

WORLD TRADE ORGANIZATION

WT/DS309/7
G/L/675/Add.1
S/L/160/Add.1
16 July 2004

(04-3059)

Original: English

CHINA – VALUE-ADDED TAX ON INTEGRATED CIRCUITS

Joint Communication from China and the United States

The following communication, dated 14 July 2004, from the delegations of China and the United States to the Chairperson of the Dispute Settlement Body, is circulated at the request of those delegations.

The Governments of the People's Republic of China and the United States of America wish to notify the Dispute Settlement Body ("DSB") that we have reached an agreement with respect to the matter raised by the United States in document WT/DS309/1 (*China – Value-Added Tax on Integrated Circuits*) dated 23 March 2004.

Please find attached the text of the agreement, in the form of a memorandum of understanding. We would ask you to circulate this notification and attachment to the relevant Councils and Committees, as well as to the DSB.

./.

**Memorandum of Understanding Between China and the United States
Regarding China's Value-Added Tax on Integrated Circuits**

Whereas the United States requested consultations with China concerning China's value-added tax ("VAT") on integrated circuits ("ICs") at the World Trade Organization ("WTO") on 18 March 2004 (DS309);

Whereas China and the United States held constructive consultations on 27 April 2004 in Geneva and bilateral meetings in Washington and Beijing;

China and the United States have agreed as follows:

By 1 November 2004, China will amend the measures described in the US consultation request (WT/DS309/1) to eliminate the availability of VAT refunds to firms producing ICs in China on their domestic sales. The effective date of these amendments will be no later than 1 April 2005. Until the effective date of these amendments, VAT refunds will be available only to integrated circuit enterprises certified under the measures as of 14 July 2004 in respect of products so certified as of 14 July 2004.

By 1 September 2004, China will issue a notice to revoke the measure described in the US consultation request (WT/DS309/1) that provides for VAT refunds on ICs designed in China but manufactured abroad. The effective date of revocation will be no later than 1 October 2004.

This Memorandum of Understanding will not prejudice the rights and obligations of China or the United States under the WTO Agreement.

Done in Geneva, on 14 July 2004, in two copies in Chinese and English respectively, each text being equally authentic.

(signed)
For the Government
of the People's Republic of China

(signed)
For the Government
of the United States of America
