

# 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, dobbi 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 magnesia 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 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.

For any enquiries, please send to our public mailbox: [taxenquiry@kpmg.com](mailto:taxenquiry@kpmg.com) or contact our partners/directors in each China/HK offices.

<b>Khoonming Ho</b> Head of Tax, KPMG Asia Pacific Tel. +86 (10) 8508 7082 khoonming.ho@kpmg.com	<b>Northern China</b>	<b>Irene Yan</b> Tel. +86 (10) 8508 7508 irene.yan@kpmg.com	<b>Amy Rao</b> Tel. +86 (21) 2212 3208 amy.rao@kpmg.com	<b>Fiona He</b> Tel. +86 (20) 3813 8623 fiona.he@kpmg.com	<b>Elizabeth DE LA CRUZ</b> Tel. +852 2826 8071 elizabeth.delacruz@kpmg.com
<b>Lewis Lu</b> Head of Tax, KPMG China Tel. +86 (21) 2212 3421 lewis.lu@kpmg.com	<b>Vincent Pang</b> Head of Tax, Northern Region Tel. +86 (10) 8508 7516 +86 (532) 8907 1728 vincent.pang@kpmg.com	<b>Adams Yuan</b> Tel. +86 (10) 8508 7596 adams.yuan@kpmg.com	<b>Wayne Tan</b> Tel. +86 (28) 8673 3915 wayne.tan@kpmg.com	<b>Angie Ho</b> Tel. +86 (755) 2547 1276 angie.ho@kpmg.com	<b>Matthew Fenwick</b> Tel. +852 2143 8761 matthew.fenwick@kpmg.com
<b>Beijing/Shenyang/Qingdao</b>	<b>Cheng Chi</b> Tel. +86 (10) 8508 7606 cheng.chi@kpmg.com	<b>Jessie Zhang</b> Tel. +86 (10) 8508 7625 jessie.zhang@kpmg.com	<b>Tanya Tang</b> Tel. +86 (25) 8691 2850 tanya.tang@kpmg.com	<b>Aileen Jiang</b> Tel. +86 (755) 2547 1163 aileen.jiang@kpmg.com	<b>Sandy Fung</b> Tel. +852 2143 8821 sandy.fung@kpmg.com
<b>Vincent Pang</b> Tel. +86 (532) 8907 1728 vincent.pang@kpmg.com	<b>Conrad TURLEY</b> Tel. +86 (10) 8508 7513 conrad.turley@kpmg.com	<b>Sheila Zhang</b> Tel. +86 (10) 8508 7507 sheila.zhang@kpmg.com	<b>Rachel Tao</b> Tel. +86 (21) 2212 3473 rachel.tao@kpmg.com	<b>Cloris Li</b> Tel. +86 (20) 3813 8829 cloris.li@kpmg.com	<b>Charles Kinsley</b> Tel. +852 2826 8070 charles.kinsley@kpmg.com
<b>Tianjin</b>	<b>Milano Fang</b> Tel. +86 (532) 8907 1724 milano.fang@kpmg.com	<b>Tiansheng Zhang</b> Tel. +86 (10) 8508 7526 tiansheng.zhang@kpmg.com	<b>Janet Wang</b> Tel. +86 (21) 2212 3302 janet.z.wang@kpmg.com	<b>Jean Li</b> Tel. +86 (755) 2547 1128 jean.j.li@kpmg.com	<b>Stanley Ho</b> Tel. +852 2826 7296 stanley.ho@kpmg.com
<b>Eric Zhou</b>	<b>Tony Feng</b> Tel. +86 (10) 8508 7531 tony.feng@kpmg.com	<b>Tracy Zhang</b> Tel. +86 (10) 8508 7509 tracy.h.zhang@kpmg.com	<b>John Wang</b> Tel. +86 (571) 2803 8088 john.wang@kpmg.com	<b>Sisi Li</b> Tel. +86 (20) 3813 8887 sisi.li@kpmg.com	<b>Becky Wong</b> Tel. +852 2978 8271 becky.wong@kpmg.com
<b>Shanghai/Nanjing/Chengdu</b>	<b>Flora Fan</b> Tel. +86 (10) 8508 7611 flora.fan@kpmg.com	<b>Eric Zhou</b> Tel. +86 (10) 8508 7610 ec.zhou@kpmg.com	<b>Mimi Wang</b> Tel. +86 (21) 2212 3250 mimi.wang@kpmg.com	<b>Mabel Li</b> Tel. +86 (755) 2547 1164 mabel.li@kpmg.com	<b>Barbara Forrest</b> Tel. +852 2978 8941 barbara.forrest@kpmg.com
<b>Anthony Chau</b> Tel. +86 (21) 2212 3206 anthony.chau@kpmg.com	<b>John Gu</b> Tel. +86 (10) 8508 7095 john.gu@kpmg.com	<b>Vivian Zhou</b> Tel. +86 (10) 8508 3360 v.zhou@kpmg.com	<b>Jennifer Weng</b> Tel. +86 (21) 2212 3431 jennifer.weng@kpmg.com	<b>Kelly Liao</b> Tel. +86 (20) 3813 8668 kelly.liao@kpmg.com	<b>John Kondos</b> Tel. +852 2685 7457 john.kondos@kpmg.com
<b>Hangzhou</b>	<b>Rachel Guan</b> Tel. +86 (20) 3813 8999 rachel.guan@kpmg.com	<b>Central China</b>	<b>Grace Xie</b> Tel. +86 (21) 2212 3422 grace.xie@kpmg.com	<b>Patrick Lu</b> Tel. +86 (755) 2547 1187 patrick.lu@kpmg.com	<b>Kate Lai</b> Tel. +852 2978 8942 kate.lai@kpmg.com
<b>John Wang</b>	<b>Helen Han</b> Tel. +86 (10) 8508 7627 h.han@kpmg.com	<b>Anthony Chau</b> Head of Tax, Eastern & Western Region Tel. +86 (21) 2212 3206 anthony.chau@kpmg.com	<b>Bruce Xu</b> Tel. +86 (21) 2212 3396 bruce.xu@kpmg.com	<b>Grace Luo</b> Tel. +86 (20) 3813 8609 grace.luo@kpmg.com	<b>Travis Lee</b> Tel. +852 2143 8524 travis.lee@kpmg.com
<b>Fuzhou/Xiamen</b>	<b>Michael Wong</b> Tel. +86 (592) 2150 807 maria.mei@kpmg.com	<b>Yasuhiko Otani</b> Tel. +86 (21) 2212 3360 yasuhiko.otani@kpmg.com	<b>Jie Xu</b> Tel. +86 (21) 2212 3678 jie.xu@kpmg.com	<b>Ling Lin</b> Tel. +86 (755) 2547 1170 ling.lin@kpmg.com	<b>Irene Lee</b> Tel. +852 2685 7372 irene.lee@kpmg.com
<b>Maria Mei</b>	<b>Josephine Jiang</b> Tel. +86 (10) 8508 7511 josephine.jiang@kpmg.com	<b>Johnny Deng</b> Tel. +86 (21) 2212 3457 johnny.deng@kpmg.com	<b>Robert Xu</b> Tel. +86 (21) 2212 3124 robert.xu@kpmg.com	<b>Maria Mei</b> Tel. +86 (592) 2150 807 maria.mei@kpmg.com	<b>Alice Leung</b> Tel. +852 2143 8711 alice.leung@kpmg.com
<b>Shenzhen</b>	<b>Henry Kim</b> Tel. +86 (10) 8508 5000 henry.kim@kpmg.com	<b>Cheng Dong</b> Tel. +86 (21) 2212 3410 cheng.dong@kpmg.com	<b>Yang Yang</b> Tel. +86 (21) 2212 3372 yang.yang@kpmg.com	<b>Chris Xiao</b> Tel. +86 (755) 3813 8630 chris.xiao@kpmg.com	<b>Ivor Morris</b> Tel. +852 2847 5092 ivor.morris@kpmg.com
<b>Eileen Sun</b>	<b>David Ling</b> Tel. +86 (10) 8508 7083 david.ling@kpmg.com	<b>Marianne Dong</b> Tel. +86 (21) 2212 3436 marianne.dong@kpmg.com	<b>Jason Yu</b> Tel. +86 (21) 2212 3316 jim.yu@kpmg.com	<b>Eileen Sun</b> Tel. +86 (755) 2547 1188 eileen.gh.sun@kpmg.com	<b>Benjamin Pong</b> Tel. +852 2143 8525 benjamin.pong@kpmg.com
<b>Hong Kong</b>	<b>Li Li</b> Tel. +86 (10) 8508 7537 li.li@kpmg.com	<b>Chris Ge</b> Tel. +86 (21) 2212 3083 chris.ge@kpmg.com	<b>William Zhang</b> Tel. +86 (21) 2212 3415 william.zhang@kpmg.com	<b>Michelle Sun</b> Tel. +86 (20) 3813 8615 michelle.sun@kpmg.com	<b>Malcolm Prebble</b> Tel. +852 2684 7472 malcolm.j.prebble@kpmg.com
<b>Karmen Yeung</b>	<b>Lisa Li</b> Tel. +86 (10) 8508 7638 lisa.h.li@kpmg.com	<b>Chris Ho</b> Tel. +86 (21) 2212 3406 chris.ho@kpmg.com	<b>Hanson Zhou</b> Tel. +86 (21) 2212 3318 hanson.zhou@kpmg.com	<b>Bin Yang</b> Tel. +86 (20) 3813 8605 bin.yang@kpmg.com	<b>David Siew</b> Tel. +852 2143 8785 david.siew@kpmg.com
<b>Henry Kim</b>	<b>Thomas Li</b> Tel. +86 (10) 8508 7574 thomas.li@kpmg.com	<b>Henry Wong</b> Tel. +86 (21) 2212 3380 henry.wong@kpmg.com	<b>Michelle Zhou</b> Tel. +86 (21) 2212 3458 michelle.b.zhou@kpmg.com	<b>Lixin Zeng</b> Tel. +86 (20) 3813 8812 lixin.zeng@kpmg.com	<b>Murray Sarelius</b> Tel. +852 3927 5671 murray.sarelius@kpmg.com
<b>Karmen Yeung</b>	<b>David Ling</b> Tel. +86 (10) 8508 7083 david.ling@kpmg.com	<b>Jason Jiang</b> Tel. +86 (21) 2212 3527 jason.jt.jiang@kpmg.com	<b>Eric Zhang</b> Tel. +86 (21) 2212 3398 eric.zhang@kpmg.com	<b>Nicole Zhang</b> Tel. +86 (20) 3813 8644 nicole.ll.zhang@kpmg.com	<b>John Timpany</b> Tel. +852 2143 8790 john.timpany@kpmg.com
<b>Henry Kim</b>	<b>Lucia Liu</b> Tel. +86 (10) 8508 7570 lucia.ji.liu@kpmg.com	<b>Flame Jin</b> Tel. +86 (21) 2212 3420 flame.jin@kpmg.com	<b>Kevin Zhu</b> Tel. +86 (21) 2212 3346 kevin.x.zhu@kpmg.com	<b>Southern China</b>	<b>Hong Kong</b>
<b>Alan O'Connor</b>	<b>Thomas Li</b> Tel. +86 (10) 8508 7574 thomas.li@kpmg.com	<b>Sunny Leung</b> Tel. +86 (21) 2212 3488 sunny.leung@kpmg.com	<b>Lilly Li</b> Head of Tax, Southern Region Tel. +86 (20) 3813 8999 lilly.li@kpmg.com	<b>Curtis Ng</b> Head of Tax, Hong Kong Tel. +852 2143 8709 curtis.ng@kpmg.com	<b>Curtis Ng</b> Head of Tax, Hong Kong Tel. +852 2143 8709 curtis.ng@kpmg.com
<b>Shirley Shen</b>	<b>Henry Wong</b> Tel. +86 (10) 8508 7586 yinghua.shen@kpmg.com	<b>Michael Li</b> Tel. +86 (21) 2212 3463 michael.y.li@kpmg.com	<b>Kevin Zhu</b> Tel. +86 (21) 2212 3346 kevin.x.zhu@kpmg.com	<b>Ayesha M. Lau</b> Tel. +852 2826 7165 ayesha.lau@kpmg.com	<b>Steve Man</b> Tel. +852 2978 8976 steve.man@kpmg.com
<b>Joseph Tam</b>	<b>Joseph Tam</b> Tel. +86 (10) 8508 7605 laiyiu.tam@kpmg.com	<b>Karen Lin</b> Tel. +86 (21) 2212 4169 karen.w.lin@kpmg.com	<b>Penny Chen</b> Tel. +1 (408) 367 6086 penny.chen@kpmg.com	<b>Chris Abiss</b> Tel. +852 2826 7226 chris.abiss@kpmg.com	<b>Daniel Hui</b> Tel. +852 2685 7815 daniel.hui@kpmg.com
<b>Alan O'Connor</b>	<b>Joyce Tan</b> Tel. +86 (10) 8508 7666 joyce.tan@kpmg.com	<b>Benjamin Lu</b> Tel. +86 (21) 2212 3462 benjamin.lu@kpmg.com	<b>Vivian Chen</b> Tel. +86 (755) 2547 1198 vivian.w.chen@kpmg.com	<b>Darren Bowdern</b> Tel. +852 2826 7166 darren.bowdern@kpmg.com	<b>Karmen Yeung</b> Tel. +852 2143 8753 karmen.yeung@kpmg.com
<b>Shirley Shen</b>	<b>Cynthia Xie</b> Tel. +86 (10) 8508 7543 cynthia.py.xie@kpmg.com	<b>Christopher Mak</b> Tel. +86 (21) 2212 3409 christopher.mak@kpmg.com	<b>Nicole Cao</b> Tel. +86 (20) 3813 8619 nicole.cao@kpmg.com	<b>Yvette Chan</b> Tel. +852 2847 5108 yvette.chan@kpmg.com	<b>Erica Chan</b> Tel. +852 3917 5572 erica.chan@kpmg.com
<b>Joseph Tam</b>	<b>Christoper Xing</b> Tel. +86 (10) 8508 7072 christopher.xing@kpmg.com	<b>Henry Ngai</b> Tel. +86 (21) 2212 3411 henry.ngai@kpmg.com	<b>Sam Fan</b> Tel. +86 (755) 2547 1071 sam.kh.fan@kpmg.com	<b>Adam Zhong</b> Tel. +852 2685 7559 adam.zhong@kpmg.com	<b>Adam Zhong</b> Tel. +852 2685 7559 adam.zhong@kpmg.com
<b>Alan O'Connor</b>	<b>Naoko Hirasawa</b> Tel. +86 (21) 2212 3098 naoko.hirasawa@kpmg.com	<b>Joe Fu</b> Tel. +86 (755) 2547 1138 joe.fu@kpmg.com	<b>Ricky Gu</b> Tel. +86 (20) 3813 8620 ricky.gu@kpmg.com	<b>Lu Chen</b> Tel. +852 2143 8777 lu.i.chen@kpmg.com	<b>Eva Chow</b> Tel. +852 2685 7454 eva.chow@kpmg.com
<b>Shirley Shen</b>	<b>Ruqiang Pan</b> Tel. +86 (21) 2212 3118 ruqiang.pan@kpmg.com	<b>Christopher Mak</b> Tel. +86 (21) 2212 3409 christopher.mak@kpmg.com	<b>Natalie To</b> Tel. +852 2143 8509 natalie.to@kpmg.com	<b>Wade Wagatsuma</b> Tel. +852 2685 7806 wade.wagatsuma@kpmg.com	<b>Alexander ZEGERS</b> Tel. +852 2143 8796 zegers.alexander@kpmg.com