

China Customs & Trade News

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Customs 'classification' of enterprises

The GAC has issued an updated < Administration Measure on Classification of Enterprises >, which will take effect on 1 April 2008 (see Notice 170). The previous measures (GAC Order [1999] No.71 and Order [2001] No. 86) will be repealed simultaneously.

The objectives of the new Measures are to encourage enterprises to observe the law and practice self-discipline, improve efficiency in customs administration, and protect the safety and convenience of import and export trade. The Measures apply to both consignee/consigner of imported/exported goods with Customs registration, and enterprises engaged in Customs

declaration, such as a third-party logistics provider.

Customs shall, depending on enterprise's observance of Customs laws, administrative regulation, customs rules, administration rules, business operation and management situation, and record of Customs supervision and statistics, set up 5 categories AA, A, B, C, D for evaluation, classification, and make public the categories.

The new Measures retain some similarities to the old Measures. In practice the challenge will be once again whether empirical data can be published to show clear economic differences between the respective categories e.g. reduced customs clearance times, qualification for paperless customs clearance,

reduced goods inspection rates and whether the categories will be implemented consistently. Obviously, companies, when selecting a third-party logistics provider should ask about their category rating and plans to upgrade as part of the vendor selection due diligence process.

Regional and local Customs are expected to organise public seminars about the new Measures, which will hopefully address important issues such as how Customs will ensure that AA enterprises truly benefit from preferential treatment. Additional regulations to support implementation of the new Measures may also be promulgated by the GAC.

Prohibition List and VAT refund rate changes

The State Environmental Protection Administration (SEPA) has earmarked 12 kinds of goods for VAT refund rate cancellation and 27 kinds of goods for inclusion in the Prohibition List for Processing Trade (bonded manufacturing). The 12 goods for VAT refund rate change primarily includes HS 2932 (heterocyclic compounds with oxygen hetero-atoms) and HS 8506 (primary cells and primary batteries). The 27 goods for inclusion in the Prohibition List primarily include HS 2931 (organo-inorganic compounds).

Export Duty Exemption

The State Council Tariff Committee issued <Notice Regarding the Exemption of Export Tax for Certain Products Entering into Customs' Special Supervision Zone Issued by the State Council Tariff Committee> effective 15 February 2008 (see Notice [2008] No. 3).

Export duty will be exempt for certain products entering into certain customs bonded zones. The products include infrastructure material used for establishing infrastructure of the zone and the manufacturing plants of enterprises located in the zone. However, certain conditions apply e.g. the products are not allowed to exit China. Customs should supervise delivery of the products outside the zone if they have not been used up within the zone.

If the production enterprises in a customs bonded zone purchase raw material domestically for export production, the export duty will be exempted when the raw material enters into the customs bonded zone. Again, similar conditions apply e.g. Customs will impose duty on the materials if they are not substantially processed. Non-production enterprises such as bonded logistics, warehousing and trading enterprises cannot benefit from this policy.

The exemption is applicable to an EPZ with bonded processing function, bonded port, integrated bonded zone, and the Zhuhai – Macau cross border industrial park.

Other news

Coal Excavating Equipment

The GAC has issued Notice [2008] No.9 dated 14 February 2008 regarding <The Levy and Refund Treatment for Import Tariff and VAT for the Importation of Key Parts and Raw Materials for Developing and Manufacturing Large-scale Coal Excavating Equipment>. This relates to <Notice regarding import taxation policy in State Council's Opinion of speeding up development of equipment manufacturing industry> that was jointly issued by MOF, SDRC, GAC and SAT and was effective from 1 January 2008 (see Notice [2007] No.11).

In this new Notice the main points are as follows: Article 1 defines "large-scale coal excavating equipment" in greater detail; Article 2 explains key parts and raw materials which enjoy "levy-first-refund-later" treatment; Article 3 states that a separate declaration should be made with Customs; Article 4 – 6 cover timing issues and the relationship between various related regulations on this topic. The list generally covers articles of Chapters 84, 85, 72, 73 and 90 of the HS.

WTO rules against China in auto parts

The WTO Dispute Settlement Body (DSB) has made an interim decision against China's use of tariff policies to restrict imports of foreign auto parts. The decision is likely to be upheld. This relates to the so-called "local content rules" that were issued in 2004 and 2005 that require locally made cars to contain at least 60% Chinese parts (or face a 25% surcharge, equal to the tariff rate on imported finished vehicles). The interim ruling will be released this Month and after an additional review period the final report will be issued. China may appeal the final decision in which case the WTO appellate body has 90 days to make a decision. Otherwise, China should prepare a proposal to make its regulations WTO-compliant.

Customs duty reduction on environmental technologies

The US-China Business Council (USCBC) has requested member company contributions to establish a list of products and technologies with environmental applications that would benefit from a reduction or removal of customs duties. Approximately 500 environmental technologies the majority of which falls into wastewater management or solid and hazardous waste management are the focus. Attention at this stage is on environmental technologies that have a direct link to pollution abatement, remediation and control.

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