



Tax Newsflash

China Tariff List 2 will come into force on 23 August

On 8 August 2018, the Tariff Committee of China's State Council announced the enforcement of 25% additional duty on U.S. imports worth US\$16 billion commencing from 12:01 23 August China Standard Time. China also updated the Tariff List 2, compared to the earlier list contained in Announcement [2018] No. 5.

Highlights

China originally announced these additional tariffs of 25% on U.S. products worth US\$50 billion on 16 June 2018. Two Tariff Lists were included. Tariff List 1, which contains 545 products such as agriculture, aquatic products and automotive products worth US\$34 billion, came into force on 6 July 2018. Tariff List 2 originally covered an additional 114 products including chemical, medical devices and energy products, and accounts for approximately US\$16 billion worth of U.S. products.

The enforcement of Tariff List 2 has now been announced in the form of Announcement [2018] No. 7. It was made in response to the U.S.' statement on 7 August to "finalize second tranche of tariffs on Chinese products" and "begin to collect the additional duties on the Chinese imports on 23 August."

It is notable that China has updated the Tariff List 2 by removing 36 items and adding 255 additional products. After adjustment, Tariff List 2 now covers 333 products. Below is a summary of the changes to Tariff List 2.

Items removed	Items added
36 products including:	255 products including:

- | | |
|---|--|
| <ul style="list-style-type: none"> • Crude oil (Chapter 27 - 1 product); • Chemical products (Chapter 38 - 13 products); and • Plastics (Chapter 39 - 22 products) | <ul style="list-style-type: none"> • Fish food (Chapter 23 - 1 product); • Organic chemicals (Chapter 29 - 8 products); • Plastics and the scraps (Chapter 39 - 13 products); • Scraps of slag, hair, fibre, wood, paper, metal (Chapter 26, 44, 45, 47, 51, 52, 55, 63, 70~76, 79~81 - 51 products); • Connectors (Chapter 85 - 2 products); • Automobiles and ships (Chapter 87, 89 - 179 products); and • Light-guide fibre (Chapter 90 - 1 product) |
|---|--|

Comments

The changes of the list reflect the transformation of China's economic development:

- As a country of energy consumption, China is restructuring its energy system. China is the biggest importer of U.S. origin crude oil and additional tariffs on this crude may impact the domestic consumption. In this regards, the crude oil was removed from the original list.
- During these years, China's government has been promoting environmentally friendly development, and one of important policies is restricting the importation of waste products. Therefore, scrap of metal, plastics, papers, fiber and some other industrial products were included in the list to promote the goal of reducing those imports.
- China's automobile industry has experienced rapid development in recent years. After the implementation of this list, most automobile products of Chapter 87 are now subject to additional tariffs.

With the implementation of additional tariffs under List 2, more importers will be impacted. Affected enterprises should take actions to mitigate the impact of these additional tariffs, including:

- Communicating with relevant authorities and industry associations to voice their needs for exemption from the additional tariffs;
- Reviewing their supply chains to explore potential solutions to mitigate these additional costs; and
- Using bonded facilities, such as Processing Trade Relief and bonded areas, to suspend / avoid the additional tariffs.

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.

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