Trade Regulations of China

Since becoming a member of the World Trade Organisation (WTO) on 11 December 2001, China has gradually reduced administrative barriers to trade and liberalised its foreign trading system. According to China’s amended Foreign Trade Law, which came into effect in July 2004, all types of businesses, including private enterprises, can engage in foreign trade once they have filed the correct records. Chinese citizens may also trade abroad in a personal capacity.

In August 2013, the State Council approved the China (Shanghai) Pilot Free Trade Zone to deepen reform and opening-up comprehensively, while further promoting trade and investment facilitation. As at October 2019, China has already set up 18 pilot free trade zones. Currently, China is enhancing trade efficiency through the adoption of a single-window system for international trade and the implementation of measures such as on-going and ex-post oversight based on credit supervision.

Import Duties

According to the WTO, China’s average applied Most Favoured Nation (MFN) tariff rate has been progressively lowered from 15.3% in 2001 to 9.8% in 2018. The average tariff for agricultural products was 15.6%, while that for non-agricultural products was 8.8%.

In order to stimulate domestic consumer demand, thereby spurring economic growth and economic restructuring, the State Council Executive Meeting decided on 28 April 2015 to offer policy support to the import and export of consumer goods. Mainland import tariffs on certain daily consumer goods in great demand would be lowered on a pilot basis, while the scope of products eligible for lower tariffs was widened.

On 1 July 2018, China slashed the import tariff rates of daily consumer goods involving 1,449 tariff lines. The term ‘daily consumer goods’ covers eight categories of product: food; apparel, footwear and headwear; furniture and houseware; sundry grocery items; cultural, sports and entertainment supplies, home electronics; daily chemical products; and medical and health products.

The average tariff rates of the goods involved have been reduced from 15.7% to 6.9%, a reduction of 55.9%. Among these, the average import tariffs for apparel, footwear, headwear, kitchenware and fitness products have been reduced from 15.9% to 7.1%. For home appliances, such as washing machines and refrigerators, the reduction was from 20.5% to 8.0%. For processed food, the rates were cut from 15.2% to 6.9%. The average tariff rates for detergents, cosmetics, such as skincare and haircare products, and some medicine and health products have fallen from 8.4% to 2.9%. This is the fifth time that China has lowered import tariffs for consumer goods in recent years.

In November 2018, China reduced the import tariffs on 1,585 taxable items, including industrial goods. The average tariff rate for high demand mechanical and electrical
equipment, such as construction machinery, instruments and meters, was lowered from 12.2% to 8.8%. For textiles and building materials, the average tariff rate was cut from 11.5% to 8.4%, while that for certain resource goods, such as paper products, as well as primary goods fell from 6.6% to 5.4%.

Click here to search China’s import tariff rates by Harmonised System (HS) code.

Anti-dumping and countervailing duties may be imposed on imported goods deemed to pose a threat to domestic industry. Imported agricultural products subject to tariff rate quotas include wheat, corn, rice, sugar, cotton and wool.

Effective from 1 April 2019, China’s three tiers of VAT rates were adjusted to 13%, 9% and 6% respectively under the policy of deepening value-added tax (VAT) reform. Import goods are now subject to VAT at 13%. Export processing enterprises backed by foreign investment are required to pay VAT on imported raw materials, parts and components. When their products are exported, the VAT paid is offset against the VAT payable on goods sold domestically. If the VAT payable is negative the taxation administration will issue a refund.

Consumer goods subject to consumption tax in China include tobacco, liquor, firecrackers and fireworks, high-end cosmetics, refined oil, fine jewellery and precious stones, golf balls and equipment, high-end wrist watches, yachts, disposable wooden chopsticks, solid wooden floorboards, motorcycles, motor vehicles, batteries and coatings.

Business tax is levied on the revenue generated from the provision of taxable services. From 2012, China began to replace business tax with VAT (B2V) on a pilot basis. From 1 May 2016, the pilot had been extended to cover construction, real properties, financial services and consumer services, making VAT applicable across all goods and services sectors. In October 2017, the State Council decided to scrap the business tax altogether.

Enterprise income tax was lowered from 30% to 25% for both domestic and foreign-invested enterprises from January 2008. Individual income tax payable by foreign nationals working in China is charged at progressive rates of between 3% and 45%.

Quota and Licensing

From 2005, China began removing quota and licensing requirements from the majority of imports, and only a limited number of products are now subject to import licensing control. Under the 2019 Catalogue of Goods Subject to Import Licence Administration (in Chinese only), effective 1 January 2019, only two categories of commodities – ozone-depleting substances and key used mechanical and electronic products – totalling 118 items under 10-digit tariff codes, are now subject to import licensing control.

The Ministry of Commerce (MOFCOM), together with other related departments under the State Council, is responsible for formulating, amending and publishing a catalogue of mechanical and electronic imports subject to restriction or prohibition. MOFCOM exercises quota and licensing control over the restricted products.

In order to monitor imports, China implements a system of automatic import licensing for certain mechanical and electronic products which can be imported freely. To import mechanical and electronic products subject to automatic import licensing, the importer should apply to MOFCOM or its authorised agencies for an Automatic Import Licence
before completing customs formalities.

Customs and Quarantine

According to the *State Council Institutional Reform Plan* adopted at the first session of the *13th National People’s Congress*, the *General Administration of Customs (GAC)* is responsible for the administration of exit-entry inspection and quarantine. Since 1 August 2018 the declaration of imported and exported goods has been consolidated and the import/export declaration and inspection forms merged into one customs declaration form. The items to be declared are largely the same as listed in the original customs and inspection declaration forms. Businesses will now only have to deal with the so-called “four ones”: one customs declaration form, one set of accompanying documents, one set of commodity classification codes and one application system.

The GAC has published (in Chinese only) the *Instructions for Completing the Customs Declaration Forms for the Import and Export of Goods* (No. 60 [2018], later superseded by No. 18 [2019]), the *Templates of Declaration Forms for Imported and Exported Goods and Recordation Lists of Imported and Exported Goods* (No. 61 [2018]) and the *Template of e-Declaration Forms for Import and Export Goods* (No. 67 [2018]).

Customs is the authority entrusted to interpret customs tariff regulations, determine tariff classifications and assess the dutiable values of goods entering the customs border. The dutiable value of an imported good is its CIF value, which includes the normal transaction price of the goods, plus the cost of packing, freight, insurance and commission.

**Product standards**

All import and export goods listed in the *Catalogue of Import and Export Commodities Subject to Inspection and Quarantine* (in Chinese only) issued by the *General Administration of Customs*, or subject to inspection as laid down in other laws and regulations, must be inspected. A safety licence and other regulatory requirements apply to imports of medicines, foodstuffs, animal and plant products, and mechanical and electronic products. Details of quality standards can be found in the website of the *Certification and Accreditation Administration of China (CNCA)*.

China implemented a new system of compulsory product certification on 1 May 2002. Under this system, a unified catalogue, standard, mark and fee schedule were put in place and the *CCC* (China Compulsory Certification) mark replaced the Great Wall CCEE and CCIB marks used in the old system. The CCC mark is the certification mark for products which are allowed to be imported, sold or used in China. Catalogues of products requiring the CCC mark have been drawn up and published.

The CCC catalogues cover major product categories, such as electrical wires and cables, circuit switches and electric devices for protection or connection, low voltage electrical apparatus, small power motors, electric tools, welding machines, household appliances and appliances for similar uses, audio and video apparatus, information technology equipment, lighting equipment, motor vehicles and safety parts, motor vehicle tyres, safety glass, agricultural machinery, firefighting equipment, safety safeguard technology products, telecommunications terminal equipment and wireless LAN products. Details can be found on the *CNCA website*.

Apart from CCC certification, some products also have to meet other requirements. For
example, telecoms and internet equipment have to comply with rules and regulations of the Ministry of Industry and Information Technology.

China has a complex system governing the standards and hygienic conditions of food and agricultural products, wines and cosmetics imported into the mainland. The health administration department of the State Council has also established regulations governing the use of genetically modified (GM) food and food ingredients in food manufacturing to ensure quality and safety.

**Trade Description and Labelling**

All goods sold in China must be labelled in the Chinese language with a true description of their contents, grades and specifications as to quantities where applicable, the production date and expiration date (in particular for food-related items and pre-packaged foods), and explanatory warnings of any potential hazard associated with the products.

China has adopted a labelling system for the management of GM agricultural bioproducts and publishes a catalogue accordingly. All GM agricultural bioproducts listed in the catalogue must be properly labelled if they are to be sold in the Chinese market.

**Free Trade Agreements**

Currently, China has signed and implemented 20 free trade agreements (FTAs), while 12 FTAs are in negotiation and 8 are under consideration.

As well as the Closer Economic Partnership Agreements with Hong Kong and Macao, China has FTAs in force with countries and economic blocs such as the ASEAN, New Zealand, Singapore, Switzerland, South Korea and Australia. It is currently negotiating FTAs with countries and organisations including the Gulf Cooperation Council (GCC) countries, Norway, Sri Lanka, Israel, Panama and other countries. Negotiations on the Regional Comprehensive Economic Partnership (RCEP) among 15 countries including the 10 ASEAN countries, Japan, South Korea, Australia and New Zealand have been concluded and the agreement is expected to be signed in 2020. For details, please refer to MOFCOM’s China FTA Network website.

Reduced import tariff rates may be applied to certain commodities imported from FTA countries into China.

Under the Closer Economic Partnership Agreement (CEPA), zero tariff rates are applied to imported commodities fulfilling origin requirements from Hong Kong and Macao SARs. Hong Kong service suppliers enjoy preferential treatment in the mainland market in various service areas. The Agreement on Achieving Basic Liberalisation of Trade in Services in Guangdong (the Guangdong Agreement) was implemented on 1 March 2015. This adopts a hybrid approach of positive and negative lists to set out the liberalisation measures in Guangdong province applying to Hong Kong. On the basis of the Guangdong Agreement, the Agreement on Trade in Services was signed on 27 November 2015 and implemented on 1 June 2016, extending the basic liberalisation of trade in services to the whole of the mainland.

In June 2017, the Investment Agreement and the Agreement on Economic and Technical Cooperation (Ecotech Agreement) were signed under the CEPA framework. The
Investment Agreement expands market access commitments to non-services sectors outside the scope of the Agreement on Trade in Services and introduces obligations on investment protection to both services and non-services sectors. The Ecotech Agreement consolidates and updates economic and technical co-operation between Hong Kong and mainland China.

A new Agreement on Trade in Goods under the CEPA framework, signed between the Hong Kong SAR Government and the Ministry of Commerce, has been effective since 1 January 2019. Under the enhanced arrangement for rules of origin of this new agreement, products currently without “Product Specific Rules of Origins” can enjoy zero tariff upon importation into the mainland, provided these products fulfil a general rule of origin (General Rule) based on the calculation of the value added to the products in Hong Kong.

This Agreement on Trade in Goods also allows enterprises the option to choose between the existing build-up method under CEPA and the newly introduced build-down method in calculating the value added to the products in Hong Kong. For details, please refer to the Hong Kong Trade and Industry Department website.

Find this page at

Copyright©2019 Hong Kong Trade Development Council. Reproduction in whole or in part without prior permission is prohibited. While every effort has been made to ensure accuracy, the Hong Kong Trade Development Council is not responsible for any errors. Views expressed in this report are not necessarily those of the Hong Kong Trade Development Council.