Tax
Issue P401/2024 – 15 April 2024

Tax Analysis

China customs issues guidance on retaliatory tariffs on US-origin imports

Authors：

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

Roger Chen
Partner
Tel： +86 21 2316 6922
Email： rogechen@deloittecn.com.cn

Tomey Lin
Director
Tel： +86 20 2831 1057
Email: tomlin@deloittecn.com.cn

Iris Han
Manager
Tel： +86 25 5791 5240
Email： irihan@deloittecn.com.cn

In response to the US reciprocal tariffs on Chinese imports, China has enacted corresponding countermeasures, by imposing additional tariffs on US imports, effective from 12:01 p.m. on 10 April 2025. The additional tariff rate was initially set at 34%, subsequently increased to 84%, and further raised to 125%.

To enforce these additional tariffs, China's General Administration of Customs (GAC) issued Bulletin 58 on 9 April 2025 to provide the implementation guidance.

This newsletter will address some of the most frequently asked questions regarding this new guidance as well as recommendations to the businesses potentially affected by these measures.

1. Will the additional tariffs apply to US import into Hong Kong SAR and Macau SAR?

The Hong Kong SAR and Macau SAR are separate customs territories and do not apply the additional tariffs imposed by China on US-origin goods. However, if US-origin goods are transported to China mainland via either Hong Kong SAR or Macau SAR, they will still be subject to the additional tariffs as the origin of the goods remains unchanged.

2. **Are there any exclusions applicable to the additional tariffs?**

The additional tariffs apply to all goods originating from the US that are imported into China. So far, there is no formal announcement of exclusion. In contrast, the US "reciprocal tariff" policy establishes certain exemption criteria and maintains an official list of exempted goods. Based on previous customs enforcement practices, cross-border e-commerce (CBEC) retail imports may potentially be exempted.

3. **What will be the tariff rates on US-origin goods imported into China?**

The additional tariffs are imposed on top of the current applicable most-favored-nation (MFN) rate or interim duty rate, as well as any previously imposed additional tariffs. For example, liquefied natural gas (LNG) originating from the US (HS Code 2711.1100) now has a cumulative tariff rate of 165% (i.e. MFN rate of 0% + 25% additional tariff since 1 June 2019 + 15% additional tariff since 10 February 2025 + 125% additional tariff from this round).

4. **What are the critical deadlines for "goods in-transit" to avoid the additional tariffs this time?**

US origin goods imported under the "goods in-transit" regime must meet specific timing requirements to avoid the additional tariffs:

- For non-bonded processing goods, the transport vehicle must have departed from the place of departure before 12:01 p.m. on 10 April 2025, and the goods must be declared for import before 24:00 on 13 May 2025.

- For goods imported through bonded zones or other special customs supervision areas, the same timing requirements apply as above.

- For royalty payments that should be included into the dutiable value of "in-transit goods" but were paid and declared after 13 May 2025, it is still unclear whether such payments qualify for exclusion from the additional tariff. Importers are advised to consult local customs authorities to ensure compliance.

For more information, please contact:

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

Customs and Global Trade Advisory
National Leader
Dolly Zhang
Partner
Tel：+86 21 6141 1113
Email：dozhang@deloittecn.com.cn

Northern China
Betty Mu
Director
Tel：+86 10 8512 5698
Email：bemu@deloittecn.com.cn

Eastern China
Candy Tang
Partner
Tel：+86 21 6141 1081
Email：catang@deloittecn.com.cn

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

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

5. **What is the impact to existing tariff reductions and exemptions regime?**

China's existing tariff reduction and exemption policies remain unchanged. However, the additional tariffs imposed in this round are not eligible for any reductions or exemptions.

6. **What are the key changes to bonded processing and bonded logistics regime?**

Starting from 12:01 p.m. on 10 April 2025, bonded processed products containing US-origin materials are no longer permitted to circulate under bonded status, whether within or outside customs special supervision areas. This restriction applies to the "factory transfer" or "U turn" model (illustrated below). This change may significantly impact companies' bonded operation management.

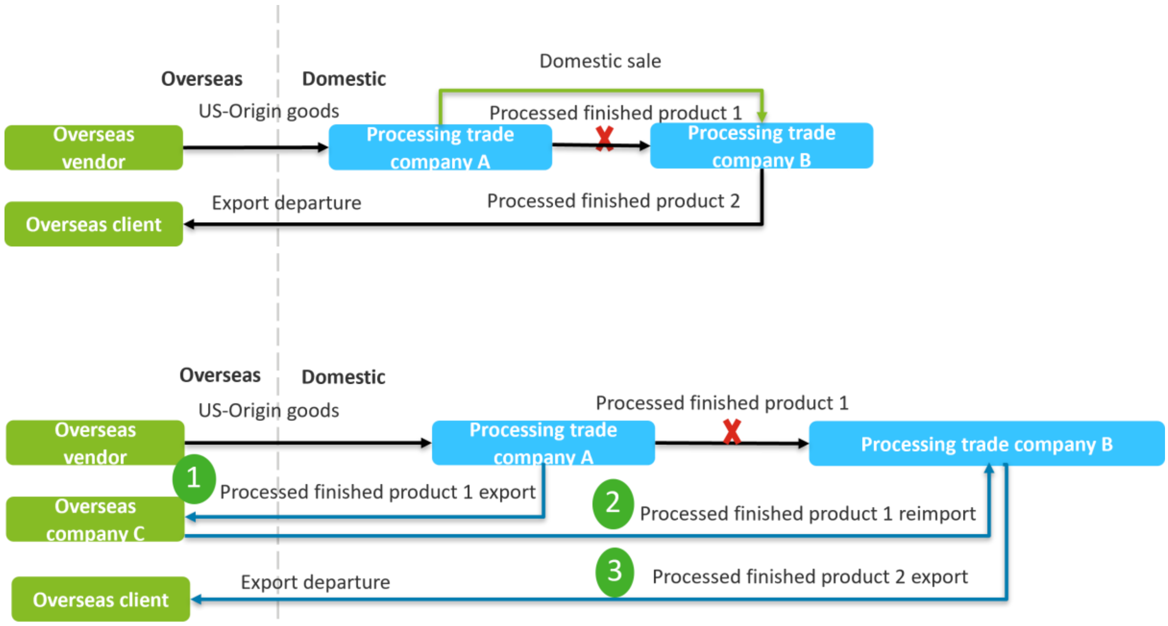
Scenario 1: Factory Transfer

- **Base scenario:** Company A imports US-origin raw materials under bonded status for processing into finished product 1, which is then transferred to company B for further processing into finished product 2. Both companies benefit from bonded processing policies, avoiding tariffs on imported raw materials and intermediate products.

- **What has changed:** Company A may continue to import US-origin raw materials under bonded status and process them into finished product 1. However, finished product 1 is no longer permitted to be transferred to company B under bonded status.

- Possible options (non-exhaustive):

  - Company A may sell finished product 1 (as a normal domestic sale) to company B. If so, the duty and import taxes will be applied based on US origin materials.
  - Company A exports finished product 1 to an overseas location. Finished product 1 is subsequently reimported by company B for deep processing into finished product 2 before final export.



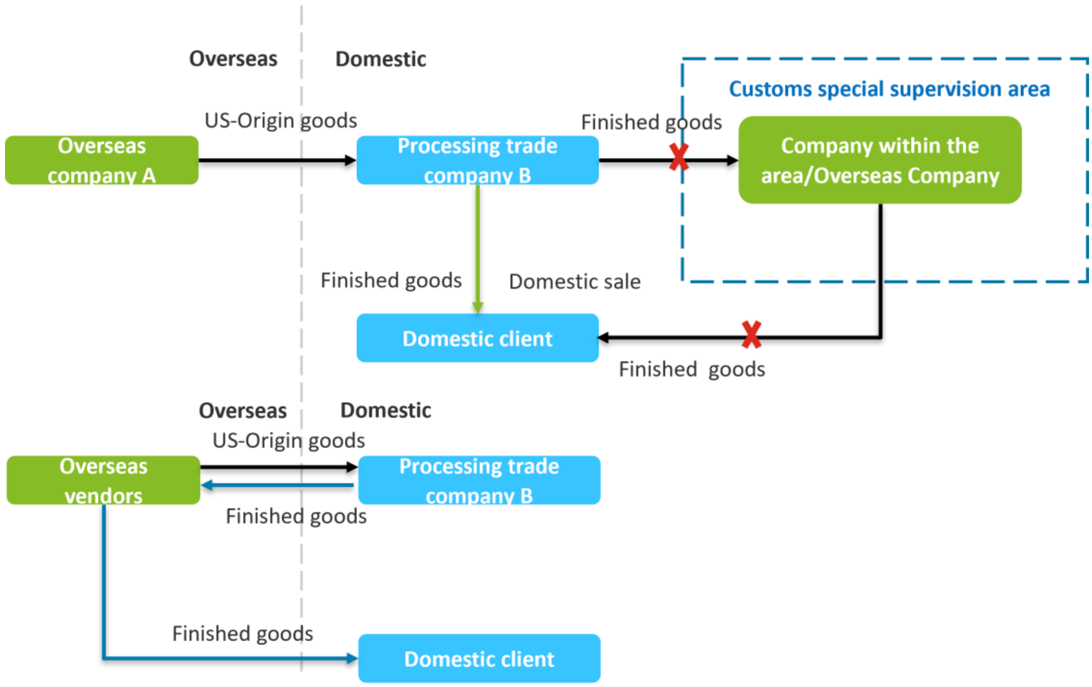
Scenario 2: "U turn" through China customs special supervision areas

- **Base scenario:** A domestic processing trade company B, located outside the bonded zone, imports raw materials from an overseas company A under bonded import conditions. After processing, the finished goods are "exported" to customs special supervision areas (such as a Free Trade Zone) in bonded status and then delivered to domestic clients.

- **What has changed**: Company B may continue to import US-origin raw materials under bonded status and process them into finished goods. However, finished goods are prohibited from being transferred under bonded status to customs special supervision areas.

- **Possible options (non-exhaustive):**

  - Company B may sell the finished goods to domestic clients (as a normal domestic sale). If so, the duty and import taxes will be applied based on US origin materials.
  - Company B exports the finished goods out of China physically. The finished goods then are reimported into China for sale to China domestic clients.



Recommendations for businesses affected by the additional tariffs

Strengthen origin management

Correctly determine the origin of goods, especially for products involving US-origin materials;
Establish robust procedures for supplier origin verification and maintain relevant documentation.

Utilize grace period for "in-transit goods"

Promptly submit import declarations for goods in transit within the grace period;
Ensure compliance with procedural requirements outlined in Bulletin 58 and prepare necessary documentation.

Revisit bonded business arrangements as appropriate

For businesses relying on US-origin materials, reassess bonded processing strategies and explore alternative logistics arrangements or export/import cycles to mitigate the impact of the new restrictions.

Enhance compliance and documentation of bonded processing business

Maintain dedicated account books or remarks for US-origin materials and their finished products;
Consider applying for advance origin rulings from customs authorities if necessary.

Review and update trade contracts

Incorporate clauses in the contract addressing potential policy changes, tariff adjustments, and regional trade conflicts;
Clearly define responsibility for tariff costs and potential penalties in the event of non-compliance to avoid disputes.

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@deloittecn.com.cn

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

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

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

Western China
Frank Tang
Partner
Tel: +86 23 8823 1208
Fax: +86 22 8312 6099
Email: ftang@deloittecn.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@deloittecn.com.cn

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

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

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

Southern China (Mainland)
Tony Yao
Partner
Tel: +86 755 3353 8103
Fax: +86 755 8246 3222
Email: heyao@deloittecn.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@deloittecn.com.cn.

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 31 Chinese cities, we provide our clients with a one-stop shop offering world-leading audit, tax and consulting 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 global 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.