

Customs Duties Computation

1) Customs Duties are levied either on ad valorem basis or on quantity basis or other method specified by the State on imported and exported goods and the Customs Duty payable is calculated in line with the classification number, the dutiable price, the origin, the applicable rate and the exchange rate.

The basic computation method for the duty payable is either on the basis of the prices of the goods for import and export or on the basis of the quantity imported or exported and by applying the suitable tariff rates or duty amount per unit.

The formula for calculating the amount of customs duties payable is:

Duties payable = dutiable price of dutiable imports or exports × applicable rate

Duties payable = quantity of dutiable imports or exports × applicable duty per unit.

In computing the multiple tariffs, the two formulas above may be integrated for use.

The formula for computing the duty payable is:

Duty payable = quantity of dutiable imports or exports × applicable duty per unit × applicable rate + quantity of dutiable imports or exports × applicable duty per unit

Example 1:

Some enterprise imported 10 towers cranes, each of which is equal to 2 million Yuan RMB. The MFN rate is 10% and the general rate is 30%. The amount of Duties payable is computed as:

a. By use of MFN rate: Duties payable = 10 pieces × 2 million yuan/piece × 10% = 2 million Yuan.

b. By use of general rate: Duties payable = 10 pieces × 2 million yuan/piece × 30% = 6 million Yuan.

Example 2:

A company imported frozen chicken wing (excluding the wing tip) of 10000 kg.

The MFN tariff is 0.8 Yuan per kg and the general tariff is 8.1 Yuan per kg. the duties payable is computed as:

a. By use of MFN rate: Duties payable = 10000kg × 0.8 Yuan/kg = 8000 Yuan

b. By use of general rate: Duties payable = 10000 kg × 8.1 Yuan/kg = 81000 Yuan

2) The Customs should determine the applicable tariff rates on the import and export of goods the Customs regulations concerning the application of MFN rates, conventional rates, special preferential rates, general rates, export rates, quota rates or the provisional rates and the rules concerning the application of tariff rates for adopting of anti-dumping measures, anti-subsidy measures, guaranty measures or levying the retaliation duty.

a. For imports and exports of goods, the rate effective on the date when the Customs accept the declaration of the import or export of the goods should be applied.

1. Imports which have been granted permission by the Customs to be declared before their arrival, shall be charged import duties at the tariff rates in force on the date of entry of the means of conveyance carrying the goods.

2. The import of goods for transport transition should be subject to the tariff rate in force on the date when the Customs of the designated destination accept the declaration of the

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- goods. For the imports which have been granted permission by the Customs to be declared before their arrival, the tariff rates in force on the date when the means of conveyance carrying the goods arrives at the designated destination shall be applied.
3. For the export of the goods for transition transportation, the tariff rates in force on the date when the Customs of the departing location accept the declaration of export shall be supplied.
 4. Upon approval by the Customs for consolidated declaration of import and export of goods, the tariff rates in force on the date when the Customs accept the declaration of the goods of each import or export.
 5. For the imported goods sold by the Customs by rules due to failure of declaration overdue, the computation of the duty should use the tariff rates in force on the date when the means of conveyance carrying the goods declares for entry.
 6. For the import and export of goods on which duty should be pursued due to the violation of rules by the duty payers, the tariff rates in force on the date when the violation behavior occurs should be applied. Where the date of the violation is hard to define, the tariff rates in force on the date when the Customs find the behavior shall be applied.
- b. For the bonded goods, duty reduced or exempt goods, the leased goods that have been declared for entry and released already or the temporary import and export of goods that have been declared for entry and released already, the tariff rates in force on the date when the Customs accept the second declaration form of the duty payers for duty matters and relevant formalities should be applied under one of the following circumstances of needing to pay the duty:
1. The bonded goods shall not be transported out of China upon approval.
 2. The goods in the bonded warehouses turn to be sold at the domestic market.
 3. The goods with reduced or exempt duty are transferred or turned to other uses upon approval.
 4. The temporary imports and exports of goods that are temporarily free from duty are not transported out of China or into China upon approval.
 5. The leased imports whose rental is paid in installments.
- 3) The dutiable price of the imported goods shall be assessed by the Customs on the basis of the transactional price of the goods, the freight on transportation of the goods to the entry point of China but before unloading and the related expenses and insurance premiums.

The transactional price of the imported goods refers to the total charges payable and paid by the buyers for importation of the goods to the sellers on sale of the goods in China after adjustment by rules, including the prices directly and indirectly paid.

The transactional price of the imported goods should meet the following conditions:

- a. There is no restriction on the disposal or use of the goods by the buyers, except the restrictions of laws, administrative regulations, the restrictions of resale place and the restrictions having no substantial effect on the price of the goods.
- b. The transactional price of the goods is not hard to determine even with the effect of sales

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- with other goods or other factors.
- c. The sellers should not get any benefit directly or indirectly from the buyers from the resale, disposal or use of the goods after importation or adjustment may be made by rules even with benefits.
 - d. There is no special relationship between the buying and selling parties or the relationship has no impact on the transactional price.

The following expenses on imports of goods should be included in the dutiable price:

- a. The commissions and broker charges other than the purchasing commissions borne by the buyers.
- b. The expenses of the containers that are deemed as one integrated part of the goods when assessing the dutiable price borne by the buyers.
- c. The package material expenses and the package service charges borne by the buyers.
- d. The prices of the materials and parts, tools modules, consumable materials and similar goods relevant to the production and in-China sales of the goods and offered by the buyer in form of free charge or charge lower than the cost and able to be split by certain percentage, the expenses relevant to the overseas development, designing services.
- e. As the condition of selling the goods within china, the royalties that the buyers have to pay in relevance to the goods.
- f. The benefits that the sellers may directly or indirectly get from the buyers from the resale, disposal or use of the goods after importation.

When imported, the following taxes, expenses listed in the prices of the goods should not be included in the dutiable price of the goods:

- a. The expenses on the construction, installation, assembling, repair and technical services after the importation of the factory houses, machinery, equipment.
- b. The relevant expenses and insurance premiums to transportation after unloading of the imported goods at the entry points.
- c. The import duty and the internal taxes.

Where the transactional prices of the imported goods are not meeting the above rules or are hard to determine, the Customs may assess the dutiable prices of the goods by the following prices in order after learning about the situation and negotiation with the duty payers on the prices:

- a. The transactional price of the same type of goods on sales within China at the same time of the sale of the goods
- b. The transactional price of the similar type of goods on sales within China at the same time or similar time of the sale of the goods.
- c. The unit price of the best sales to the unrelated buyers at the first sales stage of the imported goods, the same or similar imported goods at the time or similar time of importing the goods, but the normal sales profit of the first sale stage within China of the goods of the same grade or similar kind, the normal expenses and the normal commissions paid, the relevant expense, insurance premiums of the transportation after arrival but before

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- unloading within China and the import duty and internal taxes should be deducted.
- d. The price computed based on the total of the following: the material cost and processing expenses on manufacturing the goods, the normal profit and normal expenses on sales of the goods of same type or grade within China, the relevant expense, insurance premiums of the transportation after arrival but before unloading within China.
 - e. The price estimated by reasonable method.

After having provided the relevant materials to the Customs, the duty payers may apply to reverse the order of c and d.

For the goods imported in form of leasing, the rental confirmed by the Customs shall be taken as the dutiable price.

Where the duty payers request to pay the duty in one-lump sum, the duty payers may choose to assess the dutiable price by the rules or choose the total rental assessed by the Customs as the dutiable price.

The dutiable price for the goods sent abroad for processing should be assessed on the basis of the overseas processing fees, material costs, freight and relevant expenses and insurance premiums on re-transportation into China provided that the goods sent for processing are declared to the Customs at the time of exportation and re-imported within the prescribed time limit.

The dutiable price for machinery and appliances, means of conveyance and other goods, which have been sent abroad for repairs, should be assessed on the basis of the normal charges for repairs, materials or parts used overseas provided that such machinery and appliances, means of conveyance and other goods are declared to the Customs at the time of exportation and re-imported within the prescribed time limit.

4) The dutiable price of the exported goods is scrutinized and determined by the Customs line with the transactional price of the goods, the freight on transportation of the goods to the exit point of China but before unloading the related expenses and insurance premiums.

The transactional price of the exported goods refers to the total charges directly and indirectly received by the sellers for exporting the goods from the buyers on export of the goods.

The export duty is not included in the dutiable price.

Where the transactional prices of the exported goods are hard to determine, the Customs may assess the dutiable prices of the goods by the following prices in order after learning about the situation and negotiating with the duty payers out the prices:

- a. The transactional price of the same type of goods exported to the same country or region at the same time or similar time.
- b. The transactional price of the similar type of goods exported to the same country or region

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- at the same time or similar time.
- c. The price computed based on the total of the following: the material cost and processing expenses on manufacturing the goods of the same or similar type within China, the normal profit and normal expenses, the relevant expense and insurance premiums of the transportation after arrival but before unloading within China.
 - d. The price estimated by reasonable method.

The including or excluding of the costs, expenses, taxes into the dutiable price by rules should be based on the objective, quantitative data.

5) Where the price of the goods imported or exported and the relevant expenses are in terms of foreign currency, the Customs shall convert them into Renminbi according to the exchange rate quoted on the date when the customs decide the applicable tariff rate for the goods for computing the dutiable price. The exchange rate used by the Customs each month for duty computation is the basic exchange rate of foreign currency to Renminbi quoted by the People's Bank of China on the third Wednesday (or the fourth Wednesday if the third one is statutory holiday) of the preceding month. Where the price is in terms of the foreign currency outside the basic rate preceding month. Where the price is in terms of the foreign currency outside the basic rate currencies, the middle value (four digits are retained after the dot for RMB) of the currency buying and selling prices quoted by the Bank of China on the same time shall be used for the conversion. If the above exchange rates fluctuate significantly, the exchange rate may be ruled and published separately when the General Administration of Customs believes necessary.

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