

Machine tools VAT

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Source: CMTBA – China Machine Tool & Tool Builder's Association.

Translated by Swiss Business Hub China.

“From this November, Foreign-invested enterprises (FIEs) will no longer exempt from taxes in import of machine tools. Part of the preferential tax policies applied on imported certain kinds of machine tools will be adjusted effective this November 1st, pursuant to the Announcement No. 29 and 64, 2008 of the General Administration of Customs of PRC “*Releasing the List of Tax-refund Commodities of Key Spare Parts of Large, Intensive and High Speed CNC Equipment*”. Thus, FIEs are not entitled to any exemption from import duties and VAT in the import of such machine tools as mentioned in the *List of Import Commodities without Exemption for Domestic Investment Project (revised in 2006)* any more.

As the equipments mentioned in the *List of Import Commodities without Exemption for Domestic Investment Project (revised in 2006)* are those machine tools which can be built by the domestic manufacturers with available technologies, the reform is to encourage FIEs to purchase more China-made machine tools and to support China local manufacturing industry's development.

FIEs may only enjoy the tax-refund benefits applied on those equipment imported for own use within the total amount of investment of foreign investment projects which involve technology transfer and which are in the encouraged category or Group B of the restricted category of the Catalogue of Industries for Guiding Foreign Investment, provided that such items are not among commodities listed in the *Catalogue of Imported Commodities not Entitled for Tariff Exemption for Projects with Foreign Investment & List of Import Commodities without Exemption for Domestic Investment Project (revised in 2006)*. The aforesaid tax-refund policies should be also applied to equipment imported for own use of foreign government loans and international financial organization loans projects, as well as imported processing trade equipment provided by foreign investors free of charge. (Based on: *Circular of the State Council on Adjustment of Imported Equipment Taxation Policies*.)”

Therefore, not all Machine Tools are subject to the VAT tax, starting from November this year. Machine tools, which the Chinese Government thinks the Chinese industry is not yet capable to produce, are still except. However, it is clear that this change of law really is a major setback for the machine industry in Switzerland.