

BRIEF ORIENTATION WITH THE WORLD OF CHINESE CUSTOMS



PTL GROUP

Are you trading with China and often get confused by all different taxes and special calculations? If your answer is yes, and you are wondering how to improve the import-export supply chain management, here you may find some answers..

Over the past few years, Chinese government has adopted a policy of reducing the import - export tariffs, aimed at improving the openness and ease of domestic consumption, mostly in light of the US-China trade war. Due to the important implications such reductions could have on businesses trading with China, here is a simplified summary of the intricate most-important-to-know China import and export regulations: types of taxes, calculations, and how to streamline the import-export process.

What taxes are you paying?

International companies importing to China are levied taxes by the Customs as follows:

Customs duties | Import-related value added tax (VAT) | Consumption tax



Customs duties

Since January 1st 2019, Customs duties apply on 8,549 taxable products have been further reduced. The items in question are part of the annual Tariff Implementation Plan, and they may change every year.

Import related value added tax (VAT)

Starting from April 1st 2019, all products and commodities imported into China are charged 9% or 13% VAT.

- Products that are subject to 9% VAT: agricultural and utility products
- Products that are subject to 13% VAT: other



Interestingly, the original VAT rates were 11% and 17%, later on they have been reduced to 10% and 16%, and the last update is 9% and 13% respectively.

Continue reading about [VAT refund in China](#)

Consumption tax

Consumption tax is applicable to companies who manufacture or import to China taxable merchandise (such as: tobacco, alcohol, jewelry and cosmetics, cars and motorbikes).

- The consumption rate for taxable products brought into China (exported goods are exempted) is subject to changes based on its type. The calculation of consumption tax is done either by ad valorem or quantity methods.

Duties

Import duties

Import custom duties are divided in various criteria:

- **Most-favored-nation duty (MFN) rates** – apply to goods imported from countries members of the WTO; goods imported from countries which have bilateral trade agreements with China; and goods produced in China. The MFN duty is usually lower than other duty rates which are charged from non-MFN countries. On July 1st 2019, the MFN rate of 484 tech products was reduced.
- **Conventional duty rates** – are usually lower than the MFN duty rates. Apply to goods traded between China and one of the 20+ countries which China has a regional trade agreement with.
- **Special preferential duty rates** – are usually lower than both MFN duty rates and conventional duty rates. Apply to goods imported to China from countries with trade agreements stipulating special preferential duty provisions with China.



- **General duty rates** – apply to goods imported to China from countries which are not part of any agreement with China, or brought into China from unknown origins.
- **Tariff rate quota (TRQ) duty rates** – apply to goods which are imported to China in quotas. Goods imported within the quota enjoy a lower tariff rate, however goods exceeding the quota are charged higher tariff rate.
- **Temporary duty rates** – apply to specific imported goods, which have been chosen by the Chinese government, deliberately to increase imports and meet domestic demand. In 2019 low temporary duty rates were imposed on 706 imported products, which are lower than the MFN duty rate.

Good news for technical equipment importers:

Since January 1st 2019, some key technical components and raw materials listed in the Catalogue of State-supported Key Technical Equipment and Products, are exempted from import VAT and customs duties.

Export duties

Export duties are imposed on a limited number of resources and semi manufactures products (around a 108).

Needless to mention, that when temporary duty rates apply, they are in effect for a specific time limit.



Calculations – let’s talk brass tacks

The basis of either the import or the export duty is the products’ DPV (Duty Paid Value).

	IMPORT TO CHINA	EXPORT FROM CHINA
DPV calculation	Determined by the Customs based on the transaction price of such goods, and shall include the freight and relevant costs and the insurance fees for the goods before unloading at the entry place within the People's Republic of China	includes the price of the goods, the freight and relevant costs and insurance fees for the goods before loading at the exit place within the People's Republic of China
Tax calculation (in RMB)	<p><u>Ad valorem basis:</u> Duty payable = DPV x Tariff rate</p> <p><u>Quantity-based:</u> Duty payable = Quantity of imported goods x Amount of duty per unit</p> <p><u>Compound formula:</u> Duty payable = (DPV x Tariff rate) + (Quantity of imported goods x Amount of duty per unit)</p>	The amount of export duties included therein shall be deducted
Case study	<p><u>Pressure vessel</u></p> <p>HS code: 8419.20**.**.*</p> <p>MNF Tariff: 4% VAT: 13%</p> <p>Duty payable= DPV X exchange rate X 4%</p> <p>VAT refundable once sold= DPV X ex. Rate X (1+4%) X 13%</p>	<p><u>Audio/video converter</u></p> <p>Hs code: 8543.70**.**.*</p> <p>MNF Tariff: 0% VAT:13%</p> <p>Duty payable: nil</p> <p>VAT of the part of tax paid in domestics production and circulation of the exported goods is refundable, once commodity is exported</p>

Saving time & money

Smooth custom clearance could be a long and troublesome process. In order to expedite it, here are 2 important notes to keep in mind:

1. The pre-declaration of the goods transported, could be submitted online. Some documents must be provided to customs authorities (e.g. bill of landing, customs declaration insurance, sales contract etc.), however additional documents might be required, depends on the products' category and industry.
2. Through the clearance and goods verification processes, your consistency is checked in 2 levels:
 - Consistency between documents – information from the declaration form matches the content of other documents
 - Consistency between documents and goods – the information from the declaration form matches the actual good (function, application, quantity, price, name etc.).

Of course, any discrepancies found, will cost you time and money, as well as damage your credibility.

At PTL Group we take care of the supply chain and distribution of many international companies who import from and export to China. Our professional team of logistics and finance experts are able to lend you a hand with importation process analysis and execution, import/export VAT refund management and more.



About PTL Group

Established in 2000, PTL Group provides international companies with diverse management and operation services in China. We help to stabilize business infrastructures, increase revenue, reduce expenditures, tighten risk control and shorten time-to-market. Our on-the-ground presence, vast local experience and professional expertise prove themselves time and time again. The services we provide are as follows:

Services:

Recruitment & HR Management
Hosting in Shared Offices
Financial Management & Accounting
Logistics Fulfillment & Distribution Services
Assembly & Manufacturing Marketing Localization & Social
Media Company Registration
Operational Audits & Business Recovery

Service packages:

Market Entry Operational Support
Operational Support for Registered companies

For any further questions, please [send us](#) an inquiry.