

POLICY REVIEW

Software and chip firms get more support

Tax cuts and key favorable policies to boost development and upgrade sector

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The State Council has provided fresh confidence and impetus to the country's integrated circuit and software sectors with its decision to continue preferential corporate tax policies at an executive meeting on Wednesday.

The Cabinet decided at the meeting, presided over by Premier Li Keqiang, that the country will continue the tax cut and exemption policies for businesses devoted to IC design and those in the software sector starting from tax calculation and collection for last year.

Chip designers and software producers will be exempt from corporate taxes for two years, according to a statement released after the meeting. For the following three years, their corporate taxes will be cut by half, the statement said.

The tax cut followed a decision last year by the country to cut taxes for chipmakers, who had been exempt from corporate income tax for up to five years.

Meanwhile, the meeting also called for accelerated efforts to come up with supporting policies to further promote the development of IC and software industries to a higher level, the statement said.

Han Xiaomin, a senior analyst on the semiconductor sector with the research company CCID Consulting, said the decision by the State Council had offered a major confidence boost to businesses in the IC industry.

"It ensured the continuity of previous policies and stabilized market expectations," he said.

Statistics from the Ministry of Industry and Information Technology showed that the country's IC production was down by 8.7 percent year-on-year in the first quarter, with slumping prices for chips and weak market demand.

China remained the world's largest importer of ICs last year, with the total volume of imports reaching \$312 billion, up by 19.8 percent year-on-year, according to the General Administration of Customs.

Miao Wei, minister of industry

For some Chinese businesses, their investment in R&D only takes up about 10 percent of their total input, while the international average stands at about 20 percent."

Wei Shaojun, director of the microelectronics institute at Tsinghua University

and information technology, said in a signed article in July that there are potential risks in industry security in the sectors of IC and basic software.

Manufacturers in the two sectors are restricted to the lower end of the global value chain and the security of their industry and supply chain cannot be guaranteed, he said.

In a guideline on promoting the growth of the sector in 2014, the State Council had set a target of making the country into a global leader in major links of the IC sector by 2030.

The guideline called for efforts to enable accelerated growth in the design, manufacturing, packaging and testing of the IC sector, with a national IC industry fund also set up to promote growth of the sector.

Han noted that the large number of IC imports underlined the country's weakness in the sector.

However, it is also important to keep in mind the demand in IC is behind the fact that China is also the world's largest manufacturer of electronics and made-in-China products have been supplying the global demand, he said.

"Thus, it is impossible to set a target of self-reliance in the sector," he said.

The State Council highlighted the importance of unbiased treatment to businesses under all forms of ownership, including foreign businesses, in order to



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attract different types of investment in promoting the development of the sector.

Han said it is important for authorities to prioritize support measures to the sector of IC design, the weakest link in the IC sector, in future policy-making procedures, adding that there are very few foreign businesses that are devoted to chip designs in China.

Another constraining factor is the lack of talent, he said.

"The education at colleges must be more compatible with the demand of businesses and the market."

Meanwhile, the flow of talents in the IC sector from overseas must be further encouraged to address the shortage, he said.

Wei Shaojun, director of the

microelectronics institute at Tsinghua University, said it is also important for businesses to bolster their investment in research and development.

"For some Chinese businesses, their investment in R&D only takes up about 10 percent of their total input, while the international average stands at about 20 percent," he said.

POLICY RESPONSE

Broadband and new-energy buses among key topics

By XU WEI

Several ministry-level departments, including those for industry and information technology, healthcare security, and finance, have responded recently to issues of public concern.

Rates for mobile internet services to be reduced

The average rates for mobile internet services will be cut by at least 20 percent this year, authorities announced on Wednesday.

The Ministry of Industry and Information Technology and the State-Owned Assets Supervision and Administration Commission said in a statement that average broadband service rates for small and medium enterprises will be lowered by another 15 percent.



The authorities have also set a target of improving the coverage of broadband services with a rate of at least 100 megabits per second to more than 80 percent of users.

The authorities will also work to enable more than 97 percent of primary and middle schools nationwide to be connected with broadband services this year.

Meanwhile, telecommunication service providers will also offer favorable service rates to registered households living below the poverty line, the statement said.

Insurance reimbursement for serious diseases rises

The authorities will raise the reimbursement rate of the insurance scheme for serious diseases to 60 percent, up by 10 percentage points from last year, an official notice said on Friday.

The notice, jointly released by the National Healthcare Security Administration and the Ministry of Finance, said that government subsidies for basic medical insurance for rural and nonworking urban residents will be raised by 30 yuan (\$4.40) to reach no less

than 520 yuan per capita annually. In the meanwhile, premiums paid by the insured will also be increased by 30 yuan.

The notice said half of the increased subsidies will be used for the insurance against serious disease. It also called for increases in the reimbursement rate for inpatient expenses and to include outpatient medicine for high blood pressure and diabetes into the medical insurance reimbursement list.

China's serious disease insurance program covered about 1.05 billion people by the end of last year.

New-energy buses get in fast lane for promotion

China will speed up measures to promote the use of new-energy buses, according to a joint notice issued by four central government departments.

The notice, issued by ministries including the Ministry of Finance, said the country will prioritize support to products with high qualities and technical standards as it promotes the use of new-energy vehicles in the public transport sector.

It called for relevant government



departments to step up quality supervision over producers so that the technical indexes of new-energy buses can meet relevant standards.

Local authorities can continue to provide subsidies to the purchasing of new-energy buses to boost consumption, the notice said.

The development of charging facilities for new-energy buses will also be accelerated, with private capital set to be encouraged into the sector, the notice said, adding that the subsidies to operations of new-energy buses will be replaced by bonuses starting from next year.

Public transportation in pole position for changes

The Ministry of Justice

unveiled a draft regulation on Friday to improve the country's urban public transportation operation mechanisms and better ensure safety.

The draft regulation, which is released by the ministry to solicit public opinions, made it clear that urban public transportation management departments should carry out surveys to learn about public demand and optimize public transit routes.

The price of public transit tickets should be set by the government, and urban public transportation enterprises must assume the main responsibility of ensuring safety, under the regulation.

Public transportation management departments and enterprises must take necessary measures to ensure safety of operations in case of natural disasters, emergencies and mass transit facility malfunctions, the regulation said.

The draft, which is open for public opinion until June 10, also encouraged authorities to promote the use of new technology, energy and equipment to develop smart public transportation.

Policy digest

Zone innovation targeted

The State Council has moved to boost innovation in national economic and technological development zones to enable them to continue to take a leading role in its reform and opening-up.

The State Council's executive meeting, chaired by Premier Li Keqiang on Wednesday, called for steps to promote openness, innovation in science and institution-building and stimulate market vitality at the development zones.

The zones will receive more support in bettering their business environment and furthering reform to streamline administration, enhance compliance oversight and improve government services, according to a statement released after the meeting.

A simpler approval process will be adopted for investment projects, and the practice of pre-commitment of compliance will be pushed forward. Performance in attracting investment will be included as part of the assessment and incentive system in the national zones.

Entrepreneurs and innovators working in the zones will enjoy more convenience and support in household registration, border entry and exit, children's schooling, housing and venture investment.

The meeting also urged local authorities to give the zones greater autonomy in reform for greater vitality and fairness in policies.

The government will enhance support for technological innovation in areas such as the construction of large national science infrastructure and national science and technology innovation bases.

More support will be given to talent training bases jointly run by the national zones and vocational schools.

The opening-up of these zones will be bolstered by attracting private and foreign investors to develop and run industrial parks with distinctive features, the statement said.

Organizations, companies and investors from Hong Kong, Macao and foreign countries will be encouraged to participate in the running of international cooperation parks in these zones. Comprehensive bonded zones will be set up, it said.

The government will support pilot programs to facilitate foreign exchange settlement and payment of revenue under the capital accounts in these national zones where conditions permit.

The country's 219 national economic and technological development zones contribute around 10 percent to the national GDP and some 20 percent to the country's foreign trade and paid-in foreign investment, according to the cabinet.

Grand Canal protection



China will bolster the protection and development of the heritage of the Grand Canal, the world's longest man-made waterway, according to a plan issued on Thursday.

The plan, issued by the general offices of the Communist Party of China Central Committee and the State Council, said a belt featuring cultural, ecological and tourist development will be built along the canal's existing main course.

The plan recognized that the Grand Canal is faced with mounting challenges in heritage protection, reduction in ecological space, and rigorous situations in resources and environment.

It called for authorities to focus on efforts in protecting the canal's cultural heritage, improving its water resources, building a green ecological corridor and promoting culture and tourism.

A work mechanism will be established to coordinate the implementation of the plan, with the eight provincial areas along the canal designated as the main actors for advancing the initiative.

With a history of over 2,500 years, the Grand Canal is almost 3,200 kilometers long in total. Over 1,000 km of the canal was recognized as a world heritage site in 2014.

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