

Interpretation of the Policy of Exempting Import Tariffs, Import Value-Added Tax, and Consumption Tax on Imported Operating Transportation Vehicles and Yachts

(I) Background of the Policy

In June 2020, the CPC Central Committee and the State Council issued the "Overall Plan for the Construction of Hainan Free Trade Port," which stipulated the implementation of a zero tariff policy on some imported goods before 2025.

(II) Significance

The "zero tariff" policy for transportation vehicles and yachts covers "marine, land, and air" commodities, allowing enterprises to effectively enjoy the benefits of the free trade port and promote the development of the transportation and tourism industries.

(III) Main Content

In December 2020, the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration issued the "Notice on the 'Zero Tariff' Policy for Transportation Vehicles and Yachts in Hainan Free Trade Port" (CaiGuanshui [2020] No. 54), which clearly stated that before island-wide special customs operations are implemented, enterprises registered in and with independent legal personality in Hainan Free Trade Port, engaged in transportation and tourism (aviation enterprises must have Hainan Free Trade Port as their main operating base), would be exempt from import tariffs, import value-added tax, and consumption tax when importing operating transportation vehicles and yachts for transportation and tourism purposes, such as ships, aircraft, and vehicles. In August 2023, the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration issued the "Notice on Adjusting the 'Zero Tariff' Policy for Transportation Vehicles and Yachts in Hainan Free Trade Port" (CaiGuanshui [2023] No. 14), adding 22 new items.

(IV) Application eligibility

The policy only applies to enterprises registered in and with independent legal status in Hainan Free Trade Port, engaged in transportation and tourism (aviation enterprises must have Hainan Free Trade Port as their main operating base), and is limited to the enterprises' self-use for operations.

(V) Frequently Asked Questions

1. What types of transportation vehicles and yachts are eligible?

Answer: The "Hainan Free Trade Port 'Zero Tariff' List of Transportation Vehicles and Yachts" and the "Additional List of 'Zero Tariff' Policy for Transportation Vehicles and Yachts in Hainan Free Trade Port" include 100 items such as passenger cars with fewer than 9 seats, aircraft weighing 2-15 tons, sailboats, and 22 new items, including road tractors for importing

semi-trailers, apron buses, all-terrain vehicles, and passenger cars with fewer than 9 seats (plug-in hybrid).

2. What are the regulations governing the transferring of "zero tariff" items?

Answer: "Zero tariff" transportation vehicles and yachts are only allowed for the operational use of enterprises that meet the policy conditions in Hainan Free Trade Port and are subject to customs supervision. If a transfer is necessary due to reasons such as bankruptcy of the enterprise, the transfer must be approved by the customs and relevant procedures must be completed before the transfer. If the items are transferred to entities that do not meet the conditions for enjoying the policy, the relevant import taxes must be paid according to regulations. The transfer of "zero tariff" transportation vehicles and yachts is subject to domestic value-added tax and consumption tax according to regulations.