



Notice of the State Council on Issuing Policies to Promote the High-quality Development of the Integrated Circuit Industry and Software Industry in the New Era

Guo Fa [2020] No. 8

To the People's Governments of all provinces, autonomous regions, and municipalities directly under the Central Government, and to all ministries, commissions, and directly affiliated institutions of the State Council:

The “Policies to Promote the High-quality Development of the Integrated Circuit Industry and Software Industry in the New Era” is hereby issued to you. Please implement them conscientiously.

State Council

July 27, 2020

(This document is publicly released)

Policies to Promote the High-quality Development of the Integrated Circuit Industry and Software Industry in the New Era

The integrated circuit industry and software industry are the core of the information industry and the key force leading the new round of scientific and technological revolution and industrial transformation. Since the issuance of the “Policies to Promote the High-quality Development of the Integrated Circuit Industry and Software Industry in the New Era” (Guo Fa [2000] No. 18) and the “Notice of the State Council on Issuing Policies to Further Encourage the Development of the Software Industry and the Integrated Circuit Industry” (Guo Fa [2011] No. 4), China's integrated circuit industry and software industry have developed rapidly, strongly supporting the national informatization construction and

promoting the sustained and healthy development of the national economy and society. In order to further optimize the development environment of the integrated circuit industry and software industry, deepen international cooperation in the industry, and enhance the industry's innovation ability and development quality, the following policies are formulated.

I. Fiscal and taxation policies

(I) Integrated circuit production enterprises or projects encouraged by the state with an integrated circuit line width of less than 28 nanometers (inclusive) and an operating period of more than 15 years are exempt from corporate income tax from the first to the tenth year. Integrated circuit production enterprises or projects encouraged by the state with integrated circuit line width of less than 65 nanometers (inclusive) and an operating period of more than 15 years are exempt from corporate income tax from the first to the fifth year, and corporate income tax is levied at half the statutory tax rate of 25% from the sixth to the tenth year. Integrated circuit production enterprises or projects encouraged by the state with integrated circuit line width of less than 130 nanometers (inclusive) and an operating period of more than 10 years are exempt from corporate income tax from the first to the second year, and corporate income tax is levied at half the statutory tax rate of 25% from the third to the fifth year. The losses incurred by integrated circuit production enterprises encouraged by the state with a line width of less than 130 nanometers (inclusive) in the tax year are allowed to be carried forward to subsequent years, and the total carry-forward period shall not exceed 10 years.

For those who enjoy tax preferential policies as integrated circuit production enterprises, the preferential period shall be calculated from the year of profit; for those who enjoy tax preferential policies as integrated circuit production projects, the preferential period shall be calculated from the tax year in which the project obtains the first production and operation income. The list of integrated circuit production enterprises or projects encouraged by the state shall be formulated by the National Development and Reform Commission and the Ministry of Industry and Information Technology in conjunction with relevant departments.

(II) Integrated circuit design, equipment, material, packaging, testing and software enterprises encouraged by the state shall be exempted from corporate income tax from the first year to the second year of profit-making, and shall be subject to corporate income tax at half the statutory rate of 25% from the third year to the fifth year. The conditions for integrated circuit design, equipment, material, packaging and testing enterprises encouraged by the State shall be formulated by the Ministry of Industry and Information Technology in conjunction with relevant departments.

(III) Key integrated circuit design enterprises and software enterprises encouraged by the state shall be exempted from corporate income tax from the first year to the fifth year of profit-making, and shall be subject to corporate income tax at a reduced rate of 10% in the subsequent years. The list of key integrated circuit design enterprises and software enterprises encouraged by the state shall be formulated by the National Development and Reform Commission, the Ministry of Industry and Information Technology and relevant departments.

(IV) The conditions and scope of the state's preferential income tax policies for integrated circuit enterprises or projects and software enterprises shall be dynamically adjusted according to the progress of industrial technology. The corporate income tax of integrated circuit design enterprises and software enterprises in the years before the implementation of this policy shall be implemented in accordance with the preferential policy of "two exemptions and three reductions" for corporate income tax as specified in the document Guo Fa [2011] No. 4.

(V) Continue to implement the preferential value-added tax policy for integrated circuit enterprises and software enterprises.

(VI) For a certain period of time, logic circuit and memory manufacturers with integrated circuit line widths of less than 65 nanometers (inclusive), and special process integrated circuit manufacturers with line widths of less than 0.25 microns (inclusive) (including mask plates, 8-inch and above silicon wafer manufacturers) shall be exempted from import tariffs on imported productive raw materials and consumables for self-use, special building materials for clean rooms, supporting systems and integrated circuit production equipment parts; compound integrated circuit manufacturers with integrated circuit line widths of less than 0.5 microns (inclusive) and advanced packaging and testing companies shall be exempted from import tariffs on imported productive raw materials and consumables for self-use. Specific policies shall be formulated by the Ministry of Finance in conjunction with the General Administration of Customs and other relevant departments. The enterprise list and duty-free commodity list shall be formulated by the National Development and Reform Commission and the Ministry of Industry and Information Technology in conjunction with relevant departments respectively.

(VII) For a certain period of time, key integrated circuit design enterprises and software enterprises encouraged by the state, as well as integrated circuit manufacturing enterprises and advanced packaging and testing enterprises in Article (VI), shall be exempted from import tariffs on imported equipment for their own use, and on technologies (including software) and accessories and spare parts imported with the equipment in accordance with the contract, except for the commodities listed in the relevant catalogue of imported commodities not exempted from duty. Specific policies shall be formulated by the Ministry of Finance in conjunction with the General Administration of Customs and other relevant departments.

(VIII) For a certain period of time, new equipment imported for major integrated circuit projects shall be allowed to pay import value-added tax in installments. Specific policies shall be formulated by the Ministry of Finance in conjunction with the General Administration of Customs and other relevant departments.

II. Investment and financing policies

(IX) Strengthen services and guidance for the construction of major integrated circuit projects, orderly guide and regulate the development of the integrated circuit industry, make good planning and layout, strengthen risk warnings, and avoid low-level duplication of construction.

(X) Encourage and support integrated circuit enterprises and software enterprises to strengthen resource integration. The relevant departments of the State Council and local governments shall actively support and guide the reorganization and merger of enterprises in accordance with market principles, and shall not impose any form of restrictive conditions other than laws, regulations and policies.

(XI) Make full use of the existing national and local government investment funds to support the development of the integrated circuit industry and the software industry, encourage social capital to raise funds through multiple channels in accordance with market principles, establish investment funds, and improve the marketization level of funds.

(XII) Encourage local governments to establish a loan risk compensation mechanism, and support integrated circuit enterprises and software enterprises to obtain commercial loans through intellectual property pledge financing, equity pledge financing, accounts receivable pledge financing, supply chain finance, technology and intellectual property insurance and other means. Give full play to the role of financing guarantee institutions, and actively provide various forms of financing guarantee services for small and micro enterprises in the integrated circuit and software fields.

(XIII) Encourage commercial financial institutions to further improve financial services, increase medium- and long-term loan support for the integrated circuit industry and the software industry, actively innovate credit products suitable for the development of the integrated circuit industry and the software industry, and increase financial support for major projects on the premise of controllable risks and commercial sustainability; guide insurance funds to carry out equity investment; support non-bank financial institutions such as bank wealth management companies, insurance, and trust to initiate the establishment of specialized asset management products .

(XIV) Vigorously support qualified integrated circuit enterprises and software enterprises to raise funds through listing at home and abroad, speed up the domestic listing review process, and capitalize research and development expenses that meet the relevant conditions of enterprise accounting standards. Encourage and support qualified enterprises to raise funds through listing on the science and technology innovation board and growth enterprise market, and smooth the exit channels for the original shareholders of relevant enterprises. Provide equity financing, equity transfer and other services for integrated circuit enterprises and software enterprises at different stages of development through different levels of capital markets, expand direct financing channels, and increase the proportion of direct financing.

(XV) Encourage qualified integrated circuit enterprises and software enterprises to issue corporate bonds, company bonds, short-term financing bonds and medium-term notes, etc., broaden corporate financing channels, and support enterprises to raise funds from the bond market through medium- and long-term bonds and other means.

III. Research and development policy

(XVI) Focus on the research and development of key core technologies of high-end chips, integrated circuit equipment and process technology, integrated circuit key materials, integrated circuit design tools, basic software, industrial software, and application software, and continuously explore the construction of a new national system for tackling key core technologies under the conditions of a socialist market economy. The Ministry of Science and Technology, the National Development and Reform Commission, the Ministry of Industry and Information Technology and other departments shall organize and implement relevant work, and actively use the national key research and development plan and national major science and technology projects to provide support.

(XVII) In the fields of advanced storage, advanced computing, advanced manufacturing, high-end packaging and testing, key equipment materials, and new generation semiconductor technology, promote the construction of various innovation platforms in light of the characteristics of the industry. The Ministry of Science and Technology, the National Development and Reform Commission, the Ministry of Industry and Information Technology and other departments shall give priority to supporting the implementation of research and development projects by relevant innovation platforms.

(XVIII) Encourage software companies to implement national standards such as software quality, information security, and development management. Strengthen the construction of integrated circuit standardization organizations, improve the standard system, strengthen standard verification, and enhance research and development capabilities. Improve the quality of integrated circuits and software and enhance the competitiveness of the industry.

IV. Import and export policy

(XIX) Within a certain period of time, key integrated circuit design companies and software companies encouraged by the state that need to temporarily import self-use equipment (including development and testing equipment), software and hardware environments, prototypes and components, and components that meet the requirements may go through customs procedures for temporary entry of goods, and their import taxes shall be implemented in accordance with current laws and regulations.

(XX) Financial institutions may provide financing and insurance support for software export contracts signed between software enterprises and foreign enterprises with higher credit ratings in accordance with the principles of independent loan review and controllable risks.

(XXI) Promote the export of integrated circuits, software and information technology services, vigorously develop international service outsourcing business, and support enterprises to establish overseas marketing networks. The Ministry of Commerce, together with relevant departments and key countries and regions to establish a long-term cooperation mechanism, take comprehensive measures to create conditions for enterprises to expand into emerging markets.

V. Talent policy

(XXII) Further strengthen the construction of integrated circuit and software majors in colleges and universities, accelerate the establishment of integrated circuit first-level disciplines, closely follow the needs of industrial development and timely adjust the curriculum, teaching plan and teaching methods, and strive to cultivate high-level talents with compound and practical skills. Strengthen the construction of teaching staff, teaching laboratories and internship training bases for integrated circuit and software majors. The Ministry of Education will work with relevant departments to strengthen supervision and guidance.

(XXIII) Encourage colleges and universities with conditions to cooperate with integrated circuit enterprises to accelerate the construction of demonstration microelectronics colleges. Priority will be given to the construction and cultivation of integrated circuit industry-education integration enterprises. For pilot enterprises included in the scope of the construction and cultivation of industry-education integration enterprises, if the investment in vocational education meets the requirements, 30% of the investment amount can be used to offset the education fee and local education fee that the enterprise should pay in that year. Encourage social related industry investment funds to increase investment and support colleges and universities to jointly build a special resource library for integrated circuit talent

training. Support demonstration microelectronics colleges and characteristic demonstration software colleges to cooperate with internationally renowned universities and multinational companies, introduce foreign teachers and high-quality resources, and jointly train integrated circuit and software talents.

(XXIV) Encourage local governments to commend and reward high-end talents, high-level engineers and research and development designers who have made outstanding contributions in the field of integrated circuits and software in accordance with relevant national regulations, and improve equity incentive mechanisms. Through relevant talent projects, increase efforts to introduce top experts and outstanding talents and teams. Prioritize the exploration of relevant policies for the introduction of integrated circuit and software talents in industrial agglomeration areas or related industrial clusters. Formulate and implement an annual plan for the introduction and training of integrated circuit and software talents, promote the construction of national international training bases for integrated circuit and software talents, and focus on strengthening the mid- and long-term training of urgently needed and scarce professional talents.

(XXV) Strengthen industry self-discipline, guide the rational and orderly flow of integrated circuit and software talents, and avoid vicious competition.

VI. Intellectual property policy

(XXVI) Encourage enterprises to register for exclusive rights to integrated circuit layout designs and software copyrights. Support integrated circuit enterprises and software enterprises to apply for intellectual property rights in accordance with the law, and provide relevant support to those that meet relevant regulations. Vigorously develop integrated circuit and software related intellectual property services.

(XXVII) Strictly implement the integrated circuit and software intellectual property protection system, and increase the intensity of punishment for intellectual property infringement and illegal acts. Strengthen the protection of integrated circuit layout design exclusive rights and software copyrights in the network environment, actively develop and apply genuine software network copyright protection technology, and effectively protect integrated circuit and software intellectual property rights.

(XXVIII) Explore the establishment of a long-term mechanism for software legalization. All computers (including large computers, servers, microcomputers and laptops) sold in China must be pre-installed with genuine software. Computers pre-installed with non-genuine software are prohibited from being put on the market. Fully implement the policies and measures for the use of genuine software by government agencies, implement government centralized procurement for general software, and strengthen the management of software assets. Promote the institutionalization and standardization of the use of genuine software in important industries and key areas. Strengthen publicity and training on the use of genuine software and supervision and inspection, and create a good environment for the use of genuine software.

VII. Market application policy

(XXIX) Through policy guidance and driven by market application, increase the promotion of integrated circuit and software innovation products, and drive the continuous upgrading of technology and industry.

(XXX) Promote the agglomeration and development of the integrated circuit industry and software industry, support the construction of information technology service industry clusters and integrated circuit industry clusters, and support the characteristic and high-end development of software industry parks.

(XXXI) Support key enterprises, scientific research institutes, universities and other innovation entities in the integrated circuit and software fields to build various professional innovation service institutions represented by professional maker spaces, optimize the allocation of innovation resources such as technology, equipment, capital, and market, provide professional services focusing on the integrated circuit and software fields in accordance with market mechanisms, and realize the integrated development of large, medium and small enterprises. Increase support for professional maker spaces, technology enterprise incubators, university science parks and other professional service platforms serving the integrated circuit and software industries, and enhance their professional service capabilities.

(XXXII) Actively guide the development of information technology research and development and application business service outsourcing. Government departments are encouraged to purchase services to transfer the services in e-government construction, data center construction and data processing that fall within the scope of government responsibilities and are suitable for market-based provision to qualified software and information technology service agencies. Speed up the formulation and improvement of relevant security review and confidentiality management regulations. Encourage large and medium-sized enterprises to establish professional software and information technology service companies based on information technology research and development and application business agencies.

(XXXIII) Improve the consumer privacy and business secrets protection system under the network environment and promote the network development of software and information technology services. Promote software products and services that meet security requirements in government agencies and institutions at all levels.

(XXXIV) Further standardize the market order of the integrated circuit industry and software industry, strengthen anti-monopoly law enforcement, crack down on various monopoly behaviors in accordance with the law, do a good job in anti-monopoly review of operators, and maintain fair competition in the integrated circuit industry and software industry market. Strengthen anti-unfair competition law enforcement and crack down on various unfair competition behaviors in accordance with the law.

(XXXV) Give full play to the role of industry associations and standardization agencies, accelerate the formulation of integrated circuit and software related standards, and promote integrated circuit quality evaluation and software development cost measurement standards.

VIII. International cooperation policy

(XXXVI) Deepen global cooperation in the integrated circuit industry and software industry, and actively create a good environment for international enterprises to invest and develop in China. Encourage domestic universities and research institutes to strengthen cooperation with high-level overseas universities and research institutions, and encourage international enterprises to build research and development centers in China. Strengthen communication and exchanges between domestic industry associations and international industry organizations, support domestic enterprises to cooperate with international enterprises at home and abroad, and deeply participate in the division of labor and cooperation in the international market and the formulation of international standards.

(XXXVII) Promote the “going out” of the integrated circuit industry and software industry. Facilitate domestic enterprises to jointly build research and development centers overseas, and better utilize international innovation resources to improve the level of industrial development. The National Development and Reform Commission, the Ministry of Commerce and other relevant departments will improve their service levels and create a good environment for enterprises to carry out investment and other cooperation.

IX. Supplementary provisions

(XXXVIII) All qualified integrated circuit enterprises (including design, production, packaging, testing, equipment, and material enterprises) and software enterprises established in China, regardless of their ownership, can enjoy this policy.

(XXXIX) The National Development and Reform Commission, together with the Ministry of Finance, the State Administration of Taxation, the Ministry of Industry and Information Technology, the Ministry of Commerce, the General Administration of Customs and other departments, shall be responsible for interpreting this policy.

(XXXX) This policy shall be implemented from the date of publication. The policies specified in the documents Guo Fa [2000] No. 18 and Guo Fa [2011] No. 4 shall continue to be implemented. If the relevant policies are inconsistent with this policy, this policy shall prevail.

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