



China Tax Alert

Issue 3, February 2018

Put forward proposals on customs tax administration with insight on Tariff Adjustment Plan 2018

Regulations discussed in this issue:

- Put forward proposals on customs tax administration with insight on Tariff Adjustment Plan 2018

Background

The Customs Tariff Commission of the State Council (the “Commission”) has published the Tariff Adjustment Plan 2018, based on which the tariffs on certain commodities will be adjusted.

Main revisions in Tariff Adjustment Plan 2018:

1. Further reduce import tariffs on IT products

In accordance with the Amendment to the Schedule of Tariff Concessions for the Accession of the People’s Republic of China to the World Trade Organisation, tariffs on certain IT products will be reduced for the second and the third time on 1 January and 1 July 2018, respectively. At the same time, the reduced tentative import tax rate on IT products will be cancelled.

2. Adjust the tentative import tax rate on certain commodities

In addition to IT products, the tentative tax rate on 14 types of commodities, among which five are imposed with new tentative import tax rate, two are newly included, three are cancelled and one is subject to an increased rate, are adjusted as follows:

- To encourage the import of the needy advanced equipment, critical spare parts and raw material of energy in China, and to reduce the import tariffs on digital X-ray flat panel detectors, dobby or jacquards, power battery cathode material, raw material of advance medicine, etc. by introducing new tentative import tax rate or reducing the original tentative tax rate;

- to expand the scope of application of the tentative import tax rate on automotive moulds;
- to limit the import of solid waste, cancel the tentative import tax rate on the certain commodities (e.g. waste magnesite brick, waste steel scrap and waste cinder), and resume the most favoured nation tariff;
- to enhance the tentative import tax rate on nickel ingots based on the changes in supply and demand both at home and abroad.

3. Cancel or reduce the export tariffs on certain commodities

In light of changes in industrial development and export, the export tariffs on steel, chlorite and other products will be cancelled, while the same on three-nutrient compound fertiliser, apatite, coal tar, wood chip, ferrochrome silicon, billet steel and other products will be reduced.

4. Implement the new conventional tariff

According to the trade or preferential tariff agreements entered into by China and other countries or regions, certain products under the free trade agreement signed between China and Georgia will be subject to the conventional rate. The conventional rate on certain products under the free trade agreements signed between China and ASEAN, Pakistan, Korea, Iceland, Swiss, Costa Rica, Peru, Australia and New Zealand, as well as Closer Economic Partnership Arrangement (CEPA) will be further reduced.

5. Adjust tariff code

34 tariff codes will be adjusted in the 2018 tariff schedule as follows:

- 11 tariff codes are introduced for fundamental and cutting-edge material, featured agricultural products and consumer goods;
- Tariff codes with underperforming trading volume in the past three years will be deleted;
- description of certain tariff codes is modified.

KPMG's observation

The Commission will adjust the Tariff Schedules on an annual basis, and prepare a Tariff Adjustment Plan, while collectively adjust the import policies on certain commodities from time to time. For example, import tariffs on 187 consumer goods were collectively reduced on 1 December 2017.

The revisions in the Tariff Adjustment Plan are based on the tariffs schedule revision proposal submitted and adopted by each national ministry and trade association. Such revision proposals intend to facilitate the development of trade and industries. Tax administration proposal is an important and effective manner to facilitate tariffs schedule revisions.

In 2017, the General Administration of Customs put forward 93 proposals, among which 70 are adopted, including 48 on cutting tax on consumer goods, and 22 on import and export policies. The adoption rate in Tariff Adjustment Plan 2018 is 75% (Note 1).

Process and schedule of the customs' tax administration proposals are as follows (Note 2).



Where an enterprise may have reasonable demand on import and export policies, it may file such demand with the customs office as part of the tax administration proposal. The tariffs that may be adjusted through tax administration proposal include introducing and deleting tax items, lowering or increasing tentative tax rate, adjusting the export tax refund rate and the scope of commodities covered by a tax item.

It should be noted that if an enterprise considers the trend of industry development, the rules of setting tariff codes and the feasibility of customs supervision as a whole when raising tax administration proposals, it may effectively increase the probability of being adopted. With in-depth understanding and seasoned experience in macro policies, each industry and customs, KPMG is well-positioned to help enterprises to prepare and submit import and export policy proposals, and facilitate the development and approval of the relevant tax revision.

Note 1: The related data is from China Customs Magazine.

Note 2: The relevant information is from the WeChat official account of Guangzhou Customs.

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