members.

Notification pursuant to Article XVI.1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures

Contents

A. TAX CREDITS OR TAX EXEMPTIONS FOR DESIGNATED ENTERPRISES

1. Title of the program

Five-year tax exemption for designated enterprises

2. Period covered by the notification

Fiscal years 1995-1997 (July 1994 to June 1997)

3. Policy objective and/or purpose

The primary goal of the tax incentives is to promote the development of hi-tech and high value-added industries.

4. Background and responsible authority

(a) Laws

– 1995 amendment to the Statute for Upgrading Industries, Article 8(1) on five-year tax exemption.

(b) Responsible authority:

The responsible authorities are the Industrial Development Bureau, the Ministry of Economic Affairs and the Ministry of Finance.

Note: The SUI was promulgated on 29 December 1990, followed by an amendment on 10 January 1995, and will cease to be effective on 31 December 1999.

5. Form

Tax exemption.

6. To whom and how assistance is provided

An important technology-based enterprise or an important invested enterprise may apply within two years from the beginning date for payment of the capital contributions by its shareholders and with the approval of its shareholders meeting, to be exempted from corporate income tax.

To qualify for "important technology-based enterprises", the following three criteria should be met: (1)products to be produced under the investment plan should belong to the ten emerging industries;(2)the paid-in or increased paid-in capital for the investment plan should be over NT$ 200 million; and(3)the amount of the fund available for the purchase of brand-new machinery/equipment in the investment plan should be over NT$100 million. "Important invested enterprises" include enterprises in the manufacturing as well as services industries. In other words, the products to be produced under the investment plan are not limited to those of the ten emerging industries. The criteria for paid-in or increased paid-in capital and the amounts of funds for purchasing brand new equipment/machinery are different from industry to industry.

In the case of a newly incorporated enterprise, the tax exemption is for a period of five consecutive years from the date on which it begins to market its products or to render services.

In the case of the expansion of an existing enterprise, the exemption applies to the corporate income tax levied on the increased income derived as a result of such expansion for a period of five consecutive years from the date the newly added equipment starts to operate or the rendition of services begins; provided, however, that the exemption applies only to an expansion in the form of the establishment of additional independent production or service units, or for increase of major production or service equipment.

An eligible enterprise applying the tax exemption may, within two years from the date on which it starts to market its products or to render services, defer, at its own discretion, the commencement date of the tax exemption period. The maximum period of such deferment is four years. Furthermore, the commencement date of such deferred tax exemption period should be the beginning date of a fiscal year.

7. Amount

While the program was passed by the Legislative Yuan in 1995, the relevant enforcement rules were not announced by the Executive Yuan until 31 January 1996. Furthermore, it normally takes two to three years, or longer, from the enterprise's proposal of investment to the sale of the products. Therefore, there is no official statistics so far with respect to the Program.

8. Duration

The program was initiated in 1995. The Statute for Upgrading Industries will expire in 1999,at which time Chinese Taipei will conduct a review of the Program.

9. Trade effects or related statistical data

In light of the scope and nature of the program, it is not possible to determine what, if any, trade effects may result from this program.

1. Title of the program

Accelerated depreciation against fixed assets

2. Period covered by the notification

Fiscal years 1995-1997 (July 1994 to June 1997)

3. Policy objective and/or purpose

The measure is intended to encourage structural adjustment by labour-intensive industries through automation of their operation.

4. Background and responsible authorities

(a) Laws:

Statute for Upgrading Industries (hereinafter referred to as the "SUI") Sub-paragraph (2), Paragraph 1 of Article 5.

(b) Responsible authorities:

- the Industrial Development Bureau, Ministry of Economic Affairs;
- Ministry of Finance.

Note: The SUI was promulgated on December 29, 1990 and an amendment on 10 January 1995, and will cease to be effective on December 31, 1999.

5. Form

Accelerated appreciation against ~~profit-seeking enterprise~~ **corporate** income tax.

6. To whom and how assistance is provided

In order to facilitate the adjustment of industrial structure and improvement of the economic scale of operation and process of production, companies which are incorporated pursuant to the Company Law and belong to the designated industries can have the service life of their machinery and equipment accelerated by one-half of the number of years set forth under the Income Tax Law. If the period so derived is short of a full year, the portion short of a full year should not be counted.

In case of under-depreciation during the accelerated service life, asset depreciation may continue for one year or several years within the service life of such asset as specified by the Income Tax Law until permissible depreciation is fully made.

The scope of industries eligible for this tax benefit and the duration of the measure is prescribed by the Executive Yuan and subject to review once every two years.

7. Amount

The Program has never been operational because the scope of the "specifically designated industries" has not been defined by Chinese Taipei since the promulgation of this provision; also, it is because the current Schedule of Fixed Assets Service Life has been constantly adjusted downward by the Ministry of Finance. As a result, there has been no application for the tax benefit under the Program.

8. Duration

The program was initiated in 1991. The Statute for Upgrading Industries will expire in 1999 at which time Chinese Taipei will conduct a review of the Program.

9. Trade effects or related statistical data

In light of the scope and nature of the program, it is not possible to determine what, if any, trade effects which may result from this program.

1. Title of the Program

Tax credits for the purchase of automation and environmentally-friendly equipment

2. Policy objective and/or purpose

The primary goal of the tax incentive is to achieve economic growth through industrial restructuring by encouraging investment in certain desirable areas such as automation, energy conservation, pollution control, reclamation of resources and reuse of industrial water.

3. The date of establishment of the program

The program was commenced in 1990.

4. Background and responsible authorities

(a) Law:

- **Statute for Upgrading Industries (hereinafter referred to as the "SUI"), Article 6.**

The SUI was promulgated on December 29,1990 and amended on January 10, 1995, and will cease to be effective on December 31, 1999.

(b) Responsible authorities:

Companies are required to obtain a certificate from the relevant government agency before they can apply for the tax credits with the tax collection authorities. The government agencies involved for the issuance of such certificates are as follows:

- **For the manufacturing industry and technical services industry: The Industrial Development Bureau of the Ministry of Economic Affairs("MOEA");**
- **For energy saving: The Energy Commission, Ministry of Economic Affairs;**
- **For the construction industry: The Construction & Planning Administration, Ministry of the Interior;**
- **For the wholesale industry: The Commence Department, MOEA**
- **For agricultural industry: The Council of Agriculture, Executive Yuan.**
- **Ministry of Finance**

5. Form of Subsidy

Credit against Corporate income tax

6. To whom and how assistance is provided

A firm may gain credits up to twenty percent of the amount of fund disbursed for any of the following purposes against the amount of corporate income tax payable for the current year:

- **investment in equipment for automation of production;**

- **investment in the equipment used for reclamation of resources and/or pollution control;**

- **investment in the equipment for energy saving and/or recycling of industrial water.**

In case the amount of corporate income tax levied for the current year is less than the amount of tax credit, the balance of tax credit may be carried over to the next four years. The total amount of investment credit against tax in each year should not exceed fifty percent (50 per cent) of the amount of corporate income tax levied in the then current year. However, this limitation should not apply to the final year.

The scope of application, implementation period and tax credit rate should be prescribed by the Executive Yuan and is subject to adjustment once every two years.

All firms, regardless of their industry categories, are eligible for the tax credit; therefore, the support should not be specific within the meaning of Article 2 of the Agreement.

For the manufacturing industries, the rate of investment credit available is 20 per cent for procurement of domestically manufactured equipment for automation, and 10 per cent for foreign manufactured equipment, respectively. The rate of investment credit available for procurement of domestically manufactured equipment for pollution control is 20 per cent, and 10 per cent for foreign manufactured equipment. The discrepancy of the rate of investment credit between domestic and foreign equipment will be eliminated upon Chinese Taipei's accession to the WTO.

The amount of investment credit for the most recent three years are listed as follows:

(Unit: thousand NT)

	FY 1997		FY 1996		FY 1995	
	No. of Case	Amount of Tax Reduction	No. of Case	Amount of Tax Reduction	No. of Case	Amount of Tax Reduction
1. Investment credit for Procurement of foreign Manufactured equipment for Automation	2,164	3,613,817	3,489	2,471,107	2,269	2,149,039
2. Investment credit for procurement of domestically manufactured equipment for automation	14,371	4,809,894	953	1,847,189	770	1,810,162
3. Investment credit for procurement of domestically manufactured equipment for pollution control	458	245,370	155	263,808	133	207,732
4. Investment credit for procurement of foreign manufactured equipment for pollution control	77	70,558	49	60,557	39	48,963

1. Title of the program

Tax deduction for ~~self-designed components of automobile~~ **automobiles using domestic design of certain automobile components**

2. Policy objective and/or purpose

The primary goal of the incentive is to encourage ~~self~~ **domestic** design of automobile~~s~~ **and its components** and establish research and development ability of the automobile industry.

3. The date of establishment of the program

The program was commenced in 1984.

4. Background and responsible authorities

(a) Law:

Statute for Commodity Tax Article 12.II.

(b) Responsible authorities:

- Ministry of Economic Affairs (MOEA);
- Ministry of Finance (MOF).

5. Form

For the self-designed components of the automobile (vehicle engines, bodies or chassis) a review will be conducted by the relevant experts commissioned by the MOEA and the MOF. Upon their approval, each item may enjoy a 3 per cent commodity tax reduction.

6. To whom and how assistance is provided

In order to upgrade the independent auto-design capability of Chinese Taipei, the vehicle engines, bodies or chassis designed by its domestic companies may, from the time the first vehicle is out of factory, enjoy a 3 per cent commodity tax reduction, upon the review and approval of the relevant experts, the MOEA and the MOF.

7. Amount

~~FY1995~~		~~FY1996~~		~~FY1997~~	
~~No. of Case~~	~~Amount of Tax Reduction~~	~~No. of Case~~	~~Amount of Tax Reduction~~	~~No. of Case~~	~~Amount of Tax Reduction~~
~~3~~	~~425,607~~	~~3~~	~~340,192~~	~~3~~	~~264,868~~

Unit: thousand NT

		B. FY 1995	FY 1996	FY 1997
Domestic Design of Components	**No. of case**	**Amount of Tax Reduction**	**Amount of Tax Reduction**	**Amount of Tax Reduction**
Body	**2**	**86,371**	**49,172**	**21,534**
Chassis and Body	**2**	**339,260**	**289,184**	**242,525**
Total	**4**	**425,631**	**338,356**	**264,059**

8. Duration

Chinese Taipei will repeal ~~the tax incentive provided for domestic design and use of automotive parts~~ **the relevant provisions of its law related to the tax reduction for automobiles using self designed engine, chassis and body** by December 31, 2000. Chinese Taipei will not expand the program through, for example, increasing the ~~parts~~ **types of components** covered or the amount of the incentive and the grant of incentive~~s~~ to additional companies will be limited to the extent permitted by Chinese Taipei's law.

9. Trade effects or related statistical data

Take FY 1997 for example, the production value of whole vehicles in Chinese Taipei was NT$154.1 billion. The reduced commodity tax was NT$ ~~264,868,000,~~ **264,059,000** which was 0.17 per cent of the yearly auto production value.

1. Title of the program

Tax credit for investment in disadvantaged region

2. Period covered by the notification

The fiscal year 1997 (July 1996 to June 1997).

3. Policy objective and/or purpose

With the aim of achieving balanced economic growth within the territory of Chinese Taipei, the means of tax credit is used to encourage investment in disadvantaged geographic regions.

4. Background and authority

(a) Law:

Statute for Upgrading Industries (hereinafter referred to as the "SUI"), Article 7.

(b) Responsible authority:

The Industrial Development Bureau, Ministry of Economic Affairs.

Note: The SUI was promulgated on 29 December 1990 followed by an amendment on 10 January 1995, and will cease to be effective on December 31, 1999.

5. Form

Tax credit against corporate income tax.

6. To whom and how assistance is provided

Any company incorporated under the Company Law, which makes investment in designated industries in a region with scanty natural resources or with slow development, may gain credits of up to twenty per cent of the total amount of its investment against the corporate income tax levied in the then current year, provided it meets the threshold of capital or the threshold number of employees. If the amount of corporate income tax levied in that year is less than the tax credit, the balance of the tax credit may be applied against the corporate income tax levied in the ensuing four years.

The eligible geographical regions are the last ranking eight counties in Chinese Taipei in terms of population, employment rate, communication facilities, tax revenue, average regular income per household, infrastructure, and other indices, plus Kinmen County and Lien-chiang County. The latter two Counties are two small offshore islands with slow economic development. They would always be eligible if the aforementioned criteria are applied on them.

The designated industries referred to above include all manufacturing industries and several service industries.

The threshold capital means the total amount used in procuring brand-new machinery, equipment and building aggregates to NT$25 million. The minimum number of employees

means the monthly average of the number of newly employed employees in a full year amounts to fifty (50) persons or more.

The criteria used by Chinese Taipei are more stringent than those under Article 8 of the SCM Agreement. The reason for Chinese Taipei's adoption of factors other than the two economic indicators prescribed by the SCM Agreement is mainly based on the consideration that these criteria reflect the real condition of scanty resources and the slow economic development in the areas concerned. If the SCM's index were applied, more regional zones would be eligible for tax credits.

7. Amount

- **Since the program's inception, the total accumulated amount is:**

  NT$700,929,000 (fiscal years 1993-1997) (US$1=NT$27.81, June 1997 rate)

- **For the fiscal year 1997:**

  NT$316,056,000

- **Statistical data available for the three most recent years:**

FY 1995	FY 1996	FY 1997
239,173,000	143,173,000	316,056,000

8. Duration

The program was initiated in 1993. The Statute for Upgrading Industries will expire in 1999, at which time Chinese Taipei will conduct a review of the Program.

B. LOANS FOR SMALL AND MEDIUM ENTERPRISES (SMEs)

1. Title of the program

Specific and urgent financing and loans intended for promoting competitiveness, for plant site relocation, for working capital needed during periods of economic crisis and recession, and for recovery plans from damage caused by major natural disasters.

2. Period covered by the notification

Fiscal years 1995-1997 (~~May 1992 to June 1998~~ **July 1994 to June 1997**)

3. Policy Objective and/or Purpose

The qualified SMEs which meet the following conditions are entitled to apply for the financing and loans:

- Specific financing is provided for management plans to enhance competitiveness, expand R&D, prevent environmental contamination, invent new products, and upgrade product quality, etc.;
- Urgent financing is provided for the provision of working capital during periods of significant financial crisis, recession, and major natural disasters;
- The loans are provided for helping enterprises restructure during periods of economic crisis and recession, replace machinery, and purchase new automated equipment.

4. Background and responsible authorities

(a) Laws

- Statute for the Development of SMEs (Articles 9,15,16,17,18);
- Regulation for Collection and Payment, Management and Operation of the Fund for the Development of SMEs;
- The Fund for the Development of SMEs was established Based on Article 9 of Statute for the Development of SMEs.

(b) Responsible authorities:

The responsible authority is the Ministry of Economic Affairs.

Note: While the SME Development Fund was planned to be NT$12 billion, its accumulated amount reached 9.1 billion as of the end of fiscal year 1997.

5. Form

Financing and loan.

6. To whom and how assistance is provided

All enterprises which meet the Criteria for Identification of SMEs set by the Executive Yuan are eligible for application.

According to the "Standards for Recognition as SME", published by the Ministry of Economic Affairs, SME refers to an enterprise which is a company or commercial enterprise

registered in accordance with the law with capitalization or business volume below the following thresholds:

- **for enterprises engaged in manufacturing, construction, mining, or excavating business, paid-in capital of less than NT$60 million.**
- **for enterprises engaged in agriculture, logging, fishing, the raising of livestock, utilities, commerce, transport, warehousing, communications, finance, insurance, real estate, commercial, social or individual services, with annual business volume of less than NT$80million in the previous year.**

The loan granted is shared by the SME Development Fund and other participating banks on a 25/75 per cent basis. The ceiling interest rate is 1 per cent above the prime rate of Bank of Taiwan.

7. Amount

Statistics for Specific Programs: Loaned by the Fund for the Development of SMEs

Unit: million NT

Title of Program	FY ~~1994~~ 1995	FY ~~1995~~ 1996	FY ~~1996~~ 1997
Specific financing for enhancing competitiveness	922	834	879
Loans for helping enterprises restructure and plant site relocation	1,002	825	578
Urgent financing for the provision of working capital during periods of significant financial crisis, recession	0	0	0
Urgent financing for major natural disasters	111	0	35

8. Duration

The programs are not subject to any fixed completion date.

9. Trade effects or related statistical data

Given the fact that in Chinese Taipei 98 per cent of enterprises can meet the criteria set by the Executive Yuan and be termed as SMEs, it is difficult to estimate the trade effects of these programs.

1. Title of the program

Medium and long term loans for product marketing, and loans for overseas investment and construction projects.

2. Period covered by the notification:

Fiscal years 1995-1997 (July 1994 to June 1997)

3. Policy objective and or/purpose

Those programs are implemented with the purpose of providing SMEs with financial assistance in exploring new markets for their machinery and equipment, in investing and establishing plants in foreign countries, and in undertaking the overseas contracts for construction projects.

4. Background and responsible authorities

Laws and Regulations:

- Statute for the Development of SMEs (Articles 9,15,16);
- Regulation for Collection and Payment, Management, and Operation of the Fund for the Development of SMEs (it is stipulated in Article 9 of Statute for the Development of SMEs) ;
- The responsible authority is the Ministry of Economic Affairs.

5. Form

Loan.

6. To whom and how assistance is provided

- All enterprises which meet the Criteria for Identification of SMEs set by the Executive Yuan are eligible to apply. ;
- The approved application for loans are implemented by commercial banks; however, the capital needed is provided entirely by the SME Development Fund.

7. Amount

Loaned by the Fund for the Development of SMEs

FY 1995	NT$ 23 million
FY 1996	NT$ 157 million
FY 1997	NT$ 281 million

8. Duration of Subsidy

The programs are not subject to any fixed completion date.

9. Trade effects or related statistical data

Given the fact that in Chinese Taipei 98 per cent of enterprises can meet the criteria set by the Executive Yuan and be termed as SMEs, it is difficult to estimate the trade effects of these programs.

1. Title of the program

Specific loans for mutual cooperation

2. Period covered by the notification

Fiscal years ~~1996~~**1995**-1997 (July ~~1996~~**1994** to June 1997)

3. Policy objective and/or purpose

The program is implemented to encourage SMEs' prosperity through their mutual cooperation.

4. Background and responsible authority

(a) Laws:

- Statute for the Development of SMEs (Articles 7, 9, 25);
- Regulation for Collection and Payment, Management, and Operation of the Fund for the Development of SMEs.

(b) Responsible authority:

The responsible authority is the Ministry of Economic Affairs.

5. Form

Loan.

6. To whom and how assistance is provided

All enterprises which meet the Criteria for Identification of SMEs set by the Executive Yuan are eligible to apply.

The granted loans are provided by the SME Development Fund and other undertaking banks on a 50/50 basis. The interest rate is 1 per cent lower than the prime rate of Bank of Taiwan.

7. Amount

No loan has been granted during fiscal years 1995-1997.

8. Duration

The program is not subject to any fixed completion date.

9. Trade effects or related statistical data

No data available.

C. DUTY AND TAX EXEMPTIONS GRANTED TO ENTERPRISES LOCATED WITHIN A DESIGNATED ZONE

1. Title of the program

Duty and tax exemptions for high-technology industries

2. Period covered by the notification

Fiscal year 1995-1997.

3. Policy objective and/or purpose

This program is implemented with a view to stimulate the research and innovation of industrial technology and to promote the development of advanced technology industries in Chinese Taipei. The “Science-Based Industrial Park”(“the Park”) has been established by introducing the sophisticated industries and personnel with advanced technological background within a designated zone.

4. Background and the responsible authorities

(a) Laws and Regulations:

- Statute for the Establishment and Administration of a Science-Based Industrial Park (Articles 15 and 17);
- Implementing Regulation of Statute for the Establishment and Administration of a Science-Based Industrial Park.

(b) Responsible authorities:

- The Park is managed by the Park Administration.;
- The policy-making body is the National Science Council of the Executive Yuan.

5. Form

The subsidy program will be implemented in the form of duty and tax exemptions.

6. To whom and how assistance is provided

- All high-tech industries located in the Park are exempted from Corporation income taxes for five consecutive years from any date selected by them within their first two profit making year.

- All park enterprises are entitled to the following exemptions:

    - customs duties, commodity tax, and business tax on imported machinery and equipment, raw materials, commodities, fuel, and semi-finished products; and
    - commodity tax and business tax on exported goods or labour services.

Note **1**: Park enterprises include high-tech industries and other enterprises in the Park relevant to the production and sale of high-tech products. Such enterprises may include businesses dealing with storage and transportation, packing, maintenance, leases on machinery and equipment, and managerial or technological consultation and services.

Note 2: According to Section 2, Paragraph 1, Article 3 of the Commodity Tax Statute and Article 7 of the Business Tax Statute, exports can be exempt from commodity tax, and the business tax rate on exported goods is zero. These tax treatments are not specific to enterprises located in the Park, as they are generally available for exported goods, regardless of whether the manufacturers are located in the Park.

Note 3: (1) According to Articles 5 to 12 of the Statute for Commodity Tax, only eight categories of products are subject to such tax: tobaccos & alcoholic drinks, rubbers, cements, soft drinks, flat-glasses, oils, electric appliances, and vehicles. It is clear from these provisions that machinery and equipment is not subject to commodity tax. Thus, "no commodity tax refund shall be made for imported machinery and equipment which have been duly taxed" provided for in Article 18 of the Statute for the Establishment and Administration of a Science-Based Industrial Park is actually not implemented. Chinese Taipei would consider to amend the provision by deleting the reference to commodity tax to provide greater clarity should the inclusion of the phrase "commodity tax" in the provision give false impression that machinery and equipment are subject to commodity tax.
(2) Chinese Taipei does not permit the refund of customs duty unless clearly mandated by the laws in order to ensure the stability and predictability of the tax regime. This is not an uncommon practice in the world. The laws provide for very few situations for duty refund. One example is Article 36 of the Customs Law.

7. Amount

~~Not available~~

(1) 1995-1996 Corporate Income Tax Exemption in Science-Based Industrial Park (By Sectors)

Unit: USD 1 million

Sector	**FY1995**	**FY1996**
Integrated circuit	**314**	**182**
Computer	**7**	**22**
Telecom	**6**	**3**
Opto-electronics	**1**	**2**
Machinery	**0.27**	**2**
Biotechnology		
Total	**328**	**211**

(2) 1995-1996 Tax Credit against Corporate Income Tax in Science-Based Industrial Park (By Sectors)

Unit: USD 1 million

Sector	**FY1995**	**FY1996**
Integrated circuit	**70**	**59**
Computer	**16**	**15**
Telecom	**2**	**2**
Opto-electronics	**0.23**	**1**
Machinery	**0.15**	

Biotechnology		
Total	**89**	**77**

Note: The assistance hereof is granted based on Article 6 of the Statute for Upgrading Industries. Therefore, the assistance is not available only for Park Enterprises. All firms meeting the requirements of the said Article 6 are eligible for the assistance. However, the amount provided hereof only represents the tax credit enjoyed by Park enterprises under such assistance.

(3) 1995-1997 Duty & Business Tax Exemption for Imported Machinery and Equipment

Unit: USD 1 million

Fiscal Year	**Import Value for M&E**	**Amount of Import Duty Exemption**	**Amount of Business Tax Exemption**
1995	**1,513**	**113**	**76**
1996	**3,287**	**247**	**164**
1997	**3,359**	**252**	**168**

Note: The amount of import duty exemption for various tariff lines other than machinery and equipment is not available because of the lack of statistics for imports into the Park by tariff line. Since the duty rate applied against each tariff line differs, we can not calculate the exempted duty amount for all the imports into the Park unless we have the import statistics of the Park by tariff line.

(4) 1995-1997 Business Tax Exemption for All Imports

Unit: USD1million

Fiscal Year	**Total Import Value**	**Total Amount of Business Tax Exemption**
1995	**4,478**	**224**
1996	**8,020**	**401**
1997	**7,462**	**373**

Note: Exchange rate in FY 1995: USD1=NT$26.16
FY 1996: USD1=NT$27.08
FY 1997: USD1=NT$27.52

8. Duration

There is no time limit attached to the program.

9. Trade effects or related statistical data

	FY 1995	FY 1996	FY 1997
Number of approved park enterprises	24	20	42

Total import value (million NT)	117,153	217,182	205,017
Total export value (million NT)	145,273	230,025	194,124

In light of the scope and nature of the programs granted, it is not possible to determine what, if any, trade effects which may result from this subsidy program.

1. Title of the program

Duty and tax exemptions for in-zone enterprises.

2. Period covered by the notification

Calendar year 1994-1996.

3. Policy objective and/or purpose

Export processing zones have been established for the purpose of promoting investment and international trade.

4. Background and responsible authorities

(a) Laws:

- Statute for Establishment and Administration of Export processing Zones (Article 1,5,13);
- Measures for the Screening of Application for Establishment of Enterprises in Export Processing Zones;
- Categories of Industry Permissible to be established in Export Processing Zones.

(b) Responsible authorities:

- Export processing zones are managed by the Export Processing Zone Administration;
- The policy-making body is the Ministry of Economic Affairs;
- The task of reviewing the eligibility of enterprises established in export processing zones shall be undertaken by the Export Processing Zone Administration together with the other government agencies involved.

Note: In-zone enterprises include industries authorized to be engaged in manufacture, processing, assembly, research and development, trade, consultation, technical services, warehousing, transportation, stevedoring, packing, repair, and other related business approved by the Ministry of Economic Affairs in exporting processing zones.

5. Form

Duty and tax exemptions.

6. To whom and how assistance is provided

All in-zone enterprises industries are entitled to the following exemptions:

- Import duty, commodity tax, and business tax on imported machinery and equipment;
- Import duty, commodity tax, and business tax on imported raw and consumption materials, fuels, semi-finished products, samples, and finished products for transshipment by traders and warehousing operators;
- Deed tax when acquiring a new standard plant building in the export processing zone or acquiring a building from the Export Processing Zone Administration.

It should be noted that all machinery and equipment within five years after import and other imported goods are not entitled to duty and tax exemptions when they are shipped to leviable areas from export processing zones. Moreover, products manufactured by in-zone enterprises shall be subject to customs duties, commodity taxes, and business taxes on ex-factory prices minus value-added basis when they are shipped to leviable areas.

Note: According to Articles 5 to 12 of the Statute for Commodity Tax, only eight categories of products are subject to such tax: tobaccos & alcoholic drinks, rubbers, cements, soft drinks, flat-glasses, oils, electric appliances, and vehicles. It is clear from these provisions that machinery and equipment is not subject to commodity tax. Thus, "no tax paid for imported machinery and equipment is to be refunded" provided for in Article 17 of the EPZ Law is actually not implemented.

Chinese Taipei does not permit the refund of customs duty unless clearly mandated by the laws in order to ensure the stability and predictability of the tax regime. This is not an uncommon practice in the world. The laws provide for very few situations for duty refund. One example is Article 36 of the Customs Law.

7. Amount

~~Not available~~

Percentage of EPZ Payable Tax to Export Value

Unit: thousand USD

Item Year	1996(Jan.-Dec.)	1997(Jan.-Dec.)
Imported Machinery Equipment	200,447	545,365
Imported Machinery Equipment Custom Duty	5,011	13,634
Export Value Total	6,897,065	7,934,118
Percentage	0.07%	0.17%
Average Percentage		0.12%
Export and Import Value Total	10,884,117	13,040,026
Percentage	0.05%	0.10%
Average Percentage		0.08%

Item Year	1996(Jan.-Dec.)	1997(Jan.-Dec.)
Raw Material	3,786,605	4,560,543
Raw Material Custom Duty	189,330	228,027
Export Value Total	6,897,065	7,934,118
PERCENTAGE	2.75%	2.87%
Average Percentage		2.81%
Export and Import Value Total	10,884,117	13,040,026
Percentage	1.74%	1.75%
Average Percentage		1.74%

8. Duration

There is no time limit attached to the program.

9. Trade effects or related statistical data

	1994	1995	1996
Number of approved in-zone enterprises	233	235	231
Total import value (million US dollar)	2,801	3,777	3,987
Total export value (million US dollar)	4,780	6,271	6,897

In light of the scope and nature of the programs granted, it is not possible to determine what, if any, trade effects may result from this subsidy program

D. RESEARCH AND DEVELOPMENT

1. Title of the program

Funds granted for development of products of the ten new leading industries.

2. Period covered by the notification

The fiscal year 1997 (July 1996 to June 1997).

3. Policy objective and/or purpose

In order to encourage research and development of new leading products and upgrade the technical capability of new leading industries, the program grants funds for private enterprises.

4. Background and authority

(a) Laws and regulations:

- Measures for Assistance in the Development of New Leading Products, is promulgated on April 26, 1991, and is amended on June 30, 1995.

(b) Responsible authority:

- The Industrial Development Bureau, Ministry of Economic Affairs.

5. Form

~~Fund~~ **Grant and interest-free loan.**

6. To whom and how assistance is provided

Any company incorporated under the Company Law with sound financial standing, possessing a research and development department with sufficient R&D specialists in Chinese Taipei, which have actually made R&D achievements, may apply for the assistance fund relating to the development of a product within the scope of one of the ten (10) newly emerging industries, i.e., communication, information, consumer electronics, aerospace, medical and health care, pollution control, advanced materials, semi-conductors, specialty chemicals and pharmaceuticals, and precision machinery and automation.

The assistance funds granted total no more than fifty percent (50 per cent) of the amount of the following expenses incurred exclusively for the development of new leading products:

- Personnel costs incurred for full-time and/or part-time research personnel;
- Costs of consumable instruments and raw materials;
- Costs for use and maintenance of R&D equipment;
- Costs for technology transfer; and
- Domestic and overseas travel expenses.

In 1995,Chinese Taipei amended the “Measures for Assistance in the Development of New Leading Products”. The amended Article 10 provides that: “the total amount of assistance and matching funds to be allocated to a leading product development plan shall be limited to no more than 50 per cent of the total amount of the budgeted development costs." While the assistance fund may be defined as a grant, the matching fund is an interest-fee loan, whose repayment must be started upon the first anniversary of the completion of R&D. In addition to the repayment term (two to five years) for the matching fund, a private enterprise receiving the matching fund must, starting from the sale of the funded product, pay a quarterly feed-back fee, in an amount ranging from 1 per cent to 4 per cent of the sales amount of such product. The total amount of the budgeted development costs should be expended exclusively on the following items:

- Personnel costs for research personnel, technical personnel and other assistants employed exclusively for performing research work;
- Costs of instruments, equipment, land and buildings exclusively and permanently used for research activities except those used for commercial basis;
- Costs of consultation solely for the purpose of research activities and the same services, including expenditures for purchase of research results, technical know-how, patents, etc.;
- Indirect costs arising directly from research activities; and
- Running expenses for materials, supplies and similar expenditures arising directly from research activities.

7. Amount

~~(1) Since the program's inception, the accumulated assistance fund by the end of fiscal year 1997 is NT$5,375,348,560(Fiscal years 1992-1997)~~

~~(2) the fiscal year 1997:~~
~~NT$327,128,000 and a breakdown of those products are as follows:~~
~~Unit: thousand NT~~

~~Name of Project (or Sector)~~	~~Amount~~
~~Precision Machinery and Automation~~	~~72,008~~
~~Communication~~	~~26,290~~
~~Information~~	~~7,440~~
~~Consumer electronics~~	~~17,390~~
~~Aerospace~~	~~0~~
~~Medical and health care~~	~~0~~
~~Pollution control~~	~~0~~
~~Advanced materials~~	~~59,700~~
~~Semi-conductors~~	~~15,970~~
~~Specialty chemicals and pharmaceuticals~~	~~128,330~~

(1) Since the programme's inception, the accumulated grant is NT$ 5,266,646,560 as at the end of fiscal year 1998 (fiscal years 1992-1998) and the accumulated interest-free loan is NT$5,484,898,090.

(2) For fiscal year 1998: NT$882,038,000 of grant and interest free loan respectively. A breakdown of the products involved is as follows:**

Unit: thousand NT

Name of Project (or Sector)	**Grant**	**Interest-free loan**
Precision machinery and automation	**214,938**	**214,938**

Communication	**69,230**	**69,230**
Information	**40,670**	**40,670**
Consumer electronics	**177,460**	**177,460**
Aerospace	**0**	**0**
Medical and health care	**0**	**0**
Pollution control	**0**	**0**
Advanced materials	**59,700**	**59,700**
Semi-conductors	**36,250**	**36,250**
Specialty chemicals and pharmaceuticals	**223,790**	**223,790**
Total	**882,038**	**882,038**

Note: ***In addition to the repayment of the interest-free loan, a manufacturer who receives assistance from the Program is also required to pay a feedback contribution in an amount equal to 1 per cent to 4 per cent of its sales derived from the sale of the newly developed products.**

****Exchange rate on June 1998 is USD1=NT$34.39**