Introduction to the Development of China’s Innovation Policies

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1. History Development
2. Content of Policies
3. Future Direction
I. History development and the features of different phases

**Phase 1** (1978-1984)
- **The new spring of science**
  - Reform and opening-up: Science and technology development returned to the right track

**Phase 2** (1985-1994)
- **Mutual interactions between S&T and economic development**
  - Reforming the funding mechanism of R&D institutions,
  - Promoting science and technology’s integration with economic development

**Phase 3** (1995-2005)
- **National rejuvenation through S&T and education**
  - Transformation of application-oriented research institutes,
  - Knowledge innovation project of the CAS

**Phase 4** (2006-)
- **Innovation-driven**
  - Opinions on Deepening the Reform of the Science and Technology System and Accelerating the Building of the National Innovation System
1. History Development
2. Content of Policies
3. Future Direction
II. Policies

Policy system

- Government funding for science and technology
- Tax incentives that encourage company innovation
- Promoting the conversion of R&D outcomes and the commercialization of high technologies
- Building S&T innovation platform and the system of science and technology services
- Intellectual property and technology standards
- Innovation talents and culture
1. Government funding for science and technology

Science and technology funds from the central fiscal budget

- Basic operation funds
- R&D projects
- Development of R&D facilities
- Science and technology dissemination

Major R&D projects

- National R&D programs and funds
- Industry-focused R&D programs for public interest
Utilization of central budget for science and technology along the innovation chain

- Strategic Priority Research Program of CAS 54
- 973 Program 40
- NSFC 168
- 863 Program 55
- National Key Technology R&D Program 64
- Major R&D projects 140
- Industry-focused R&D projects
- Funding for the development of industrial technologies 22
- Conversion of major R&D outcomes 10
- Innovation Fund for Technology-based SMEs 47
- Venture Capital Scheme of Emerging Industries 70
- Special Fund for SME Development 16

Basic research
Research on frontier technologies
Research on industrial generic technologies
Conversion of R&D outcomes demonstration
Commercialization and market development
## 2. Tax incentives for company innovation

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<tr>
<th>Pre-tax weighted deduction of company’s R&amp;D spending</th>
<th>Preferential policy for the income tax of high-tech companies</th>
<th>Accelerated depreciation of R&amp;D equipment</th>
<th>Pre-tax deduction of employee education expenses</th>
<th>Tax break for small-sized, micro-profit companies</th>
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<tr>
<td>The company’s taxable annual revenue is entitled to a deduction equivalent to 150% of its R&amp;D spending of the year</td>
<td>Corporate income tax rate: 15%</td>
<td>The company is allowed to cut short the depreciation cycle or apply accelerated depreciation to the R&amp;D equipment that falls within the scope of its fixed assets</td>
<td>Employee education expenses that fall within 2.5% of the taxable salaries are entitled to the pre-tax deduction of corporate income tax</td>
<td>Only 50% of their revenue will be taxed. 20% income tax rate</td>
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Weighted tax reduction and exemption of R&D expenditure (100 million RMB)

Tax break provided to high-tech companies (100 million RMB)
3. Promoting the conversion of R&D outcomes and technology commercialization

<table>
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<th>Tax break for technology transfer</th>
<th>Equity incentive for the conversion of R&amp;D outcomes</th>
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<td>Income tax reduction/exemption for technology transfer, business tax exemption for the proceeds from technology development, transfer, consulting and services</td>
<td>Technology professionals receiving equity bonus are allowed to pay their personal income tax over a period of five years</td>
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<td>Management of state-owned R&amp;D outcomes</td>
<td>Developing high-tech industries</td>
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<td>Relax control over the utilization and disposal of and proceeds from state-owned R&amp;D outcomes</td>
<td>105 high-tech zones</td>
<td>Science and technology insurance for high-tech companies</td>
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<td>VAT and income tax break for software and integrated circuit, equipment manufacturing, energy-conserving services and other industries</td>
<td>Multi-layered capital market</td>
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<td>Main board</td>
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<td>Growth enterprise board</td>
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<td>SME board</td>
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<td>SME stock transfer system</td>
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Technology transactions (100 million RMB)

Main business revenue of high-tech industries (100 million RMB)
4. Building S&T innovation platform and service system

State key laboratory and national engineering (technology) research center

National key laboratory: 397 laboratories, 99 of which are in companies
National engineering (technology) research center: 464 centers, 300 of which are in companies

Science and technology incubator: 1500 incubators, with over 70000 incubatees

Productivity promotion center: 2281
5. Intellectual property and technology standards

Implementing the IPR strategy

- Encouraging patent application
- Enhancing the efficiency and quality of application review

Facilitating patent internationalization

- Improving the quality of patent

Enforcing the strategy of technology standards

- Strengthening IPR protection
- Stepping up administrative law enforcement and judicial trial
Unit: 10,000 cases

- Number of registered invention patent applications
- Number of authorized invention patents
6. Innovative talents and culture

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<th>Professional training</th>
<th>Evaluation and incentives</th>
<th>Innovation culture</th>
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<td>Adjusting disciplinary structure in universities and colleges</td>
<td>Reforming the income distribution system</td>
<td>Ensuring research integrity</td>
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<td>Nurturing talents through science-education collaboration</td>
<td>Introducing category-based evaluation</td>
<td>Science popularization</td>
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<td>Training professionals through cooperation among producers, universities and research institutions</td>
<td>Reforming the science and technology award system</td>
<td>Technological innovation by line workers</td>
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<td>Developing vocational skill training</td>
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Professional training

- Adjusting disciplinary structure in universities and colleges
- Nurturing talents through science-education collaboration
- Training professionals through cooperation among producers, universities and research institutions
- Developing vocational skill training

Evaluation and incentives

- Reforming the income distribution system
- Introducing category-based evaluation
- Reforming the science and technology award system

Innovation culture

- Ensuring research integrity
- Science popularization
- Technological innovation by line workers
1. History Development

2. Content of Policies

3. Future Direction
Improving policy integration: conducting top-level design and ensuring consistence among different policies

Intensifying the efforts of policy implementation: conducting law-enforcement inspection and the evaluation and monitoring of policy implementation

Pushing for policy breakthroughs: e.g. relaxing control over the management of state-owned R&D outcomes, reforming the income distribution system, etc.

Piloting new policies: leveraging innovation clusters in piloting newly developed policies, accumulating experience required for nationwide application
Thank you