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Interim Duty Rates

Use the Interim Import Duty Rate System to reduce your customs duty costs and improve competitiveness

pwc

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System Overview

The average most-favoured-nation (MFN) customs duty rate in 2014 is approximately 9.5% and a very similar rate will likely continue to be applied in 2015. The Interim Import Duty Rate (IDR) System aims to further lower the MFN duty rate so as to encourage importation of certain products from overseas, such as:

- Advanced technological equipment and key components and parts
- Energy products, resource saving and environment-friendly products
- Daily necessities and medical products
- Products related to farm produce

Generally speaking, interim duty rates only apply to the industry and/or commodity encouraged for importation by the Central Government. Within this context, any domestic or foreign enterprises that view currently applied MFN duty rates as being "unnecessarily high" may apply for an interim duty rate.

The interim duty rate is reviewed and adjusted every year by the Customs Tariff Commission of State Council (CTCSC). The CTCSC is a coordination department which is managed by the Ministry of Finance (MoF). The members of the CTCSC include various relevant ministries such as MOFCOM, GAC, NDRC and SAT.

New IDR are decided and established case-by-case, but may be as low as 0% or 1%, and are typically effective for several years, therefore providing customs duty savings for an extended period of time.

Application and Review Process

The General Administration of Customs (GAC) in Beijing has been appointed by the CTCSC to receive and review the applications, and draft a proposed IDR list. Shanghai Customs act as a receiving and initial review point for all new IDR applications.

As part of the review process, Shanghai Customs and the GAC will review the application, complete market benchmarking research and conduct internal workshops every calendar year.

The CTCSC will make the final determination of the new interim duty rate list.

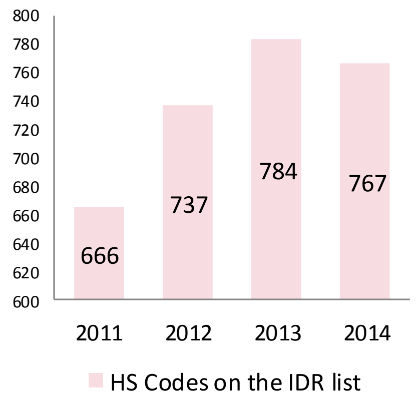
As the CTCSC consists of various Ministers as the members of the Council, it adopts the "one vote negates all" system. In other words, the interim duty rate application can only be approved with no objection from any other member.

The final approved applications should NOT:

- Significantly reduce the revenue
- Hinder high technology transfer into China
- Conflict with or duplicate any existing duty exemption policy
- Negatively impact on the development of domestic industry

Recent 2014 Results

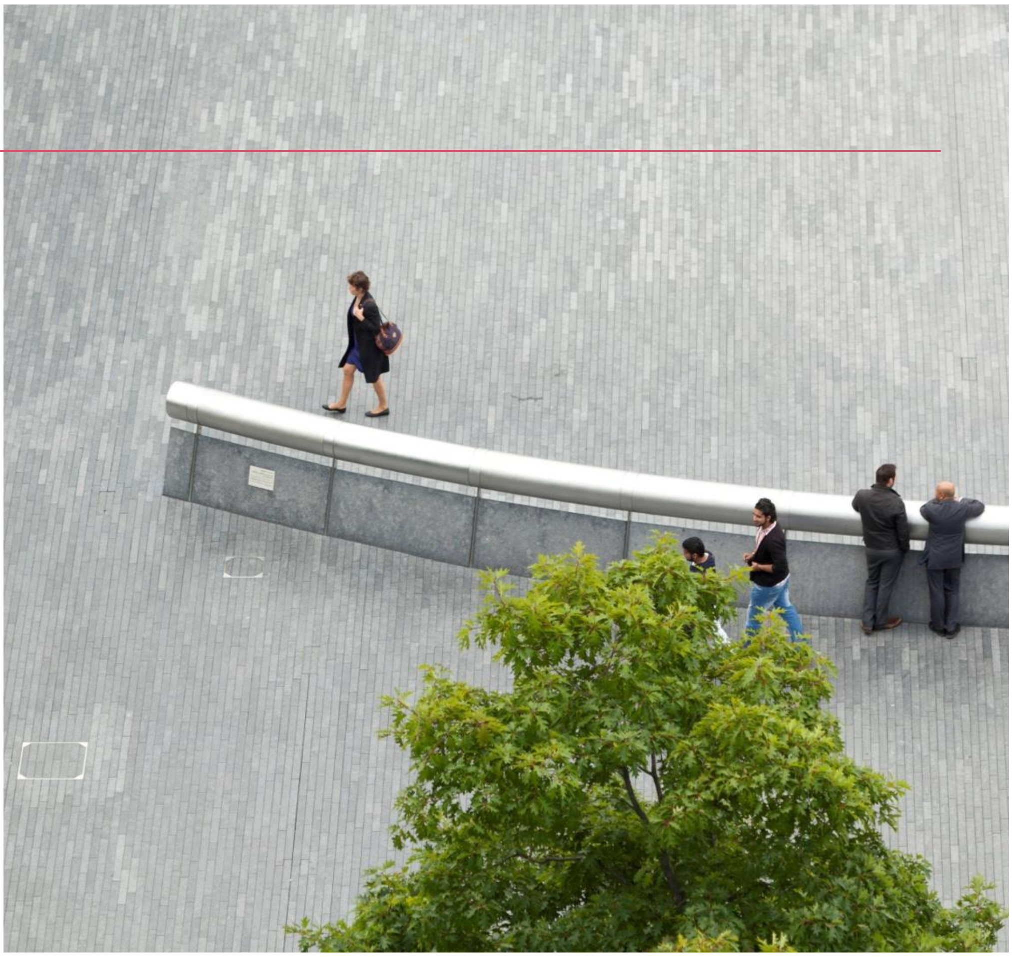
HS Codes on the IDR list



767 HS Codes are covered by an IDR in 2014. Whist this was a small drop compared to 2013 due to economic circumstances the List is expected to grow in 2015, especially as China seeks to increase domestic consumption and implement other macro-economic reforms.

For details please refer to the Notice on 2014 Tariff Implementation Plan by Customs Tariff Commission of the State Council [2013] No. 36 which adjusted the Import Customs Duty rates for most-favoured-nation treatment, preferential free trade agreement treatment, export duty, and interim duty rate treatment, effective from 1 January 2014.

Next Steps



In order to obtain an IDR effective 1 January 2015, enterprises should start to submit their application and supporting documents to Shanghai Customs. Timing-wise initial discussions and application lodgement should take place between March and May 2014. Enterprises that wish to take advantage of the IDR System should:

- Analyse the specific tariff sub-heading structure and determine the strategy for the application
- Obtain the latest product-specific tariff policy and trend for further tariff adjustment
- Complete the Survey Form and prepare the relevant supporting documentation
- Approach Shanghai Customs and lodge the application
- Proactively follow-up with Customs and CTCSC so to increase the likelihood of a successful application
- Monitor any micro and macro economic developments and modify the application, as may be appropriate.

PwC's Value

PwC can help you in the following aspects:

- Obtaining the latest product-specific tariff policies, trends and further tariff adjustment
- Performing the product specific application feasibility study
- Drafting the product specific investigation report, providing suitable application reasoning, and further preparing the relevant supporting documents
- Lodging the applications to Shanghai Customs and responding to Customs' technical questions
- Keeping good communication with Customs and CTCSC to further enhance the application success rate

Contacts

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For more information, please also visit: www.pwccustoms.com

PwC' s Customs & International Trade Practice

Customs and international trade in China is complex, but with the right approach is manageable. A planned and structured approach results in cost savings, higher levels of compliance and fewer unwanted surprises during an audit. PricewaterhouseCoopers' specialists within our Greater China customs and international trade practice provide a wide range of advice and services related to creating value, ensuring compliance, and managing risk in relation to the movement of goods into and out of China.