

# WORLD TRADE ORGANIZATION

RESTRICTED

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**Working Party on the  
Accession of Chinese Taipei**

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## **ACCESSION OF CHINESE TAIPEI**

### Notification Pursuant to Article XVI.1 of the GATT 1994 and Article 28.1 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 28.1(a) of the Agreement on Subsidies and Countervailing Measures (hereinafter referred to as the "Agreement").

Article 28.1(a) of the Agreement requires the notification of subsidies programs which were established within Chinese Taipei before it signed the WTO Agreement and which are inconsistent with the provisions of this Agreement. This provision is understood to apply to subsidies within the meaning of Article 1 which are prohibited under Article 3.1 of the Agreement.

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" and "contingent upon export performance" or "contingent upon the use of domestic over imported goods."

Although Article 28 does not contain a provision similar to Article 25.7 of the Agreement, it is Chinese Taipei's position that in order to achieve greater transparency, any notification made under Article 28.1(a) shall also not prejudice either the legal status of a measure notified under GATT 1994 and the Agreement, the effects under this Agreement, or the nature of the measure itself. Moreover, of the subsidies notified hereunder, it may be that only part of the subsidies involves an element inconsistent with the Agreement.

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

**1. Title of the Program**

**Tax credits for the creation of internationally recognized brands.**

**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 incentive is to encourage private enterprises to create their own internationally recognized brands.**

**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:**

- **Industry Development Bureau, Ministry of Economic Affairs;**
- **Ministry of Finance.**

**5. Form**

**Credit against Corporate income tax.**

**6. To whom and how assistance is provided**

**All companies invested in the creation of internationally recognized brands are eligible for tax credit. Up to 15 per cent of expenditure spent for promoting in the international market any trademark, service mark or certification mark created by company itself and registered with Bureau of Standards, MOEA, can be deducted from payable corporate income tax.**

**If the total expenditure reaches NT\$3,000,000 in the same taxable year, 10 per cent thereof may be deducted from the corporate income tax payable for that year; if such total expenditure reaches NT\$5,000,000 and “Taiwan Exquisite Product Mark” authorized by MOEA is used with the brand, 15 per cent of the total expenditure may be deducted from the income tax payable for that year. 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 ensuing four years.**

**The regulation on creation of international brands will be amended to be consistent with WTO requirements, upon accession, without any recourse to a transition period. Any future programme in this area would be consistent with WTO requirements and would not reintroduce prohibited subsidies.**

**7. Amount**

**Not available**

**Unit: thousand NT**

<b>Year</b>	<b>No. of Cases</b>	<b>Tax Deduction Amount</b>
<b>1994</b>	<b>16</b>	<b>16,304</b>
<b>1995</b>	<b>31</b>	<b>31,574</b>
<b>1996</b>	<b>34</b>	<b>18,987</b>
<b>Total</b>	<b>81</b>	<b>66,865</b>

**8. Duration**

**The program was initiated in 1991 and will terminate when the Statute expires.**

**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.**

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