



Changes to Import Tax Policy for Major Technical Equipment

On September 5, 2009, China's Ministry of Finance, National Development and Reform Commission, Ministry of Industry and Information Technology, General Administration of Customs, State Administration of Taxation and the National Energy Bureau issued a joint circular imposing import duties and value-added taxes on major technical equipment and products. The goal of the adjustment is to improve core competitiveness and self-innovation among Chinese enterprises and to strengthen the industrial base.

Equipment imported after July 1, 2009 will now be subject to import duties and value-added taxes, except for certain key parts and raw materials for manufacturing major technical equipment and products. Also, certain equipment for which the demand or quality requirements cannot be met by Chinese domestic capabilities will also remain tax free, but only after a strict government audit and only as long as demand and quality cannot be met by Chinese domestic capabilities. Before July 1, 2009, import taxes were not imposed on major technical equipment.

The Ministry of Finance has issued the "Catalogue of Major Technical Equipment and Products Supported by State," which contains the list of major technical equipment and products for which key parts and raw materials can be imported tax free.

Examples of the kinds of equipment that will now be subject to import duties and value-added tax are non-numerical controlled machine tools, numerical controlled machine tools, pressure mould machines, agriculture machines, mining grabs, coal-mining tools, petrochemical equipment, coal chemical equipment, thermal power equipment, and hydropower equipment, among others.