

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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China - Peoples Republic of

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China Lowers VAT on Agricultural Products, Again

Report Categories:

Trade Policy Monitoring

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Report Highlights:

China will lower the value-added tax (VAT) rate applied to sales and imports of agricultural products (including grains) from 11 percent to 10 percent. In addition, the VAT rate for processed agricultural products (including food), will be lowered from 17 percent to 16 percent. These changes will be effective May 1, 2018. This is the second consecutive year that China has lowered the VAT rate for agricultural products (13 percent to 11 percent in 2017).

Link to Ministry of Finance notice:

http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201804/t20180404_2862283.html

General information:

Changes effective May 1, 2018

On April 4, the Ministry of Finance and the State Administration of Taxation published a joint *Notice on Adjusting the Value-Added Tax (VAT) Rates* which will take effect on May 1, 2018.

Based on China's VAT classifications, the general VAT rate for sales and imports of most goods is currently 17 percent VAT. China also applies a lower 11 percent VAT rate to select goods and services, including many agriculture related products such as primary agricultural products, grains, edible vegetable oil, feeds, agricultural chemicals, fertilizers, farm machinery, agricultural film, and biogas. Agricultural products generally refer to primary agricultural products that originate from crop production, animal husbandry, and fishery, and do not include processed products.

Processed products, including food, are subject to the general VAT rate of 17 percent. For example, sales and imports of primary agricultural products such as fresh fruit are subject to the 11 percent VAT and processed products such as fruit juice are subject to the 17 percent VAT.

Second consecutive year of VAT reductions for agricultural products

While the VAT reduction in 2018 will be a nominal 1 percent, this is the second year that China has reduced the VAT rate on agricultural products. In 2017, China reduced the VAT on agricultural products from 13 percent to 11 percent. The Chinese government vows to support the development of its businesses by lowering the tax burden and simplifying the tax structure. It is reported that domestic industries will save at least 240 billion yuan (\$38 billion USD) this year under the new policy.

The following table provides an example of how the import tariff and VAT are applied to imported agricultural products:

HS Code	Description	Tariff (MFN, %)	VAT (%) after May 1, 2018	Effective rate (%)
08051000	Orange, fresh or dried	11	10	22.1
20091100	Orange juice, of a Brix value exceeding 20, frozen	7.5	16	24.7

Source: China Customs

Please note: importers are strongly encouraged to refer to the Customs Import and Export Tariffs of China for specific tariff lines as well as VAT rates for their traded agricultural products.