New Grading System for Manufacturers in Suzhou Xiangcheng:
Have you passed the test?

In October 2018, the government of Suzhou Xiangcheng(XC) district released its updated **Implementation Procedures** for the Proper Utilization of Industrial Resources and the grading system for manufacturers. For the more than 12,000 manufacturing enterprises, of which 743 are of medium-large scale, this may mean a few things: get reward from government for your operation, get praise from the government, get a warning from the government, get a cease-n-desist order from the government, or even worse, face court legal actions.

So what counts as "proper" usage?
How does the government rate and grade companies?

Below we will briefly summarize the grading system that will be used for existing and future manufactures who intend to land and operate in XC.

The Grading is based on :
Tax generation by mu (*1mu = around 667 m2*)
Revenue by mu
Average **worker output**
Ratio of **Research & Development** investments
Energy cost value calculation

Major **pollution** index The aim is to increase productivity, efficiency, intensity, research and development, new technology and lower pollution and old production methods.
To use concrete examples: **high tech**, **low pollution** and **new energy** are among the key words to get you a B and above.

Impact on Category A

Companies in this category will be given opportunity to showcase their projects. The government will give priority support to power consumption, new energy consumption indicators, merger and acquisitions, credit support, reduction of urban land use tax, talent introduction incentives, brand building, technological innovation and technological transformation; encouragement will be given to these enterprises to IPO.

Impact on Category B

The government will support enterprises in acceleration of technology innovation. They will provide support in terms of capital credit, talent introduction, brand building and reduction of urban land use tax, in order to further improve the quality and efficiency of those companies that in category B.
The unit tax rate for category B enterprises is higher than only category A and this low tax will remain unchanged for the next year.

Impact on Category C

The government will guide category C companies in making specific plan for improvement, encourage them to transform their production, speed up the upgrading of their production process, further conserve energy and reduce emissions, and to utilize clean production and other newer production technologies.

Impact on Category D

The government will strictly follow the national industrial policies, laws and regulations on environmental protection, production safety and resources, and use necessary means to either cease the operation or certain segments of these companies in category D.

The land use tax of category D enterprises will be levied according at the highest level.

For those companies in categories **A** and **B**, which generally mean that their taxes, turnovers, pollution, and new technology are above par. **They receive a series of rewards such as lowest land taxation, lower interest financing, technology and talent support from government etc.**

When fallen into level **C**, a **higher tax** (close to punishment) will apply and the company is required to **make transformation** within a time

frame. Change old equipment, replace polluting procedures, change fire grade……and if not then move to Category D.

In Category **D**, it's either immediate **shut down** or a **penalty-level taxation** that's intended for its major revamping. Unless drastic measures are taken, these factories will be banned or even sued by the government.

These are usually **old-fashion manufacturing** that takes a large piece of land, and generate relatively low tax, or even defaults on tax, and pollutes, and not use intelligent, up-to-date technologies in their current manufacturing.

For the Cs and Ds, punishments are quite harsh. More than 2000 "manual workshops" have been forced to close since last year.

The best examples to give will be the old-fashioned furniture factories and electricity factories in Xiangcheng. Those factories used heavily polluting production process and generated relatively low turnover and many of which are temporarily or permanently closed. Some may be able to reopen after major transformation of their production methods. But in general, the trend is to retire old-fashioned manufactures in Xiangcheng.
Big data is being used in the grading system

What's more interesting is that big data, which stands on the opposite of old-fashion manufacturing and is a central development interest of the XC government.

Unis Cloud Industrial Engine will be used for collecting data to evaluate each company. We can have this picture of a "smart student" in the class helping the less graded students to improve in their Tech Class.

We at EU Sino help our clients stay abreast with the newest development trends and regulations in Xiangcheng and if you have questions related to the above content, please contact us freely.