



Tax Newsletter

China

Deloitte Tohmatsu Tax Co.

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Adjustments of Export VAT Refund Rates

China's Ministry of Finance (MOF) and the State Administration of Taxation (SAT) recently issued a circular (Caishui [2014] No. 150) that adjusts the export VAT refund rates for selected products as from 1 January 2015. The government last adjusted the export refund rates in 2010.

Circular 150 increases and reduces some export VAT refund rates and cancels others, as follows:

Export VAT refund adjustment	Products	Effective date ¹
Increase in rates	<ul style="list-style-type: none"> ➤ Certain high value-added products, including electrical energy and some medical products. ➤ Certain products made of corn, such as corn starch² ➤ Certain textile products/ clothing 	1 January 2015
Cancellation of refund	<ul style="list-style-type: none"> ➤ Boron-containing alloy steel 	1 January 2015
Reduction in rates	<ul style="list-style-type: none"> ➤ Certain products made of human or animal hair (including wigs) 	1 April 2015

Deloitte's Comments

The export VAT refund is an important tool used by the Chinese government to encourage/discourage the export of certain products. Since 2013, when China became the world's leading import/export market, the government has been strengthening industrial updates and foreign trade restructuring. Against this background, Circular 150 aims to demonstrate the government's intent to encourage the production and export of high tech/value-added products, but restrict the production/export of high polluting/ energy consuming products.

¹ The export date stated on the export declaration form (export refund copy).

² The increased export VAT refund rate is effective only for 12 months and will expire on 31 December 2015.

Changes to the export VAT refund rates will affect the profit level of exporters, so affected exporters may wish to consider the following actions:

- Review export products and assess the possible impact due to the change in export VAT refund rates;
- Review the pricing policy and initiate discussions with overseas buyers to adjust the export price where possible and necessary;
- Review the adopted tariff codes of the export products and explore options to change the applicable codes where appropriate in order to obtain a higher export refund rate (which is determined by the tariff code of the export products); and
- Seek consultation from professionals as needed.

Deloitte's Indirect Tax Team will continue to monitor the development of the Chinese VAT rules. If you have any questions, please feel free to contact us.

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