

CHINA TAX ALERT

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Call for Amendment Proposals to the Customs Import and Export Tariff of the People Republic of China (2016 Edition)

Background

The Customs Import and Export Tariff of the People's Republic of China (hereinafter referred to as "Customs Tariff") is the legislative basis for supervision of and collection of duty on import and export commodities. It is compiled by the Customs Tariff Commission of the State Council of the People's Republic of China (hereinafter referred to as "the Commission"). The planning of tariff practices for the coming year is released at the end of the current year in a public announcement. As a member of the Commission, Customs plays an important role in the process of amending the Customs Tariff. Recently, key points about the amendment to the Customs Tariff in 2016 were conveyed by the General Administration of Customs (hereinafter referred to as "GAC") to all regional Customs offices. Some of the offices have issued announcements to the public in order to collect amendment proposals from enterprises.

Enterprises are encouraged to come up with proposals for the amendment to the Customs Tariff from the following aspects:

- applying for a lowered duty rate for an import commodity
- applying for an upward adjustment on the VAT refund rate for an export commodity
- applying for loosened supervision policies for import and export commodities.

The key points of the amendments to Customs Tariff in 2016

- Amendments regarding the importing of: advanced techniques and equipment, key components and parts, raw materials which are beneficial to economic re-structuring and industry upgrading; and those which can help in the development of information communication techniques and strategic new industries.
- Amendments which can: promote consumption, improve the development of fields highly related to people's livelihood, such as bio-medicine and medical equipment; promote energy-saving and emission-reduction; protect domestic resources.
- Amendments which are beneficial to the construction of pilot free-trading zones by providing advantages to the in-zone enterprises.

- Amendments which are beneficial to the construction of One Belt One Road, the promotion of economic and strategic cooperation and complementation for all countries within the Belt and the Road.
- Amendments which are beneficial to the development of middle and minor enterprises, resolving industry issues and supporting internationalisation of domestic enterprises.
- Amendments which are beneficial to the improvement of the structures of Customs Tariff and the uniformity of customs operations, optimising the administration of duty collection, monitoring and statistics.

The methods for enterprises to participate in the amendments of Customs Tariff

Enterprises are encouraged to submit an application form and study report to the Tariff department of the corresponding regional Customs with reference to the key points of the amendments to Customs Tariff 2016 edition. Additional specific tariff items can be applied to the Customs Tariff 2016 edition (no need for an existing tariff item). A lowered duty rate can be proposed for an import commodity, or a higher export VAT refund rate for an export commodity.

Further investigation requirements will be made by corresponding regional Customs on the basis of a preliminary review of the enterprises' applications: on-field investigations, revise of application form and study report may be conducted before applications can be passed to GAC. GAC will filter applications before submitting them to the Commission. The final decision will be made by the Commission (comprising GAC, Ministry of Finance, State Council Office, National Development and Reform Commission, Ministry of Commerce, Ministry of Industry and Information Technology, Ministry of Land and Resources, Ministry of Agriculture, State Administration of Taxation, and General Administration of Quality Supervision, Inspection and Quarantine).

An important point is that the adjustment of additional tariff items, import duty rate and export VAT refund rate is granted to particular commodities rather than particular enterprises. Thus, the impact from a successful application should be assessed on the situation of the industry when making an application.

The chance of success of an application can be improved with support from local government, in-charge departments and relevant guild.

KPMG's observations

KPMG suggests that enterprises investigate their import and export commodities which are related to the key points of the Customs Tariff amendment in 2016. They can submit their amendment proposals to Customs, analyzing the beneficial impact that the import duty rate or export VAT refund rate can have on their domestic and international success.

KPMG's Trade and Custom team has abundant experience in assisting with applications for amendments to the Customs Tariff. We can provide assistance and guidance to enterprises on aspects such as commodity selecting, preparation of application documents and establishment of communication channel with Customs.

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