

China Customs & Trade News

June 2008

This update sets out a summary of significant Customs and related regulatory changes arising between April and June 2008.



Updated Prohibited Commodities Catalogue for Processing Trade

The 2008 Prohibited Commodities Catalogue for Processing Trade was updated in April. A summary of the main points is as follows:

1. There are 1816 HS Codes under the 2008 Prohibited Commodities Catalogue for Processing Trade, including 39 newly-added items and the 598 items under the 2007 second batch of Prohibited Commodities Catalogue. The 39 newly-added items mainly cover Chapter 29 of the Tariff Book (certain chemicals).
2. For Processing Trade enterprises affected by the newly-added items that have obtained approval from local MOFCOM and registered with Customs, the

contract can be executed within the contract valid date. As for the network supervised companies (e-handbook), the contract should be executed before 5 April 2009. If the processing operation has not been executed before due time, Customs will treat the operation as domestic sales or return to overseas. If the company applies for domestic sales, it shall pay the delayed interest per the applicable regulations.

3. This rule applies to Customs supervised zones, such as bonded zone, export processing zone, excluding companies that were established prior to the release of this rule.
4. Processing Trade for goods that have been prohibited from import/export is not allowed.

There may well be further updates to the 2008 Prohibited Commodities Catalogue for Processing Trade later this year. We will continue to monitor these developments.

Regulatory Reference: The 2008 Prohibited Commodities Catalogue for Processing Trade Jointly Issued by MOFCOM and GAC Order [2008] No.22. The previous Lists per GAC Order [2007] No.17 and GAC Order [2007] No.110 were abolished as of the release of this new Order. Transit operations should still refer to the original order.

New Customs Inspection Rules on Bonded Goods

The General Administration of Customs (GAC) issued the new Customs inspection rule on bonded goods. In summary, the new rule sets out the following:

- **General Principles**
 - Responsibilities (bonded supervision department)
 - Inspection by at least 2 Customs officials.
 - Handling commercially sensitive and confidential information
 - Accounting for bonded/non-bonded goods
- **Scope of Customs Inspection**
 - Processing Trade companies
 - Bonded logistics companies
 - Inspection of Customs supervised zones and bonded supervision sites
- **Inspection Procedure**
 - Customs preparation
 - Qualified 3rd party reports and inspection exemptions
 - Conducting Customs inspection
 - Presence of personnel in-charge during the Customs inspection
 - Completion of the <Customs Inspection Work Record>
 - Inspection settlement, including penalties for violations

Regulatory Reference: <Customs Inspection Rules on Bonded Goods> effective 1 June 2008. GAC Order [2008] No.173.

Duty Exemption on Certain Product Exported into a Customs Supervised Zone

A Notice was issued that clarifies a number of matters in relation to the duty exemption when exporting certain products into a Customs supervised zone. This Notice should be read in conjunction with <Announcement about Customs Duty Exemption Treatment on Exporting Certain Products to Zones under Customs' Special Supervision Issued by GAC> (GAC Announcement [2008] No. 21 and the <Notice about Refund Treatment on Materials Procured Domestically to Export Processing Zone and Zones under Customs' Special Supervision Issued by MOF, GAC and SAT> (Cai Guan Shui [2008] No. 10).

The key points are summarised as follows:

1. The company inside the zone should complete the <Approval of Export Products that Enjoy Customs Duty Exemption and Export VAT Refund Treatment> and submit this to the in-charge Customs for approval.
2. The company outside the zone should file a separate Export Declaration Form and the above Approval Form should match the Export Declaration Form.

This Notice explains in more detail the processes that should be followed for completing an export duty exempt exportation into a Customs supervised zone. It also explains the process for restating information fields on the Export Declaration Form that may require updating.

Regulatory Reference [Notice Regarding Publication of <<Apply Customs Duty Exemption and Export VAT Refund Treatment on Exporting Certain Products to Zones under Customs' Special Supervision>> Issued by GAC]. GAC Announcement [2008] No. 34

New Import Customs Duty for Certain Commodities

The State Council has approved adjustments on the import customs duty for 6 kinds of products, including certain food, vegetable oil, feed, blood albumin and human vaccine and cotton. The new rates are effective from 1 June to 31 December (excluding cotton and vegetable oil for which a shorter period applies).

Reference: [Notice Regarding the Adjustment of Import Tariff Rates for Certain Commodities Issued by the Tariff Schedule Commission of the State Council] Shui Wei Hui [2008] No. 21.

Domestic Enterprises - “Levy and Refund of Import Duty & VAT” Treatment

A new Notice was issued regarding implementation of the “Levy and Refund of Import Duty & VAT” treatment for domestic enterprises that import certain key parts in order to develop and manufacture large-sized precise and high-speed digital controlled equipment/functional key parts. For products included in the list, the policy of “levy-first-refund-later” took effect on 1 January 2008. This latest Notice clarifies certain implementation issues. This Notice should be referred to in conjunction with the earlier Notice < Customs Policies on Implementing the Suggestions of the State Council to Accelerate the Development of Equipment Manufacturing Industry Issued by MOF, SDPC, GAC and SAT > (Cai Guan Shui [2007] No. 11).

This Notice lists out the type of equipment and components that are regarded as being “large-sized precise and high-speed digitally controlled”. An Annex to the Notice sets out the detailed technical specifications and requirements and the products included in the “levy-first-refund-later” policy. Expect the Annex to be adjusted from time to time to support implementation of the policy.

This Notice also contains guidelines in relation to the treatment of newly approved encouraged domestic and foreign investment projects, foreign investment projects that were approved before 1 May 2008, and the timing for lodging a tax reduction and exemption application to Customs.

Regulatory Reference: Notice Regarding Some Questions on Implementation of “Levy and Refund of Import Duty & VAT” Treatment on Domestic Enterprises for Importation of Certain Key Parts in order to Develop and Manufacture Large-sized Precise and High-speed Digital Controlled Equipment/Functional Key Parts Issued by GAC]. GAC Announcement [2008] No.29 dated 28 April 2008.

High-power Wind Generating Sets - “Levy-First-Refund-Later”

Import customs duty and import VAT for certain key components and raw materials imported by the domestic enterprises to develop and manufacture high-power wind generating sets have enjoyed “levy-first-refund-later” treatment since 1 January 2008. A Notice was issued that clarifies certain implementation issues, such as the definition of “high-power wind generating sets”. Expect the list of included items to be adjusted from time to time to support implementation of the policy.

Regulatory Reference: [Notice Regarding Some Questions on Implementation of <<Customs Policies on Implementing the Suggestions of the State Council to Accelerate the Development of Equipment Manufacturing Industry>> Issued by GAC and SDPC] GAC & SDPC Announcement [2008] No. 30, April 30, 2008.

Importation of Large Self-discharging Trucks Used in Mines

Since 1 January 2008, per Cai Guan Shui [2007] No.11 <GAC and SAT Notice Regarding the Import Taxation Policy of the Development of Equipment Manufacturing Industry>, the customs duty and import VAT of key parts and raw materials for certain large self-discharging trucks used in mines (off-road) imported by domestic enterprises will also be collected at importation and then returned. The returned customs duty and import VAT is regarded as national investment and should be used for research and development of new products and self-innovation. A Notice was issued that clarifies certain implementation issues, such as the definition of “large self-discharging trucks” and related qualification criterion. A list of parts and raw materials that may enjoy import duty and VAT refund is provided and will be updated from time to time. This Notice also sets out certain exclusions.

Regulatory Reference: Notice Regarding the Adjustment of Import Tax Policies for the Importation of Large Self-discharging Trucks Used in Mines (Off-road) and the Key Parts and Raw Materials Issued by MOF February 26 2008 Cai Guan Shui [2008] No.20.

Contacts

Main Contact

John Robinson – Partner
john.p.robinson@cn.pwc.com
+86 (21) 2323 3599

Colbert Lam - Partner
colbert.ky.lam@hk.pwc.com

Beijing

Nancy Zhao - Director
nancy.zhao@cn.pwc.com

Peter Zhang – Manager
peter.zhang@cn.pwc.com

April Zhai – Manager
april.zhai@cn.pwc.com

Shanghai

Damon Paling – Director
damon.ross.paling@cn.pwc.com

Sylvia Chen – Manager
sylvia.chen@cn.pwc.com

Shenzhen/Guangzhou

Susan Ju – Director
susan.ju@cn.pwc.com

Authen Xiao – Manager
authen.xiao@cn.pwc.com

Harry Zhang – Manager
harry.zhang@cn.pwc.com

Hong Kong

John Kwak – Senior Manager
john.sh.kwak@hk.pwc.com

Derek Lee – Manager
derek.wc.lee@hk.pwc.com

Taiwan

Jay Lin – Manager
Jay.Lin@tw.pwc.com

Editor

John Robinson
john.p.robinson@cn.pwc.com

Distribution and address change

Connie Qian
connie.qian@cn.pwc.com

pwccn.com

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