

China Customs & Trade News

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EPZ: Logistics, R&D, Testing and Maintenance now allowed

The General Administration of Customs (GAC) issued a <Notice on Issues regarding Expansion of Bonded Logistics Function and Addition of Research & Development, Testing and Maintenance Function in an Export Processing Zone Pilot Programme > See Shu Jia Fa [2007] No.168 effective 9 April 2007.

The listed EPZs include Jiangsu Kunshan, Zhejiang Ningbo, Shanghai Songjiang, Beijing

Tianzhu, Shandong Yantai, Shanxi Xian and Chongqing.

The above Notice is supported by the new <Administrative Measures on Expansion Bonded Logistic Function and Addition of Research & Development, Testing and Maintenance Function in a Export Processing Zone Pilot Programme > See Shu Jia Han [2007] No. 358.

Many enterprises have been frustrated in their attempt to provide testing or maintenance services for China-made products. As a result products were typically imported

using the “processing trade model” and challenges were also faced from the environment protection administration. The introduction of this new rule for EPZ registered enterprises is therefore a welcome development.

A summary of the newly permitted services is set out as follows:

Logistics Service:

- Logistics companies can be set up within the listed EPZ, which are expected to mainly serve the manufacturing enterprises inside of the EPZ.
- Logistic companies should have no record of smuggling or any serious violation of customs regulations.
- EPZ manufacturing enterprises can ship commodities without substantial processing to enterprises located outside of the EPZ or to overseas enterprises.
- The goods in the bonded logistics arrangement should enter into and exit from the EPZ.
- The EPZ bonded logistics businesses should be subject to “e-account management” and their warehouses should be no smaller than 1000 square meters.
- The Trade Mode “FG Inward/Outward EPZ” (Code: 5100) or “Stored Goods in EPZ” (Code: 5033) should be used, as appropriate.

Research and Development (R&D):

- The materials to be used in the R&D activities can be imported into the EPZ duty exempt.

- The enterprise conducting R&D should be subject to “e-account management” and a separate “e-account should be set up for R&D activities. The Trade Modes “EPZ Goods under R&D” (Code: 5010), “RM Inward/Outward EPZ” (Code: 5000) and “FG Inward/Outward EPZ” (Code: 5100) should be used, appropriate.

Testing Service:

- Testing products is permitted, but confined to R&D, high-tech products or high value-added products.
- The Trade Mode “Maintenance Goods” (Code: 1300) should be used.

Maintenance Service:

- This is limited to products that were originally manufactured in China. The products must be re-exported to overseas after the maintenance service is completed. Maintenance service for the purpose of disassembling and refurbishing is NOT permitted.
- The Trade Mode “Maintenance Goods” (Code: 1300) should be used.

Goods entering the EPZ from overseas and areas outside of the EPZ shall complete applicable Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) requirements.

In summary, there are 58 EPZs in China and we expect the pilot program to be expanded nationwide. Of particular note is that testing and maintenance services can now be carried out in the above listed EPZs as well as FTZs, BLPs and the Cross Border Industrial Park - Zhuhai Park. This makes the challenge of selecting an appropriate location more difficult as this list of options is expanding.

Commodities disqualified for Tariff-free Importation under Domestic Investment

The updated < Name List of Commodities that are Disqualified for Tariff-free Importation Under Domestic Investment (2006)> took effect in March 2007. GAC Decree No.19 [2007], effective 1 June 2007, sets out the adjusted list. This Decree adjusts the <List 2000> based on the PRC 2007 HS Code (as the HS codes in <List 2000> are inaccurate when compared to the PRC 2007 HS Code). From 25 May onwards goods applicable to <List 2000> shall refer to this Adjusted <List 2000>. Any Duty Exemption Certificate of Import and Export Goods that was issued before this Announcement is still valid.

Adjusted Import and Export Tariffs

The GAC issued a <Notice Regarding the Adjustment of Import and Export Interim Duty Rates for Certain Commodities by the Tariff Schedule Commission within the State Council> effective 1 June 2007. A summary of the notice is as follows:

Import Interim Duty Rate

- 0-3% for 7 resource products such as coal, cork, fuel.
- 2-6% for 62 parts such as parts of pump, seals, bearing, valve, air conditioner/fridge compressor and corresponding parts, engineering machine part, camera parts, TV parts, and lens for camera and projectors.

- 6-17% for 140 everyday products such as baby food, cooker, dishware, food processing machine, glasses for corrective spectacles, construction materials, ceramic decoration articles, and household appliances.

Export Interim Duty Rate

- 5% for 53 steel products such as steel coil, clad, and cable as well as 5 resource products such as Ammonium metatungstate, magnesia and light-burned magnesia.
- 10% for 30 steel products such as steel bars and rods and 21 products such as coal tar, natural black lead, ores of rare earth metals, refined lead, dysprosium oxide, europium oxide and certain metal scraps.
- 15% for 33 products such as coke, billet, steel ingot, pig iron, certain iron alloy, fluorite and some metal resources rare in China i.e. nickel, tungsten, manganese and rare earth metals.

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