

## Chapter 5 | Improving the Technological Innovation Capacity of Enterprises

We will improve the market-based mechanisms for technological innovation, reinforce the principal position of enterprises in innovation, and encourage the flow of innovation factors to them. In this way, we will create a market-oriented system for technological innovation in which enterprises are the main players and strong synergy develops among industry, academia, research, and application.

### Section 1 Encouraging Enterprises to Increase R&D Investment

We will scale up inclusive incentive policies, including additional tax deductions for R&D costs and tax breaks for high-tech companies. We will expand and improve the compensation and incentive policy for insuring newly developed major technical equipment, give play to the leading and exemplary role of major projects, and support innovative products and services through government procurement policies. We will motivate enterprises to innovate by developing regulations on standards, quality, and competition. We will improve evaluation systems to encourage R&D among state-owned enterprises (SOEs) by establishing a reserve fund system for R&D that enables independent accounting, exempts SOEs from assessments of their results in maintaining and increasing the value of their assets, and has inbuilt mechanisms to allow for and remedy mistakes. These actions will ensure that state-owned industrial enterprises directly under the central government increase R&D expenditure at an annual rate that significantly

outpaces the national average. We will also optimize tax break policies to boost innovation among small and medium sci-tech enterprises.

## Section 2

### Supporting the R&D of Basic Industrial Generic Technologies

We will pool resources to integrate and improve a series of platforms for key generic technologies (KGT). We will support leading enterprises in developing national industrial innovation centers and undertaking major national science and technology projects through their concerted efforts with universities, research institutes, and upstream and downstream enterprises. Enterprises with the right conditions will be encouraged to partner with corporate institutions for scientific research to open industry-specific research institutes that provide generic technology services for the public benefit. We will also build new types of generic technology platforms to address cross-industry and cross-sector KGT issues. Harnessing the leadership and support that large enterprises can provide in innovation, we will support innovation-orientated micro, small, and medium enterprises in growing into important sources of innovation and promote integrated innovation among enterprises of all sizes along all sections of the industrial chain. Localities with the right conditions will be encouraged to make use of the industrial clusters at their place to develop industrial technology academies under mixed ownership to serve local KGT research and development.

## Section 3

### Improving the Innovation Service System for Enterprises

We will further open up national research platforms and scientific research reports and data to enterprises, introduce new mechanisms for applying scientific and technological advances, and encourage suitable

scientific and technological advances developed with the support of public funding to be made available to small and medium enterprises. We will continue the organizational reform of innovation and entrepreneurship, and set up professional, market-oriented organizations for technology transfer and develop technology managers. We will improve financial support for innovation by encouraging financial institutions to develop products such as intellectual property pledge financing and sci-tech insurance, and by piloting risk compensation for loan defaults that occur during the application of new technological advances. We will smooth the listing channels for technology companies in China, enhance the STAR market featuring “advanced and core technology,” and promote ChiNext’s role in serving innovation and start-up enterprises. Angel investment and venture capital investment will be encouraged, and venture capital guiding funds and private equity funds will get to play more effective roles.