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.

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 2017. The average tariff for agricultural products was 15.6%, while that for non-agricultural products was 8.8%.

In order to satisfy the mainland’s expanding domestic consumer demand, the State Council Executive Meeting decided on 28 April 2015 to take steps to promote the import and export of consumer goods. Import tariffs on certain daily consumer goods in great demand on the mainland would be lowered on a pilot basis, while the scope of products eligible for lower tariffs was widened.

From 1 July 2018, import tariff rates began to be slashed on 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; culture, sports and entertainment supplies, home electronics; daily chemical products; and medical and health products. The average tariff rates of the goods involved will be reduced from 15.7% to 6.9%, a reduction of 55.9%.

The average import tariffs for apparel, footwear, headwear, kitchenware and fitness products will be reduced from 15.9% to 7.1%. For home appliances such as washing machines and refrigerators, the reduction is from 20.5% to 8.0%. For processed food, the rates will be 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 will fall from 8.4% to 2.9%. This is the fifth time China has lowered import tariffs for consumer goods in recent years.

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 that are deemed to pose a threat to Chinese national industries. Imported agricultural products subject to tariff rate quotas include wheat, maize, rice, soybean oil, rapeseed oil, palm oil, sugar, cotton and wool.

On 1 July 2017, China reduced the number of value-added tax (VAT) brackets from four to three - 17%, 11% and 6% - by eliminating the 13% tax bracket, with the VAT rate for...
products such as agricultural items and natural gas reduced from 13% to 11%. Export processing enterprises that are backed by foreign investment are required to pay VAT on imported raw materials, parts and components. When their products are exported, the VAT they have paid is offset against the VAT payable on goods sold domestically. Any excess will be returned as a rebate.

Consumer goods subject to consumption tax in China include tobacco, alcoholic drinks, firecrackers and fireworks, high-end cosmetics, oil products, fine jewellery and precious stones, golf balls and equipment, high-end watches, yachts, disposable wooden chopsticks, hardwood floorboards, motorcycles, small motor cars, 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 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 for foreign nationals working in China is charged at progressive rates from 3% to 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 2018 Catalogue of Goods Subject to Import Licence Administration, only two categories of commodities - ozone depleting substances and key used mechanical and electronic products - amounting to a total of 139 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 which are 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. From 1 August 2018, the declaration of imported and exported goods will be 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 the
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 good, 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* (click for the catalogue updates) issued by Customs authorities, or subject to inspection as laid down in other laws and regulations, must be inspected. Safety licence and other regulatory requirements apply to imports of medicines, foodstuffs, animal and plant products, and mechanical and electronic products. Click for detailed information provided by the *Certification and Accreditation Administration of China* on quality standards.

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 the major product categories of 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 may have to meet other requirements as well - for example, telecoms and internet equipment need to meet *Ministry of Industry and Information Technology* standards, while motorcycle engines, refrigerators, air conditioner compressors, televisions and other electrical household appliances are required to have safety licences.

China has a complex system for governing the standards and hygienic conditions of food and agricultural products, wines and cosmetics imported into the mainland. The public health administration of the State Council has also established regulations governing the use of genetically modified (GM) food and food ingredients in food manufacturing to ensure good 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 17 free trade agreements (FTAs), while 13 FTAs are in negotiation and another 10 are under consideration.

As well as the *Closer Economic and Partnership Agreements* with Hong Kong and Macau, China has FTAs in force with countries and economic blocs such as ASEAN, New Zealand, Singapore, Switzerland, Korea and Australia. It is currently negotiating FTAs with countries and organisations including the *Regional Comprehensive Economic Partnership (RCEP)*, the *Gulf Cooperation Council (GCC)* countries, Norway, Japan-Korea, Sri Lanka, and Maldives. For details, please refer to MOFCOM's [China FTA Network](http://hong-kong-economy-research.hktdc.com/business-news/article/Small-Business-Resources/Trade-Regulations-of-China/sbr/en/1/1X000000/1X006MY8.htm) website.

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

Under the *Closer Economic Partnership Arrangement (CEPA)*, zero tariff rates are applied to imported commodities fulfilling origin requirements from Hong Kong and Macau 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 framework of *CEPA*. 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 the Chinese mainland.

For details, please refer to the [Hong Kong Trade and Industry Department website](http://hong-kong-economy-research.hktdc.com/business-news/article/Small-Business-Resources/Trade-Regulations-of-China/sbr/en/1/1X000000/1X006MY8.htm).

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