



## Tax Newsflash

### China's latest tariffs on USD60 billion worth of U.S. imports will come into force on 24 September

On 18 September 2018, China's Tariff Commission of the State Council announced the imposition of additional duties on USD60 billion worth of U.S. imports commencing from 24 September 2018. The duties are based on a proposal announced on 3 August 2018 and whilst China amended the duty rates, the affected products remain unchanged.

#### Highlights

China's imposition of additional tariffs on the USD60 billion worth of imports came immediately after the Trump Administration's statement that it would impose 10% tariffs on \$200 billion worth of Chinese goods starting from 24 September 2018, and the tariffs will increase to 25% from 1 January 2019. The Chinese government stated that China has to take countermeasures to safeguard the country's legitimate interests and the global free trade order.

China originally announced, on 3 August 2018, that it would impose additional tariffs on 5,207 tariff classifications (worth USD60 billion) imported from the U.S. applying four different duty rates (i.e. 25%, 20%, 10 % and 5%). This was in response to the Trump administration's announcement that it would impose tariffs of between 10% to 25% on an additional USD200 billion worth of Chinese goods.

The four detailed product lists with updated tariff rates is summarized in the below table:

Key goods covered	HS code items	Original additional tariff rate	Final additional tariff rate
List 1 - Meat, wheat, sugar, wine, LNG, cotton sportswear, laser printers, inkjet printers, keyboards, computer mouse, automatic teller machines, lithium-ion batteries, electric shavers, microwave ovens, electric ovens, routers, solar cells, etc.	2,493	25%	<b>10%</b>
List 2 - Certain chemicals, toothpaste, dental floss, mouthwash, paper, dictionaries, encyclopaedias, cookers, large and medium sized computers, combine harvesters, toothbrushes, ballpoint pens, pencils, etc.	1,078	20%	<b>10%</b>
List 3 - Corn starch, chicken breast, tomato sauce, textiles, wigs, sunglasses, treadmills, baby diapers, etc.	974	10%	<b>5%</b>
List 4 - Digital mobile communication switches, seat belts, doors of motor vehicles, certain airplanes, syringes, stethoscope, dentures, vehicle seat equipment, etc.	662	5%	<b>5%</b>

Please click the links ([List 1](#), [List 2](#), [List 3](#) and [List 4](#)) to view the complete list of goods in Chinese.

This announcement by the Chinese government was prompted by the announcement that the U.S. would implement a third round of tariffs under its Section 301 Intellectual Property safeguard action. This action was taken after a process to examine the comments and testimony given after the third list was proposed. Consequently, the U.S. decided to fully or partially remove 297 tariff lines from the original proposed list, including certain consumer electronics products (such as smart watches and Bluetooth devices), certain chemical inputs for manufactured goods, textiles and agriculture, certain health and safety products (such as bicycle helmets), and child safety furniture (such as car seats and playpens). The White House also stated if China imposes additional tariffs in response to their action, the U.S. will immediately pursue further tariffs on the remaining \$267 billion of Chinese imports into the U.S.

After the U.S. announced the imposition of the additional tariffs, according to the Ministry of Commerce of China, China renewed its complaint with the World Trade Organization against the US' tariff hikes.

### Comments

The trade tension between U.S. and China has been rapidly evolving. We summarize recent major trade developments between China and U.S. in the chart below.

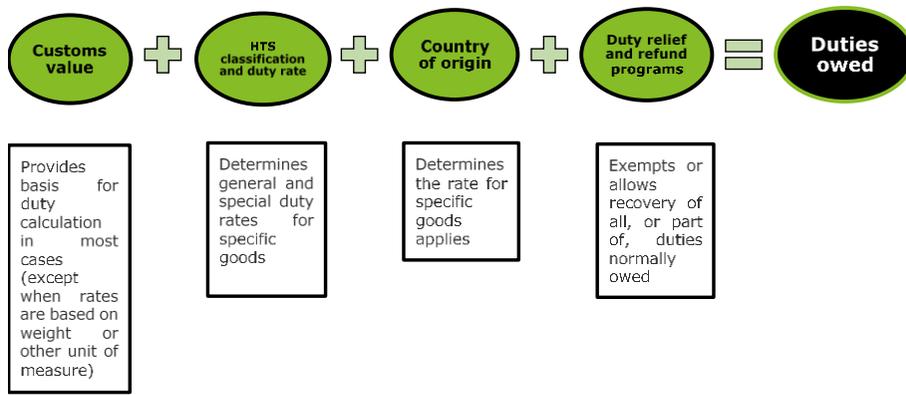
## China and U.S. Trade Development



23 March 2018	1 April 2018
<p>The US imposed additional tariffs on below imports:</p> <ul style="list-style-type: none"> <li>• <b>25%</b> on steel</li> <li>• <b>10%</b> on aluminium</li> </ul>	<p>China announced to terminate the tariff deduction on products of U.S. origin (a list of 7 categories with 128 HS codes) with effect from 2 April 2018.</p>
15 June 2018	16 June 2018
<p>The US announced to impose additional tariff of <b>25%</b> on US\$50 billion worth of China-origin products.</p> <ul style="list-style-type: none"> <li>• <b>U.S. Tariff List 1:</b> US\$34 billion products effective as from 6 July 2018</li> <li>• <b>U.S. Tariff List 2:</b> US\$16 billion products to undergo further review in a public hearing and comment process</li> </ul>	<p>China announced to implement an additional <b>25%</b> tariff on US\$50 billion worth of U.S. origin products.</p> <ul style="list-style-type: none"> <li>- <b>China tariff list 1:</b> 545 imported products, valued at US\$34 billion, to take effect on 6 July</li> <li>- <b>China tariff list 2:</b> 114 other imported products, valued at US\$16 billion, to be announced separately at a later date</li> </ul>
6 July 2018	6 July 2018
<p>Starting from 6 July 12:01 Eastern Time, the <b>U.S. Tariff List 1</b> go into effect with additional <b>25%</b> tariff increase.</p>	<p>As a corresponding action, the <b>China tariff list 1</b> go into effect at the same moment as the U.S. tariffs</p>
2 August 2018	3 August 2018
<p>The US announced to consider increasing the proposed additional tariffs on US\$200 billion of Chinese products from <b>10%</b> to <b>25%</b>.</p>	<p>China decided to impose additional tariffs on US\$60 billion worth of products imported from the U.S. at four different rates (<b>25%, 20%, 10%</b> and <b>5%</b>). The effective date were yet to be determined, depending on the actions of U.S.</p>
7 August 2018	8 August 2018
<p>The US announced to impose <b>25%</b> tariff on additional US\$16 billion in Chinese imports starting from 23 August. A final <b>U.S. Tariff List 2</b> was released targeting 279 tariff lines.</p>	<p>A final <b>China Tariff List 2</b> was released. China would impose an additional 25% tariff on <b>China Tariff List 2</b> starting from 23 August 2018 with 333 categories of U.S. products including vehicle engines, vans, cars, trucks, and chemical.</p>
22 – 23 August 2018	17 September 2018
<p>The US held public hearings on additional US\$200 billion 301 tariffs</p>	<p>The US announced to implement \$200 billion 301 tariffs at duty rate of <b>10%</b> from September 24 2018 and tariffs will rise to <b>25%</b> from 1 January 2019.</p> <ul style="list-style-type: none"> <li>• The US commented that, if China responds with additional tariffs, it will immediately pursue further tariffs on \$267 billion of Chinese imports.</li> </ul>
17 September 2018	18 September 2018
<p>The US announced to implement \$200 billion 301 tariffs at duty rate of <b>10%</b> from September 24 2018 and tariffs will rise to <b>25%</b> from 1 January 2019.</p> <ul style="list-style-type: none"> <li>• The US commented that, if China responds with additional tariffs, it will immediately pursue further tariffs on \$267 billion of Chinese imports.</li> </ul>	<p>China announced to implement tariffs on US\$60 billion worth imports at duty date of <b>5%</b> and <b>10%</b> effective from 24 September 2018.</p>

With both sides announcing the implementation of these new rounds of additional tariffs, it is expected this wave of bilateral tariffs will deepen the tension between the world's top two economies and will add more uncertainty over trade negotiations.

With the implementation of more additional tariffs, importers and exporters in additional sectors will be impacted. In light of this, companies are strongly recommended to take necessary actions to mitigate the impact of additional tariffs on a long term basis. For most goods, customs duties are levied on the basis of price and duty rate. Therefore, as the table below illustrates, there are four primary "levers" to determine the customs duty payable upon importation, which are: customs value, tariff classification, country of origin and duty relief and refund program. Companies may take steps to manage the 4 "levers" to mitigate the impact of additional tariff. By using these 4 "levers", companies will be able to manage duties owed within a more predictable range.



Deloitte's Global Trade Advisory specialists are part of a global network of professionals who can provide specialized assistance to companies in global trade matters. We can support with visibility derived through Deloitte's Global Trade Radar data analytics tool to identify the potential impact and develop the solution to the additional tariff to the businesses.

Authors:

**Hong Kong**  
**Sarah Chin**

Partner  
+852 2852 6440  
[sachin@deloitte.com.hk](mailto:sachin@deloitte.com.hk)

**Shanghai**  
**Dolly Zhang**

Partner  
+86 21 6141 1113  
[dozhang@deloitte.com.cn](mailto:dozhang@deloitte.com.cn)

**Hong Kong**  
**Robert Olson**

Senior Manager  
+852 2531 1866  
[robolson@deloitte.com.hk](mailto:robolson@deloitte.com.hk)

**Shanghai**  
**George Tao**

Senior Consultant  
+86 21 6141 1423  
[getao@deloitte.com.cn](mailto:getao@deloitte.com.cn)

If you have any questions, please contact:

**Indirect Tax**  
**National Leader**

**Hong Kong**  
**Sarah Chin**  
Partner  
+852 2852 6440  
[sachin@deloitte.com.hk](mailto:sachin@deloitte.com.hk)

**Customs & Global Trade**  
**National Leader/Northern China**

**Beijing**  
**Yi Zhou**  
Partner  
+86 10 8520 7512  
[jchow@deloitte.com.cn](mailto:jchow@deloitte.com.cn)

**Eastern China**  
**Shanghai**

**Liqun Gao**  
Partner  
+86 21 6141 1053  
[ligao@deloitte.com.cn](mailto:ligao@deloitte.com.cn)

**Southern China**  
**Guangzhou**

**Janet Zhang**  
Partner  
+86 20 2831 1212  
[jazhang@deloitte.com.cn](mailto:jazhang@deloitte.com.cn)

**Western China**  
**Chongqing**

**Frank Tang**  
Partner  
+86 23 8823 1208  
[ftang@deloitte.com.cn](mailto:ftang@deloitte.com.cn)



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