Deloitte. 德勤

Tax
Issue P369/2023 – 12 January 2023

Tax Analysis

China Customs announces its Tariff Plan for 2023 and the Catalogue of Dual-Use Items and Technologies Subject to Import and Export License Administration for 2023

Authors:

Dolly Zhang
Partner
Tel: +86 21 6141 1113
Email: dozhang@deloitte.com.cn

Roger Chen
Director
Tel: +86 21 2316 6922
Email: rogechen@deloitte.com.cn

Steven Zhu
Manager
Tel: +86 23 8823 1992
Email: stezhu@deloitte.com.cn

Sylvia Xie
Manager
Tel: +86 21 2316 6753
Email: syxie@deloitte.com.cn

On 28 December 2022, the Tariff Commission of China's State Council issued the Tariff Adjustment Plan for 2023 (the "2023 Tariff Adjustment Plan") (Shuiweihui [2022] No. 11), which adjusts the import and export tariffs and tariff codes of certain goods as from 1 January 2023. The 2023 Tariff Adjustment Plan aims to connect domestic and international resources and markets to expand the importation of certain goods, such as medical supplies, high-quality consumer goods, energy resources, and IT products.

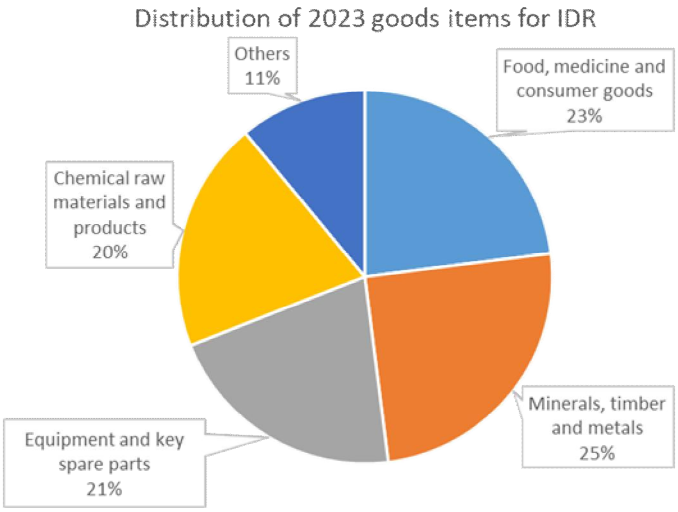
In addition, the Ministry of Commerce (MOFCOM) and General Administration of Customs (GAC) jointly announced an update to the Catalogue of Dual-Use Items and Technologies Subject to Import and Export License Administration for 2023 (the "Dual-Use Catalogue") (Bulletin of the Ministry of Commerce [2022] No. 42), which provides adjustments to the previous catalogue based on the 2023 Tariff Adjustment Plan and other relevant policies. The 2023 Dual-use Catalogue came into force on 1 January 2023.

2023 Tariff Adjustment Plan

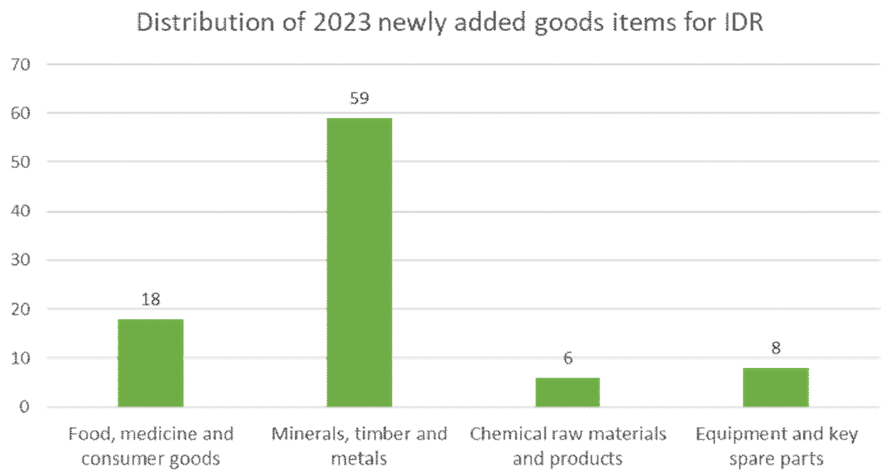
Import interim duty rates

One of the salient points of the 2023 Tariff Adjustment Plan is to apply the import interim duty rates (IDRs) on certain goods lower than the most-favoured-nation (MFN) duty rates.

In 2023, China will apply import IDRs on 1,020 goods items.



Compared with 2022, 91 items have been newly added and 25 have been removed for 2023. For items subject to import IDRs both in 2022 and 2023, the import IDRs on more than 20 items have been further reduced, and the rates on a few items have been slightly increased.



For more information, please contact:

Indirect Tax
National Leader
Lily Li
Partner
Tel: +86 21 6141 1099
Email: lilyxcli@deloitte.com.cn

Deputy National Leader
Shu Tian
Partner
Tel: +86 10 8534 2338
Email: shutian@deloitte.com.cn

Customs and Global Trade
National Leader / Northern China
Yi Zhou
Partner
Tel: +86 10 8520 7512
Email: jchow@deloitte.com.cn

Eastern China
Li Qun Gao
Partner
Tel: +86 21 6141 1053
Email: ligao@deloitte.com.cn

Southern China
Janet Zhang
Partner
Tel: +86 20 2831 1212
Email: jazhang@deloitte.com.cn

Western China
Frank Tang
Partner
Tel: +86 23 8823 1208
Email: ftang@deloitte.com.cn

- To satisfy the demand for drugs to treat cancer and COVID-19 and to reduce the cost of these drugs for patients, China has implemented zero tariffs on some raw materials for these drugs and for analgesic drugs for cancer. For example, the anti-cancer drug raw material Pyrotinib Maleate (Harmonized System (HS) code 2933.4900) has an MFN duty rate of 6.5% and an import IDR in 2023 is 0%.

- To boost the importation of medical devices and advanced medical technology for encouraging the innovation of domestic companies, 13 medical device items are subject to import IDRs that are lower than MFN duty rates (e.g., dentures, intracranial embolectomy stents, heart valve prostheses). For instance, for a heart valve prosthesis (HS code 9021.3900), the MFN duty rate is 4% and the import IDR in 2023 is 1%.

- To conform with the trend of upgrading the consumption structure to meet the consumption demand and improving the quality of supply, import IDRs apply for homogenized-mixed foods for infants and toddlers, frozen blue cod, cashew nuts, etc. In addition, the import IDRs of some small household appliances (e.g., coffee machines, juicers, hair dryers, etc.) have been reduced. Taking fresh or dry unshelled cashew nuts (HS code 0801.3100) as an example, the MFN duty rate is 20% and the import IDR in 2023 is 5%.

- To encourage the innovative development of the manufacturing industry, import IDRs apply for lithium niobate, iridium oxide for fuel cells, roller bearings for wind turbines, etc. Taking lithium niobate (HS code 2841.9000) as an example, the MFN duty rate is 5.5% and the import IDR in 2023 is 2%.

- In responding to the changes in international economic circumstances and reducing the pressure caused by the bulk commodity pricing fluctuation, a zero import IDR applies on potash fertilizer. Additionally, import IDRs apply for some timber and paper products. For example, for mineral or chemical potash fertilizer (HS code 3104.9090), the MFN duty rate is 3% and the IDR in 2023 is 0%.

- To comply with the policy trends of clean energy and carbon neutrality, 0% import IDR would be removed for seven coal production items as from 1 April 2023. Consequently, the MFN rates of 3% to 6% will be applied. Imports of relevant coal products from jurisdictions such as Canada, Mongolia, Russia, the US, etc. may be affected.

Free trade agreement network

Since the Regional Comprehensive Economic Partnership (RCEP) came into force in 2022, the total import and export amount between China and other RCEP member countries has reached RMB 11.8 trillion as of November 2022, which results in a year-on-year increase of 7.9% and accounts for 30.7% of total foreign trade of China according to the data released by the MOFCOM and GAC. Based on the RCEP arrangement, the RCEP treaty tariff rates for some goods originating from Indonesia apply as from 2 January 2023.

In addition to the RCEP, imports of goods originating from 29 jurisdictions also may be subject to preferential duty rates in 2023 under other free trade agreements (FTAs) or preferential trade arrangements. Compared with last year, further reductions of tariff rates can be provided in 2023 under the FTAs between China and Australia, Cambodia, Costa Rica, Iceland, Korea, Mauritius, New Zealand, Pakistan, Peru, and Switzerland, and the Asia-Pacific Trade Agreement. Though no further reductions would be provided in 2023, the FTAs between China and ASEAN members, Chile, Georgia, and Singapore, as well as preferential trade arrangements between mainland China and Hong Kong/Macau (i.e., the Mainland and Hong Kong/Macau Closer Economic Partnership Arrangement), and Taiwan (i.e., the Cross-Strait Economic Cooperation Framework Agreement) continue to apply in 2023.

Other updates

To maintain the stability of the global industrial chain of IT products and reduce the production costs of related downstream industries in China, the eighth step of the MFN tariff rate reduction for 62 IT products has been implemented according to the Expansion Agreement of the Information Technology Agreement.

A total of 106 items are subject to export duty in China. In 2023, 67 items are subject to export IDRs, and the remaining 39 items are subject to export duty rates that are normally higher than the export IDRs. The export IDRs of some aluminum-related goods were either removed so that export duty rates would apply or increased as from 1 January 2023.

2023 Dual-Use Catalogue

Dual-use items and technologies include nuclear items, nuclear dual-use items and technologies, biological dual-use items and technologies, chemical dual-use items and technologies, controlled chemical and missile related items and technologies, precursor chemicals, etc. The MOFCOM and GAC have jointly released the Dual-Use Catalogue, and those who wish to import or export dual-use items and technologies under the catalogue must obtain the relevant import or export license.

New items subject to export license requirement

Compared with the 2022 Dual-Use Catalogue, seven new items have been added to the list of items subject to the export license requirement in the 2023 Dual-Use Catalogue, i.e., one item in relation to controlled chemicals and six items in relation to high-pressure water cannons. These items are not newly controlled, as the export license requirement was introduced for these items on 1 April 2022 and 1 December 2022, respectively. Therefore, the addition to the 2023 Dual-Use Catalogue is simply to reflect this past development.

Revisions to names and descriptions of items

Revisions have been made to the names and descriptions for five items subject to the export license requirement. These items are all nuclear-related items, such as nuclear-grade graphite and dissolvers.

Adjustment of HS codes

To align with the 2023 Tariff Adjustment Plan, corresponding adjustments have been made to the HS codes of 16 items in the 2023 Dual-Use Catalogue:

- Two controlled chemical items subject to import license requirements; and
- Two controlled chemical items and 12 nuclear dual-use items subject to export license requirements.

If an importer or exporter has obtained a license for goods for which the HS codes have been adjusted by the 2023 Tariff Adjustment Plan, the validity period of the license would expire on the original expiration date or 31 March 2023, whichever is earlier.

Comments

Import and export trade policy tools will play an increasingly important role in China's economy. Businesses should assess the effect of policy changes, including both opportunities and compliance challenges, and then take proper action:

- Companies engaged in importing and exporting should review and update relevant information in a timely manner (e.g., HS codes, tariff rates, country of origin, etc.) for their affected goods in accordance with the latest tariff policies. They also are advised to check regularly whether any customs' decisions or rulings they normally relied upon are still valid in the context of tariff policy changes.

- Customs classification has been subject to intense review by Chinese customs authorities in recent years. Importers and exporters should regularly review whether the classification is correct and, when appropriate, consider applying for advance rulings or the voluntary disclosure mechanism to manage the relevant risks. For businesses engaged with imports of a variety of goods, digital tools may be considered to facilitate the management of import data and HS classification codes.

- Special care must be given when determining if the goods in question are listed in the Dual-Use Catalogue and if they are subject to a license requirement. In order to avoid unintentional violations, affected businesses should not only look at the HS codes that may be listed in the Dual-Use Catalogue, but also should carefully review the information relating to the goods against the names and descriptions of the items listed therein.

- Given the latest adjustments to IDRs and various preferential tariff rates provided by the RCEP and FTAs, businesses may explore opportunities to appropriately adjust their supply chain arrangements to enjoy the benefits brought by the reduced tariff rates.

- The Customs Tariff Commission of China's State Council revises tariff plans on an annual basis. The relevant government departments normally start to collect comments from the business community in the early months of the calendar year. Companies that would like to voice their concerns about the tariff policies (e.g., to reduce higher import tariff rates for relevant goods) may begin to prepare their comments and relevant materials (e.g., materials in writing to support their policy suggestions) and communicate with relevant government departments or industry associations.

Tax Analysis is published for the clients and professionals of the Hong Kong and Chinese Mainland offices of Deloitte China. The contents are of a general nature only. Readers are advised to consult their tax advisors before acting on any information contained in this newsletter. For more information or advice on the above subject or analysis of other tax issues, please contact:

Country Leader of Tax and Business Advisory services, Deloitte China
Victor Li
Partner
Tel: +86 755 3353 8113
Fax: +86 755 8246 3222
Email: vicli@deloitte.com.cn

Northern China
Xiaoli Huang
Partner
Tel: +86 10 8520 7707
Fax: +86 10 6508 8781
Email: xiaolihuang@deloitte.com.cn

Eastern China
Maria Liang
Partner
Tel: +86 21 6141 1059
Fax: +86 21 6335 0003
Email: mliang@deloitte.com.cn

Southern China
Jennifer Zhang
Partner
Tel: +86 20 2885 8608
Fax: +86 20 3888 0115
Email: jenzhang@deloitte.com.cn

Western China
Frank Tang
Partner
Tel: +86 23 8823 1208
Fax: +86 23 8857 0978
Email: ftang@deloitte.com.cn

About the Deloitte China National Tax Technical Centre

The Deloitte China National Tax Technical Centre ("NTC") was established in 2006 to continuously improve the quality of Deloitte China's tax services and help Deloitte China's tax team better serve the clients. The Deloitte China NTC issues "Tax Analysis" which are commentaries on newly issued tax laws, regulations and circulars from technical perspectives. The Deloitte China NTC also conducts research and analysis and provides professional opinions on ambiguous and complex issues. For more information, please contact:

National Tax Technical Centre
Email: ntc@deloitte.com.cn

National Leader/Northern China
Julie Zhang
Partner
Tel: +86 10 8520 7511
Fax: +86 10 6508 8781
Email: juliezhang@deloitte.com.cn

Eastern China
Kevin Zhu
Partner
Tel: +86 21 6141 1262
Fax: +86 21 6335 0003
Email: kzhu@deloitte.com.cn

Western China
Tony Zhang
Partner
Tel: +86 28 6789 8008
Fax: +86 28 6317 3500
Email: tonzhang@deloitte.com.cn

Southern China (Mainland)
German Cheung
Director
Tel: +86 20 2831 1369
Fax: +86 20 3888 0115
Email: gercheung@deloitte.com.cn

Southern China (Hong Kong)
Doris Chik
Partner
Tel: +852 2852 6608
Fax: +852 2543 4647
Email: dchik@deloitte.com.hk

If you prefer to receive future issues by soft copy or update us with your new correspondence details, please notify national marketing team of Deloitte China by email at cimchina@deloitte.com.hk.

About Deloitte

Deloitte China provides integrated professional services, with our long-term commitment to be a leading contributor to China's reform, opening-up and economic development. We are a globally connected firm with deep roots locally, owned by our partners in China. With over 20,000 professionals across 30 Chinese cities, we provide our clients with a one-stop shop offering world-leading audit & assurance, consulting, financial advisory, risk advisory, tax and business advisory services.

We serve with integrity, uphold quality and strive to innovate. With our professional excellence, insight across industries, and intelligent technology solutions, we help clients and partners from many sectors seize opportunities, tackle challenges and attain world-class, high-quality development goals.

The Deloitte brand originated in 1845, and its name in Chinese (德勤) denotes integrity, diligence and excellence. Deloitte's professional network of member firms now spans more than 150 countries and territories. Through our mission to make an impact that matters, we help reinforce public trust in capital markets, enable clients to transform and thrive, empower talents to be future-ready, and lead the way toward a stronger economy, a more equitable society and a sustainable world.