



MOF issued Notice on Tariff Adjustment Plan 2016

Regulations discussed in this issue:

- *Notice of MOF on Tariff Adjustment Plan 2016*
Shui Wei Hui [2015] No. 23
Issued on 4 December

Overview

The Ministry of Finance (MOF) recently issued the "Notice on Tariff Adjustment Plan 2016" (Shui Wei Hui [2015] No. 23), and decided to adjust some of the import and export tariffs from 1 January 2016. The tariff reduction applies to the following products: advanced equipment urgently needed by China, key components and energy raw materials; some of the daily consumer goods; some of the environmental products, and products under the jurisdiction of each FTA. In addition, there are some adjustments to the H.S code system. Export and import enterprises can perform assessment based on the plan in due course, and take appropriate measures.

Main content

- 1、 To reduce import tariffs for the products including traction converter for electric express locomotive, image retrieval module of television camera, electric motor controller assembly for pure electric or hybrid car, chrome-free tanning agent, and beef and sheep fat by way of provisional tariff.
- 2、 To reduce import tariffs for the products with relatively higher import tariffs but higher demand elasticity, including bags and luggage, apparel, scarf, blankets, vacuum mug, and sunglasses by way of provisional tariff.
- 3、 To adjust tariffs for some of the products including automatic winder; eliminate export tariffs on phosphoric acid, ammonia and ammonia water; lower export tariffs on pig iron and billet.
- 4、 Further to reduce tariffs as a result of seven FTAs including free trade agreement between China and Iceland, Switzerland, Costa Rica, Peru, New Zealand as well as Mainland and Hong Kong/Macau Closer Economic Partnership Arrangement.

- 5、 To reduce applied tariffs of 27 environmental products to below 5% in 2016, including sludge dryer, garbage incinerators, solar water heaters, and wind turbines.
- 6、 To increase provisional import tariffs for the following products: tires, special mould used for car body stamping parts of some processed passenger cars, diesel engines for some passenger cars, automated filling equipment for dairy processing, coating machines, automatic wire bonding machines, components used by laser transceiver device of laser disc player.
- 7、 To adjust some of H.S codes in the import and export tariff in 2016. After the adjustment, the total number of tax items will increase from 8285 to 8294 in 2016.

KPMG's observations

- 1、 The 2016 tariff adjustment plan is an indication of the following policy trends: To increase import of advanced technology, products and services; increase effective supply; to promote domestic innovation and the optimisation and upgrading of industrial structure; to increase shopping options for domestic consumers; to meet the upgraded consumer demand; to expand bilateral and multilateral economic and trade cooperation; accelerate the implementation of the FTA strategy with neighbouring countries and regions; to form a high level, global FTA network; and to fulfil the commitments under the 2012 APEC framework.
- 2、 Enterprises may perform a prospective study on the above macro-policies, assess their supply chain, and re-plan and adjust their supply chain accordingly.
- 3、 Enterprises can also assess the impact of the tariff adjustment on their cost of sales, review the relevant business contracts with their suppliers and customers, and evaluate whether there is a need for adjustments.
- 4、 A high level, global FTA network is taking shape. Enterprises should pay more attention to the growing influence of such trend and should not ignore the opportunity to reduce trade costs.
- 5、 Enterprises engaged in cross-border ecommerce import of bags, luggage, apparel, scarf, blankets, vacuum mug and sunglasses are advised to assess the possible impact of the reduced tariff and FTA tariff on their sales and marketing, and to change their marketing strategy accordingly.
- 6、 The customs team of enterprises are advised to review their existing classification database and the impact of the adjustment of some of the tax items in order to maintain an updated and accurate classification database.

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