



Tax Newsflash

China's decision to impose tariffs on U.S. origin goods worth US\$60 billion

On 3 August 2018, the China Tariff Commission of the State Council decided to impose additional tariffs on 5,207 categories of products originating from the United States at four different rates (25%, 20%, 10% and 5%). The implementation date when the new tariffs will become effective will depend on the actions of the United States.

Highlight

The announcement (Announcement No. 6 in 2018) from the China Tariff Commission of the State Council referred to the measures undertaken by the U.S. Government, on 11 July 2018, where public opinion was sought on imposing additional import duty of US\$200 billion Chinese origin goods. Consequently, on 2 August 2018, the United States announced to consider increasing the proposed additional tariffs on US\$200 billion of Chinese products from 10% to 25%. China considered a response to be necessary to defend its lawful rights and interests.

Announcement No. 6 increases tariffs on four groups of products covering a very wide range of goods.

Key goods covered	HS code items	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%

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%
List 3 - Corn starch, chicken breast, tomato sauce, textiles, wigs, sunglasses, treadmills, baby diapers, etc.	974	10%
List 4 - Digital mobile communication switches, seat belts, doors of motor vehicles, certain airplanes, syringes, stethoscope, dentures, vehicle seat equipment, etc.	662	5%

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

According to the announcement, the bonded and duty exemption policy remains applicable, and the additional tariffs cannot be exempted.

Comments

This round of additional tariffs announcement is a response to the Trump administration's recent threat to raise the proposed tariff rate on an additional US\$200 billion worth of Chinese goods to 25% from 10%. A spokesperson from China's Ministry of Commerce said the country's countermeasures at various rates are reasonable and that China will act according to the steps taken by the U.S. and reserves the right to consider other countermeasures.

The retaliation stands to further inflame tensions between the world's two largest economies and echoes China's response to the previous round of tariffs, which took effect last month.

With more and more products involved in additional duty, China customs tend to maintain a strict review and examination on customs clearance. Traders should actively identify how these trade measures affect their businesses, focus on documentary and procedure compliance and take necessary actions to mitigate the impact of additional tariff, which includes but not limited to:

- Review the accuracy of origin declaration and assess the feasibility of origin planning by re-constructing the supply chain - With the increase of trade uncertainty, the origin planning and global supply chain re-assessment will become a hotspot. During the assessment, companies are suggested to consider overall manufacturing process, contractual and logistic procedure, relevant free trade agreements (FTAs). Moreover, as the prevailing bonded and duty exemption policy is still applicable, companies involved in processing trade should analyze the origin of specific manufacturing product under the impact of additional duty.

- Examine the contractual and logistic arrangement from the perspective of legal or commercial risk; make necessary adjustment of responsibility agreement in the trade process, such as the changes to incoterms, contract terms, and title adjustment in trade and customs clearance declaration documents.
- Review the global database, including the product information for customs declaration, the HS code accuracy; clear the inappropriate classification and the inconsistency of product information in different trade process and different internal systems; clarify the relevant products currently or potentially influenced by the additional duty; and analyze and assess the exposure due to additional tariff.
- Re-visit the transfer pricing policy currently used and keep monitoring the import price fluctuation in the supply chain arrangement - With the impact of additional tariff, some companies may consider adjusting the import price to maintain the cost & revenue target and mitigate the impact of additional tariff to their market share. Considering the customs valuation is always a focus area, it is strongly recommended to re-assess the customs valuation risk before applying any import price adjustment. In addition, Chinese exporters may consider leveraging the rule of "First Sale for Export"(FSFE).

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

Shanghai

Dolly Zhang

Partner

+86 21 6141 1113

dozhang@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

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

Beijing

Yi Zhou

Partner

+86 10 8520 7512

jchow@deloitte.com.cn

Eastern China

Shanghai

Liquan Gao

Partner

+86 21 6141 1053

Southern China

Guangzhou

Janet Zhang

Partner

+86 20 2831 1212

Western China
Chongqing
Frank Tang

Partner

+86 23 8823 1208

ftang@deloitte.com.cn



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [About Deloitte](#) for a more detailed description of DTTL and its member firms.

Privacy

Thank you for your interest in Deloitte China services. Deloitte China would like to continue to use your personal information (in particular name and contact details) for the purpose of sending you marketing and regulatory updates, invitations to seminars and other events organized, sponsored or promoted by Deloitte China. If you do not wish to receive further communications from Deloitte China, please send a return email to the sender with the word "Unsubscribe" in the subject line.

If you would like to update your personal information, please click [here](#).

Deloitte China refers to Deloitte Touche Tohmatsu in Hong Kong, Deloitte Touche Tohmatsu in Macau, Deloitte Touche Tohmatsu Certified Public Accountants LLP in the Chinese Mainland and their respective affiliates practising in Hong Kong, Macau and the Chinese Mainland.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2018 Deloitte Touche Tohmatsu in Hong Kong, Deloitte Touche Tohmatsu in Macau, and Deloitte Touche Tohmatsu Certified Public Accountants LLP in the Chinese Mainland. All rights reserved.

To no longer receive emails about this topic please send a return email to the sender with the word "Unsubscribe" in the subject line.