

POLICY REVIEW

Chip R&D receives welcome boost

State Council to use government investment funds to aid growth of IC and software sectors

By XU WEI
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The State Council has unveiled a package of policies offering tax cuts and incentives for research and development in the country's semiconductor sector.

Experts have welcomed the Cabinet's move, saying it will help more domestic businesses attain breakthroughs in core technologies.

The latest mix of policies to promote the high-quality development of the integrated circuit and software sectors was released on Aug 4 and pledged greater efforts to improve the business environment, facilitate international cooperation and bolster the two sectors' capacity to innovate.

Eligible IC producers that have operated for over 15 years will be exempt from corporate income tax for 10 years if they employ the 28-nanometre process or more advanced nodes. Producers with projects between 65 nm and 28 nm will have their corporate income tax waived for five years and halved for the following five years.

The government will also waive corporate income tax for two years for businesses that design, package and test chips and those that produce related equipment and materials, and then halve it for the subsequent three years.

Financial institutions will also be encouraged to offer more mid- and long-term loans to businesses, and eligible IC and software companies will receive support to list publicly and raise funds at home and abroad.

Yang Jungang, a senior semiconductor sector analyst at research company CCID Consulting, said the latest policies would provide a strong boost because they offered more favorable tax policies and helped businesses expand their funding channels.

"The IC sector is the core part of the information technology industry, and facilitating the development of the sector will offer a strong shield for the growth of related sectors," he said.

Yang said the policies highlighted the need to promote the study of integrated circuits at universities, including steps to establish institutions specializing in microelectronics, which would be a key step toward solving the shortage of talent in the sector.

Another highlight of the new policies, he said, was that they emphasized the protection of intellectual property rights.

"For chip designers, a main part of their work is IC design, and stronger IPR protection will safeguard their legitimate interests and thus benefit the healthy growth of the sector," Yang said.

China remained the world's largest semiconductor market last year, with the country spending about \$305.6 billion on chip imports, down 2.1 percent year-on-year.

The latest policies follow incentives rolled out by the State Council in 2000 and 2011.



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The Cabinet has also pledged to make full use of government investment funds to aid the growth of the IC and software sectors while at the same time encouraging private capital to set up investment funds.

It said it will further promote global cooperation in the IC sector, take proactive measures to optimize the business environment for foreign businesses and encourage com-

panies from overseas to set up R&D centers in China. Chinese companies will also be encouraged to go global and set up R&D centers in other countries.

The government will step up anti-trust law enforcement and target monopolistic behavior to ensure fair competition in the IC and software sectors, the document detailing the new policies said.

Chen Yuenan, an analyst with semiconductor industry website ijiwei, said the latest policies offered unprecedented support for the whole IC industry chain.

The Cabinet had proposed the establishment of a new system mobilizing the resources of the whole nation to support the development of high-end chips, equipment, core materials and

technologies in the IC sector, he said.

Chen said the system, which will promote cooperation between public research institutions and private enterprises, will help break the technological monopoly held by Western businesses and enable domestic manufacturers to attain more technological breakthroughs, a prerequisite for dominance in the domestic market.

POLICY RESPONSE

Safety of explosives and cruise ships on agenda

By WANG QINGYUN
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A number of ministry-level departments, including those responsible for industry and information technology, transport, and tax administration, have responded recently to issues of public concern.

Campaign to make storage of civil explosives safer

The Ministry of Industry and Information Technology will launch a campaign to make the storage of civil use explosives safer.

The campaign is part of efforts to strengthen the safety of hazardous chemicals storage in the wake of the deadly explosion in Beirut on Aug 4.

Authorities at all levels that oversee the civil use explosives industry and companies that make explosives must carry out their obligations strictly, follow laws, regulations and industry standards and keep improving long-term mechanisms to ensure work safety, the ministry said on Aug 10.

They should immediately carry

out comprehensive inspections of stored explosives, as well as semifinished products and inflammable raw materials, it said.

They must strengthen inspection and management of the sale of ammonium nitrate, and make sure it is sold only to companies making civil use explosives, medicines and refrigerant, and educational and research institutes, as prescribed by the State Council, the ministry said.

It said the authorities should impose strict punishment on companies and individuals that violate related laws.

Alert on flood and typhoon risks to cruise operations

Authorities should take scientific, reasonable and powerful measures to ensure the safety of cruise ship voyages during the flood and typhoon season, the Ministry of Transport said.

In a notice issued to the transport authorities of Hubei and Hainan provinces and Chongqing, the Changjiang River Administration of Navigational Affairs and the Hainan



Maritime Safety Administration, the ministry said the authorities must attach great importance to the impact floods and typhoons may have on cruise ship operations.

They must make sound emergency plans to deal with COVID-19 and exercise caution when allowing the resumption of cruise ship operations after approval from local pandemic control and prevention authorities, the ministry said on Wednesday.

The transport authorities should also strengthen cooperation with local emergency response, water resources, health and tourism departments, it said.

They should remain vigilant and enhance inspections to make sure

cruise ships carry out their disease-prevention duties fully, the ministry said, adding that cruise ships should cap their occupancy rate at no more than 70 percent.

The ministry said the authorities should follow the weather closely, issue timely alerts of potential floods and typhoons and restrict sailings in the face of such extreme weather events.

895.3b yuan of export tax rebates processed by July



Tax authorities around the country processed 895.3 billion yuan (\$129 billion) of export tax rebates in the first seven months of the year, an official from the State Taxation Administration said.

The average time to process

rebates has dropped to no more than eight workdays from 10 workdays last year, Xie Wen, head of the administration's Goods and Services Tax Department, told a news conference on Thursday.

The prompt processing of rebates had helped ease the financial pressure on exporters and contributed to efforts to keep foreign trade stable, he said.

Tax authorities had raised the rate of export tax rebates for 1,464 products since March 20, with up to 25,000 exporters benefiting from the move by the end of June, Xie said.

The authorities have been working to further improve the processing of tax rebates by promoting paper-free and online processing and other measures, he said.

Due to the COVID-19 pandemic, the authorities have allowed all exporters to apply for tax rebates online, Xie said.

The authorities have reversed normal procedures and are processing rebate applications for companies in urgent need before conducting field examinations, he said.

Policy digest

Cabinet calls for steps to stabilize foreign trade

Governments of all provincial-level regions and State Council departments should take steps to stabilize foreign trade and foreign investment, the General Office of the State Council said.

In a guideline released on Wednesday, the office said the authorities should enhance the role of export credit insurance. It also encouraged regions with the right conditions to support their governments' financial guarantee companies in sharing the risks of export businesses.

The office said the authorities should take measures to enhance credit for foreign trade companies and guide financial institutions of all kinds to strengthen financial support for small and micro-sized foreign trade companies.

It also called for more credit to be extended to small, medium- and micro-sized companies and for more pilot markets to offer "market procurement trade" to boost exports by such companies.

Under the "market procurement trade" mode, companies can purchase a relatively small amount of goods for export in pilot markets and go through customs clearance procedures there.

The authorities should also promote other kinds of emerging business, such as overseas warehouses, and encourage regions in Central, West and Northeast China to take up labor-intensive industries to make goods for export, the office said.

They should lend more support to companies in labor-intensive industries, further support exporters of textiles, clothes, furniture, shoes, plastic ware, bags and other products, and help major foreign trade companies overcome difficulties, it said.

The authorities also need to further facilitate customs clearance, keep improving the business climate at ports and shorten the time needed for clearance of goods.

They should also make it easier for foreign business personnel to come to China, and continue to discuss building "fast lanes" with other countries while implementing strict disease-prevention measures, the office said.

COVID-19 body releases guidelines for markets

The State Council's joint prevention and control mechanism to tackle COVID-19 has set out specific technical guidelines for agricultural produce markets to prevent the spread of the disease.

Joint prevention and control mechanisms of all provinces, autonomous regions, municipalities and the Xinjiang Production and Construction Corps should focus on disease prevention and improve everyday health management in the markets, as well as their hygiene, the mechanism said in a statement released on Wednesday.

They should improve sanitary facilities such as restrooms and garbage collection, step up sterilization of elevators, escalators and door handles, and urge business operators in the markets to do everyday cleaning, the statement said.

The authorities should also strengthen public health education and promote preventive measures in the markets, including wearing face masks and gloves, keeping hands clean and maintaining social distance, it said.

They should enhance inspection of markets to detect risks, and pay special attention to large ones and wholesale operations, including seafood markets.

The mechanism said the authorities should regularly inspect the environment of markets, their storage of frozen meat and other food and the management of freezers, and respond in a timely manner to any weaknesses detected.

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