

Interpretation of the Policy on Exempt from import duties, import value-added tax and consumption tax on raw and auxiliary materials imported for production

(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 stated the implementation of zero-tariff policies for certain imported goods before 2025.

(II) Significance

The "zero-tariff" policy for raw and auxiliary materials breaks through the traditional customs special supervision area's restrictions on processing trade supervision. The policy implementation scope for the whole island, and the reduction of tariffs, import value-added tax and consumption tax, preferential efforts to enable enterprises to effectively enjoy the benefits of the free trade port.

(III) Main contents

In November 2020, the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration issued the Circular on "Zero Tariff" Policy for Raw and Auxiliary Materials in Hainan Free Trade Port (Cai Guan Shui [2020] No. 42), which clearly exempts import duties, import value-added tax, and consumption tax for raw and auxiliary materials used for production and consumption by enterprises registered and with independent legal status in Hainan Free Trade Port before island-wide special customs operations are implemented. In December 2021, the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration issued the Notice on Adjustments to the "Zero Tariff" Policies for Raw and Auxiliary Materials in Hainan Free Trade Port (Cai Guan Shui [2021] No. 49), adding 187 items, reaching a total of 356 items, doubling the capacity.

(IV) Eligibility

For enterprises registered and with independent legal status in Hainan Free Trade Port, imported raw and auxiliary materials for the enterprises' self-production, for processing trade under "with both ends abroad" mode, or in the process of service trade under "with both ends abroad" mode.

(V) Frequently Asked Questions

1. What raw and auxiliary materials are eligible?

Goods listed in the List of Raw and Auxiliary Materials Entitled to be Imported with "Zero Tariff" in Hainan Free Trade Port and the Supplementary List for "Zero Tariff" Policies for Raw and Auxiliary Materials in Hainan Free Trade Port. The list includes 169 items such as buckwheat,

crude oil, and marine compression-ignition internal combustion engines, as well as 187 newly added items such as fresh cassava, vinyl chloride, and aircraft engine parts.

2. What are the regulations governing the transferring of "zero-tariff" raw and auxiliary materials?

The "Zero Tariff" raw and auxiliary materials are limited to the production and use of enterprises within Hainan Free Trade Port, subject to Customs supervision, shall not be transferred in or exit the island. Where it is necessary to transfer in or exit the island due to bankruptcy of an enterprise, etc., approval shall be obtained and the formalities for supplementary tax payment shall be completed. Where the goods processed and manufactured using raw and auxiliary materials imported with "zero tariff" are sold within the island or sold to the mainland, the import duties, import value-added tax and consumption tax for the corresponding raw and auxiliary materials shall be paid retrospectively, and the domestic value-added tax and consumption tax shall be levied pursuant to the provisions. Exportation of goods processed and manufactured using raw and auxiliary materials imported with "zero tariff" shall comply with the prevailing tax policies for exportation of goods.