



## **Export of Goods to China**

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*The Chinese market is becoming more and more “hungry” for imported foreign products. This trend is encouraging for European exporters; however import to China still remains highly regulated in some areas and requires familiarity with procedures, certifications and regulations, which are numerous.*

*This guideline will serve as a brief introduction to what you can expect when you decide to export your goods from EU countries to China. It is not possible to cover all procedures, which vary depending on the goods imported, within one guideline. Therefore, we focus on general regulations and procedures first and describe some specific cases later. More detailed information on importation of certain products like wine, cosmetics can be found in respective EU SME Centre reports and numerous case studies.*

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## 1. General introduction

In order to better prepare yourself for the process of exporting your goods to China, you should be able to answer several questions first:

- Are my goods allowed to be exported to China? Do I need any special permit or license?
  - What standards does my product have to comply with?
  - Who is allowed to import the goods to China?
  - What procedures can I expect from customs?
  - Others – e.g., what are the procedures for temporary import goods?
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## 2. Goods allowed to be imported

The Chinese government, as does any other government, exercises control over the import of goods to its internal market. One of the ways of import regulation is classification of goods into several categories according to the Foreign Trade Law. There are the following basic categories:

1. Goods **prohibited** from import are listed in the *Catalogues of Goods Prohibited from Export and Import* numbered (I), (II), (III), (IV), (V), and (VI), and Article 17 of Foreign Trade Law;
2. Restricted goods under **quota restriction**;
3. Restricted goods under **tariff quota**. Imported goods within the limits of the quota enjoy lower import tariffs;
4. Restricted goods under **licensing restriction**.
5. Goods subject to the **state-owned trade administration** (usually imported by authorised enterprises).

For the import of goods for free import, the foreign trade operator does not need to apply for any special license, unless the goods are subject to automatic import licence whose purpose is for import monitoring only e.g. certain types of machinery or electrical products (there is a catalogue of goods under automatic licence and is amended every year). For restricted goods under licensing restriction on the other hand, the foreign trade operator will need to obtain an import license before importing said goods to China. Same applies for quota application.

Catalogues for each category of goods are available at Ministry of Commerce websites, and links to those catalogues can be found in the Appendix to Part 3 of the EU SME Centre's Diagnostic Kit - Exporting of Goods, Services and Technology<sup>1</sup>.

Once you know that your product/goods can be imported into China and under what import regime, it is necessary to check what standards your goods have to comply with. There are several levels of standards: Besides national and local standards, there are also standards specific to profession and industry, e.g., the foodstuffs, mechanical and electronic products, drugs and cosmetics industries.

Many of the products have to obtain the CCC Mark – China Compulsory Certificate, which is a safety certificate. Once again, a catalogue containing lists of products required to carry this safety certification is available. Besides the CCC, there are other compulsory market access schemes that you may have to follow depending on your product e.g., the Network Access License (NAL), the RRC license required for equipment emitting radio waves and so on.

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<sup>1</sup> [www.eusmecentre.org.cn/report/exporting-goods-services-and-technology-chinese-market](http://www.eusmecentre.org.cn/report/exporting-goods-services-and-technology-chinese-market)

In some cases, products may require registration by specific authorities. In the case of medical devices, cosmetics, or health food, approval by the China Food and Drug Administration (CFDA) must be gained prior to the import into China.

For some products there are specific labelling requirements. This is the case for food, cosmetics, textiles, energy efficient electrical appliances, and more. Special standards for packaging are also in place, dealing for example with imported goods in wooden cases, which have to be labelled with a special label certifying compliance with the International Plant Protection Convention (IPPC).

For information on Standards and Certificates please consult our websites or contact our expert on standards.

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### 3. Authorised importers

When you know that your goods are allowed to enter the Chinese market and eligible for the necessary certificates, the next question will be HOW you will actually import them to China.

There are two basic options: You either import them yourself (with your own company), or you use a qualified Chinese importer (we will use the term “importer” to cover both options).

You have to be a **foreign trade operator** to be able to import the goods yourself. To become a foreign trade operator, a foreign company needs to establish a Foreign Invested Enterprise (FIE) in China first (please see our *Guideline on Establishment of a Foreign Invested Enterprise in China*). The FIE has to be registered at the Industry and Commerce Bureau and filed at the Department of Foreign Trade under the Ministry of Commerce to be able to operate an import and export business within the approved business scope.

When you choose the second option, you or your Chinese buyer will have to conclude a contract with a certified importer. In some cases the importer is a buyer himself (see the differences in contract arrangement below). It is highly recommended you do sufficient research on Chinese importers that you cooperate with and conduct preliminary due diligence on its permits, legal, financial and operational status once you have narrowed down your choices.

The importer is usually responsible for the customs registration. For goods under quota restriction, the importer is responsible for obtaining corresponding import quota as well. If it is specified in the contract between the importer and the foreign company, the importer may also be responsible for the tariffs.

When you decide to conclude a contract with an importer who is also a buyer, make sure that your contract includes standard sales/purchase contract provisions as well as provisions for your specific case. To avoid unnecessary surprises later on, it is strongly advised to let a qualified lawyer draft your contract. In the following, we summarise only the basic provisions, which should always be included in contracts with importers.

The content of the contract can be divided into the following three parts:

Part I - Preface: name of the contract, contract number, time and place of signing, name and address of the parties.

Part II - Text (basic clauses): identification of the goods, quality and specification, quantity and packaging, price of the goods, inspection and transportation, delivery and payment terms.

Part III - End: validity of the contract, language of the contract, governing law, settlement of disputes, signature and company stamp of the parties.

In reality, the sales purchase contract is the most important agreement between a foreign company and a Chinese importer (buyer). Some foreign companies only have a oversimplified purchase order with the importer without any substantial terms and legal provisions, which often leads to difficulties in effective legal protection in case of any dispute.

The usual payment conditions include Letter of Credit (L/C), Telegraphic Transfer (T/T), Demand Draft (D/D), Documents against Payment (D/P), and payment on delivery. INCOTERMS are used in China.

The Ministry of Commerce provides a list of importers on its [website](#). From understandable reasons the list cannot be comprehensive, verification has to be done, and other sources checked. Reputable trade fairs in your industry are another good place to find a qualified importer. Before signing any agreement, **it is necessary to carry out due diligence** with regard to the targeted Chinese importer with the help of local lawyers. This will help you understand whether their company is legally established and how it currently operates. To be able to import goods that require an import license, the importer has to apply for these licenses at different governmental authorities, depending on the product. Two examples: to import carbonated beverages, the importer should apply to the Ministry of Commerce for an import certificate; for mechanical and electrical products, the importer should apply to the Office of the Import of Mechanical and Electrical Products for an import quota certificate. The importer's experience and good working relationship with various government agencies is crucial for a successful completion of the whole process. To use one experienced importer as the third party service provider facilitates and speeds up the clearance procedures in declaration in the China customs house and exit/entry commodity inspection and quarantine bureau .

In practice, there are two options for the contractual relationship between supplier, buyer, importer:

Option 1: Importer imports the goods and re-sells it to the user/buyer.

- contract between EU supplier and the importer, who acts both as the third party service provider and buyer, and
- the second contract between the importer acting as third party service provider and original buyer, but now in a position of “reseller”, and the user/final buyer in China.

Under the second contract, sales\purchase contract, between the importer and the user/buyer is the importer issues VAT invoice which includes the goods value, import duty and VAT to the user/buyer. The agreed agency fee could be included into the invoice, but normally the importer does not want to include it into the invoice owing to the 17% VAT amount based on the agency fee. The importer issues another service invoice with the low tax rate at 5% normally based on the agency fee amount.

Option 2: Importer as an intermediary

- one contract between EU supplier and the user/buyer in China – sales purchase contract and
- the second contract between the importer and the user/buyer. The contract between the importer and the user/buyer is called import agency contract.

In this case the user/buyer collects the original customs declaration sheet, import duty sheet and VAT sheet for bookkeeping as the direct cost. The importer issues agency fee invoice to the user/buyer.

Concerning the outgoing payment to EU supplier, it is stipulated that the importer pays out directly no matter what the contractual relationship is. That means in both the above options the payment will be remitted from the user/buyer to the importer and then to the EU supplier after exchanging RMB into Euro or US Dollars.

Settlement in RMB is possible now between the EU supplier and the importer in China. All the companies registered in China are qualified to settle the payment with EU suppliers since 2013. In order to follow this adjustment the EU suppliers need to facilitate their bank accounts in RMB settlement before goods are exported. On the other hand, the EU suppliers need to provide the importers in China with all the updated bank information in time. For details please check EU SME Centre Guideline: Payment for import and foreign exchange.

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#### 4. Customs

During the customs clearance procedure, the importer will have to complete the following formalities:

- Customs registration;
- Commodity inspection (inclusive of animal and plant inspection and quarantine);
- Customs declaration;
- Documents submission;
- Examination;
- Payment of taxes and other fees;
- Release;
- Foreign exchange control.

The release of the goods in time by the customs is influenced by many factors and starts with correct classification of HS code, submission of all necessary inspection and pre-inspection certificates and finishes with the importer's familiarity with the local port's procedures - which shows to be one of the crucial factors.

An EU exporter should remind the importer in advance to make sure that documents and markings of the goods are proper and will allow goods to be exported to China. The EU exporter should also insist that the importer selects and verifies whether the customs broker is professional and sufficiently experienced to avoid any possible problems in customs procedures. Only after satisfactory and verifiable confirmation from the importer side can the goods be shipped out.

##### **A few best practices for customs procedures:**

- 1) The exported products HS codes need to be checked in advance carefully with the importer in China. The HS codes decides the import duty rate, VAT rate and if the quota or import licence is needed or not. The importer in China needs to have enough time to apply for these quota or import licences.
- 2) Do not declare any of your imported goods at an under value – there are potentially serious should you do so.
- 3) China Customs levies the imported goods based on Incoterm CIF value. Supposing the EU supplier exports a product of Euro 1,000 under Incoterm FCA, for example, with Euro 500 indicated in the Proforma Invoice as air freight, the levied base will be Euro 1,500 plus 0.3%

based on the cargo and air freight value as insurance fee. It usually leads to disputes but it is right according to Chinese laws and stipulations.

- 4) Origin of production should be indicated on all the packs of products and the products themselves from EU to avoid any troubles during the customs examinations. If the C/O (Certificate of Origin) can be provided, it would be better. Since there is different import duty rates for imported goods for MFN (Most Favoured Nations) and Non-MFN. For example, import duty rate for imported mineral water from MFNs is 20%, but 90% for imported mineral waters from Non-MFNs.
- 5) Any form of wooden cases, pallets, dunnages have to be marked with IPPC logo<sup>2</sup> on the surface, which indicates that the wooden cases have undergone the required fumigation and heat treatment process. Otherwise the import shipment can be blocked in the seaport or in the airport and sent back to where it originated from.
- 6) Concerning the container used to load the products, the EU supplier needs to check very carefully the container floor and the steel container wall to see if there is any damage, dirty or soiled area or any areas of leakage in the roof. If yes, the EU supplier should take pictures as evidence. It is very practical and important. When the user/buyer in China offloads the container, the container driver will check the empty container and the supervisor in the container yard will carry out a second check. So long as these defects are found, the user/buyer will be charged seriously no matter these defects are caused by which party.
- 7) For any samples which are free of charge provided by the EU supplier, the EU supplier needs to indicate the true value in the Proforma Invoice. The value cannot be zero.
- 8) For any products which will be displayed in the exhibition or expo, it is better for EU exporter to apply for ATA Carnet (Admission Temporaire Carnet) from the local chamber of commerce. In this way the goods can be exempted from import duty and VAT more easily. The valid period is normally 3 months and could be extended, but 12 accumulated months is the maximum.
- 9) For all the imported goods related to anti-dumping from EU, the EU supplier needs to provide the importer in China with the original certificate of origin issued by the local chamber of commerce.

The above Chinese import procedures can be illustrated by the following four cases, showing different licensing and other administrative aspects of import.

### **(1) Sugar**

An EU company (Company A) is going to export sugar to China. Company A and a state-owned enterprise in China (Company X) have entered into a sugar purchase contract, which provides that Company A will export 30,000 tons of sugar to China.

### **(2) Wine**

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<sup>2</sup> International Plant Protection Convention

An EU company (Company D) is going to export wine to China. Company D has already concluded a sales contract of sparkling wine with a Chinese private enterprise (Company W), and Company D will export 2,000 litres of sparkling wine to China.

**(3) Electric torches**

An EU company (Company B) plans to export portable electric torches. Company B has concluded a purchase contract with a Chinese private enterprise (Company Y), and Company B will export 100 sets of portable electric torches to China.

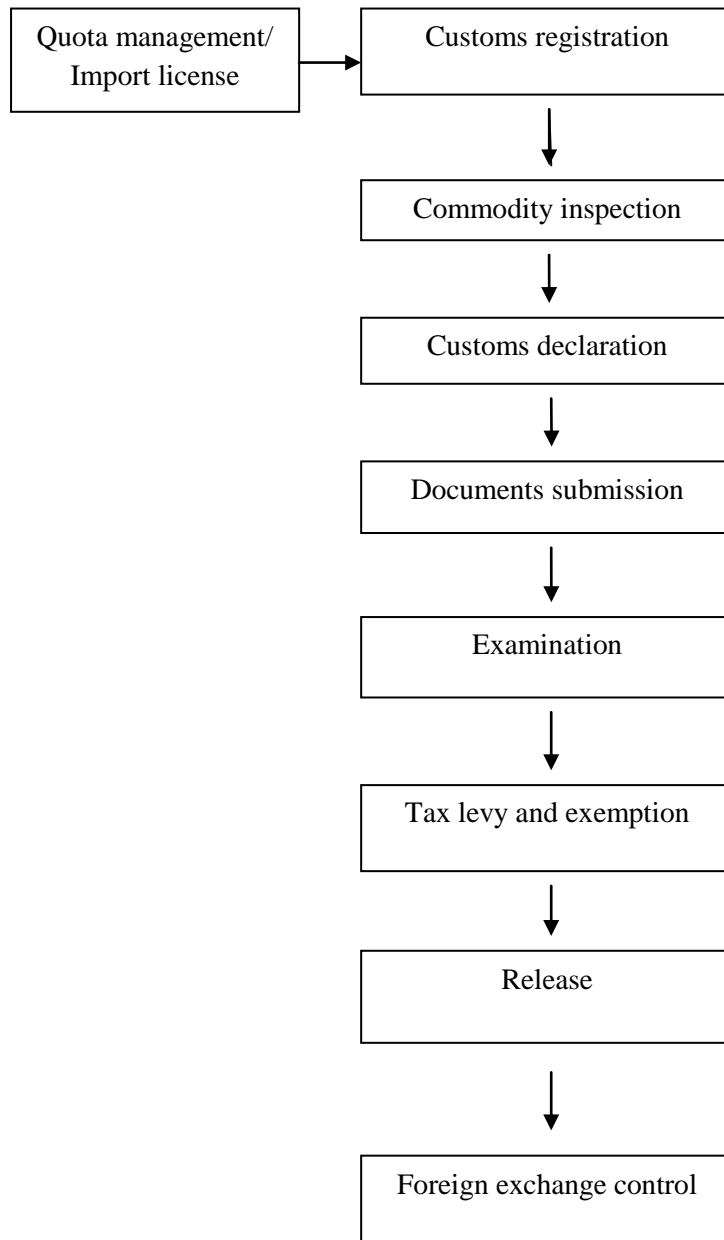
**(4) Perfume**

An EU company (Company C) intends to export perfume to China. Company C has already entered into a perfume purchase contract with a Chinese private enterprise (Company Z), and Company C will export 200 kg of perfume to China.

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## 5. Exporting food to China

In the case of sugar, the export procedures are as follows:



### a. Quota management/ Import license

Before you decide to export food into China, you should make sure that the food or beverage is eligible for the necessary permits. In case 1, the product in question, sugar, the import is limited by quota restrictions.

As for the specific quota management of the import goods, the importer needs to log onto the website of the Ministry of Commerce of the PRC. The Ministry of Commerce will, pursuant to China's economic situation, release the rules for tariff quota application and distribution regarding the goods which are restricted for import. Said rules will specify the allowed total quota quantum of the goods, the requirements the foreign exporters have to meet, and a list of materials required for submission.

In an announcement of the Ministry of Commerce concerning *Rules of Application and Distribution of Sugar Import Tariff Quota*, the Ministry of Commerce has addressed issues relevant to the sugar import tariff quota in the year. It is important to know if your importer obtained the sugar tariff quota, because this directly determines how much duty foreign enterprises will have to pay. The duty will be lower if your shipment is part of the set quota. When declaring customs, the importer will have to provide a certificate to that effect.

#### **b. Customs registration**

Food can enter the territory of China only after the importer has declared to and was approved by Chinese customs. Take Company A exporting sugar to China as an example. Importers can either declare the goods to Chinese customs themselves or authorise a customs declaration enterprise to declare them in their stead. Customs declaration enterprises are special companies whose business scope includes operating international freight agencies and international transport agencies, handling customs declarations and tax levying under engagement, and managing customs registration procedures subject to relevant regulations.

Before declaring their goods, importers have to be registered with the Chinese customs authorities. Documents required for customs registration are as follows:

- (1) Business license;
- (2) Filing registration form;
- (3) Articles of association;
- (4) Registration form of unit applying for customs declaration and registration form of managing staff of unit applying for customs declaration;
- (5) Organisation code certificate;
- (6) Tax registration certificate;
- (7) Certificate of opening a bank account;
- (8) Customs declaration special seal;
- (9) Other documents required for the registration.

Only when the importer has obtained a registration code (10 digits) can they declare goods to Chinese customs.

**c. Commodity inspection**

All food needs to be tested before entering the Chinese market. In addition, packed food has to be labelled in Chinese. It is advised to send samples two to three weeks in advance in order to make sure that your goods comply with relevant standards and are permitted to enter the Chinese market within the period agreed upon in the contract with the importer. Otherwise, your products could be damaged in the customs yard because of inappropriate storage or you might miss the deadline for customs clearance. There are various hygiene regulations you need to comply with as well.

As for the commodity inspection of import goods, importers need to log onto the website of the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) to arrange an online inspection declaration. In order to do this, importers have to register online.

**d. Customs declaration**

After the commodity inspection is finished, the importer has to declare the imported goods to customs within 14 days after their arrival in a Chinese port. In the event of failure to declare to customs within the prescribed time limit, China customs will impose a fee for delayed declaration pursuant to *Measures of the PRC Customs on the Levying of the Delayed Declaration Fee of Import Goods*. The relevant fee rate is 0.05% per day based on the imported products value under Incoterm CIF.

After receiving the electronic or paper declaration form submitted by the importer, customs officials will examine its contents. The electronic declaration form will automatically be returned by the customs office if it does not meet all requirements. If this is the case, the importer will have to revise the declaration form and file the declaration again. In practice the revision of customs declaration form is rather complicated and difficult.

In case the customs officials request additional information or documents during their review, it is advised to provide these as quickly as possible. It is strongly advised to use professional customs brokers for quick and better communication with the customs house.

**e. Documents submission**

Once the electronic declaration form passes the customs review, the importer will receive a notice entitled “tendering documents on site” or “tendering documents to discharge”. Within ten days after receiving the notice from customs, the importer has to present the printed, signed and stamped paper declaration form and other prescribed documents at the customs office where the goods are located.

In the event of failure to submit the documents within the prescribed or the approved extended time limit, customs will delete the electronic data and the importer will have to declare the goods again. Additionally, delay fees may apply, which are calculated according to the *Measures of the PRC Customs on the Levying of the Delayed Declaration Fee of Import Goods*.

Documents to be presented include:

- (1) Customs declaration certificate;

- (2) Authorisation letter for declaration (unnecessary for self-declaration);
- (3) Declaration form;
- (4) Accompanying documents like proforma invoices, packing lists, purchase contracts, certificate of origin and bills of lading/waybills;
- (5) Supervisory documents such as import licenses, customs declaration forms of import inspection and quarantine, import and export permits for endangered species or import permits for psychotropic drugs. The necessity for these kinds of documents depends on what kind of product you want to import.
- (6) Other documents related to special supervisory requirements and documents required by customs.

#### **f. Examination**

If your goods have to be examined, they will have to be transferred to the examining authorities for on-site examination. The importer is responsible for providing staff to assist with the on-site examination (e.g., moving the goods around the customs yard and opening and resealing the packages/containers).

After the examination, a signature by the importer is required to confirm the examination result. Customs will then print and issue the payment certificate of duties for dutiable goods. -

Customs will also impose delayed declaration fees for goods which have not been declared in a timely fashion and print customs administrative special bills at this point. Payment can only be made at designated banks (and, in some cases, online). Temporary import goods, as well as certain other types, require the payment of a deposit. Customs will print and issue receipts for this.

#### **g. Tax levying and exemption**

Tax levying (and exemption) is one of the key steps in the import process. China imposes import tariffs and import-related value-added tax (VAT) on imported goods in general trade. Consumption tax is also levied on certain goods, such as wine and certain types of cosmetics. If taxes are not paid accordingly, customs will not release the goods. Therefore, paying the relevant taxes is essential.

The specific tax rates for imported goods are defined in the *Customs Tariffs* issued by the General Administration of Customs of the PRC. If the exporting country and China have reciprocally granted each other most favoured nation status (MFN), or the exporting country has signed a tariff agreement with China, the MFN or conventional tariff rate shall apply.

If the imported goods fall under the quota restrictions of China, quota duty rates will be applied. On imported goods within the quota quantum, in-quota duty rates as stipulated in the *Dutiable Items and Duty Rate Table for Customs Quota Goods (updated regularly)*, issued by the General Administration of Customs of the PRC, apply. For imported goods which exceed the quota quantum, the statutory duty rate as provided in the Customs Tariffs, i.e., the out-of-quota duty rate, shall apply. Additionally, out-of-quota duty rates may be divided into MFN and general rates.

In 2014, the in-quota duty rate for sugar is 15%; for sugar that exceeds the quota quantum, the out-of-quota duty rate applies, with 50% when MFN status is in place and 125% as the general rate. If Company X in our example was only able to obtain a quota of 20,000 tons of sugar, then the in-quota duty rate will only apply to these 20,000 tons, whereas the out-of-quota rate will apply to the remaining 10,000 tons in the purchase contract. In addition, sugar is also subject to import-related value-added taxes (VAT). For more information on tax related issues please consult EU SME Centre Guideline on Turnover Taxes.

#### **h. Release**

After completion of the examination and the collection of the duties, customs will release the goods to the approved importer. If the goods are not subject to examination and duty collection, customs will release the goods after verifying relevant documents. At this time, all customs declaration and supervision formalities for imported goods are completed (customs clearance).

#### **i. Foreign exchange control**

The matters related to import trade shall be implemented according to *Interim Measures on the Administration of Foreign Exchange Payment for Import of Goods* and its rules for implementation.

Foreign exchange payment for imports made by an importer has to consist of a true and legal transaction, and the banks involved are required to carry out reasonable checks concerning the authenticity of the trading documents and the consistency of trading documents and the foreign exchange payment documents for import. The State Administration of Foreign Exchange (SAFE) will carry out off-site quantum inspections and issue warnings concerning the foreign exchange payment for imports made by the importers if necessary. If abnormal capital flow is detected, SAFE will carry out an on-site survey.

Based on the off-site quantum inspection and monitoring, combined with the results of the on-site survey (if existent) and an evaluation of the importers' compliance with foreign exchange rules, SAFE divides importers into type A, B, and C for administrative purposes. It helps to know SAFE's evaluation of the importer, since companies regarded as type A are able to complete the necessary formalities much quicker than companies in categories B and C.

#### **j. Documents and process for certain types of food**

Here are the process and documents required by the China customs for certain types of imported food (e.g. bee honey, olive oil and dairy products):

- 1) One set of original B/L in 3 copies (All the three original copies of B/L should be chopped on the back. If it is the case that the copy of B/L is submitted, the L/G (Letter of Guarantee) signed and chopped by the importer should be submitted.).
- 2) Purchasing Contract, Proforma Invoice and Packing List.
- 3) Authorisation Letter for Customs Declaration.



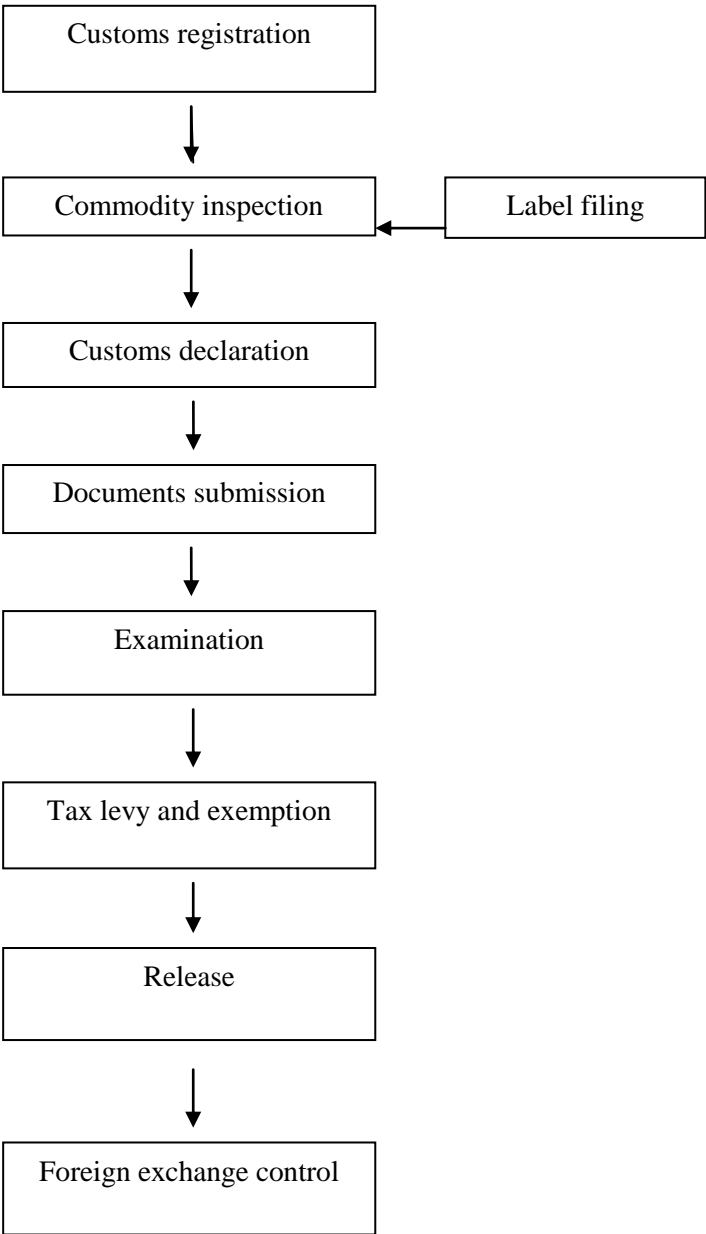
- 4) Certificate of Wooden Packing or Certificate of Non-Wooden Packing.
- 5) Certificate of Origin issued by the Chamber of Commerce from EU.
- 6) Certificate of Production Date.
- 7) Filling Illustration.
- 8) Ten Foreign Labels (face label and back label) and Ten Chinese Translation Labels (back labels) for each kind of the product.
- 9) Report of Ingredients.
- 10) Qualification Certificate of the Importer (Food Distribution Licence and Approval from National Ministry of Agriculture).
- 11) Registration Forms from both the EU Supplier and the importer which are completed in advance.
- 12) Foreign Labels (face and back label) with the Chinese Translation (at least 5 pcs for each kind).

In the case of food imports, the timeline for getting through the process is around 25-30 working days.

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### 6. Exporting wine to China

The following is a summary of the procedures necessary to import wine into China:



A number of special procedures are in place when it comes to importing wine into China. In our example, Company D wants to export sparkling wine to China. Since sparkling wine is not subject to quota restrictions or import licenses, the steps mentioned above under “Quota management/Import license” do not apply. However, special regulations apply to the registration of EU supplier and importer in China, and the registration of both foreign and Chinese labels.

### **Label filing**

Before applying for customs declaration, the importer will have to go through the registration and labelling procedure. A recent development is that the EU exporter does not need to send the samples to the importer for inspection and quarantine in advance. The customs authority will take out the samples from the big shipment – three bottles for each kind of product.

After the registration of the EU supplier and the importer, you will have to provide the original label and its Chinese translation together with a sample of the Chinese label, a copy of the business license of the importer and other required documents to the responsible inspection and quarantine authority for Chinese label filing. In general this will take two to three weeks, depending on which Chinese port is used to import the wine .

After completing the inspection and label filing procedures, the importer can continue the customs declaration, document submission and examination procedures as discussed above.

When it comes to taxes, it is worth noting that consumption tax is applicable to wine. Therefore, the importer will have to pay consumption tax at the current rate of 10% in addition to the import duty (MFN rate: 14%- 65%; general rate: 100%-180%) and VAT (17%).

There are two options to consider when sticking the approved Chinese labels on your products. One is to stick them on in the customs bonded warehouse manually before the final release. The other is to stick them in the EU supplier’s factory with the use of labelling machines – the latter option is highly recommended.

The process and documents required by the China Customs for imported wine clearance is as follows (submitted to the customs broker first):

- 1) One set of original B/L in 3 copies (All the three original copies of B/L should be chopped on the back. If it is the case that the copy of B/L is submitted, the L/G (Letter of Guarantee) signed and chopped by the importer should be submitted)
- 2) Purchasing Contract, Proforma Invoice and Packing List
- 3) Authorisation Letter for Customs Declaration
- 4) Certificate of Wooden Packing or Certificate of Non-Wooden Packing
- 5) Certificate of Origin issued by the Chamber of Commerce from EU
- 6) Report of Wine Ingredients

- 7) Registration Forms of EU supplier and the importer which are completed in advance
- 8) Five foreign labels (face and back) for each kind of product and the Chinese translation
- 9) Health Certificate issued by the local authority in EU
- 10) Certificate of Production and Filling
- 11) Report of Plastics Agents (applicable to whisky).

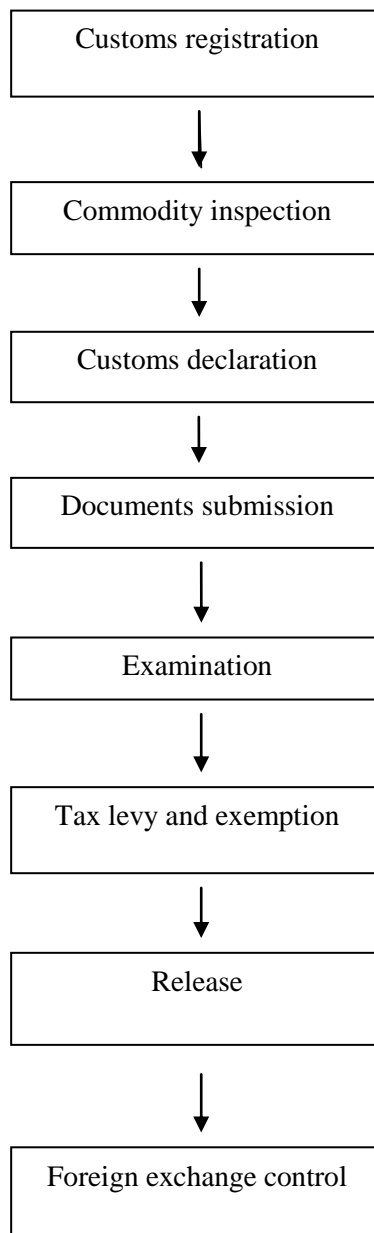
The timeline for registration of EU supplier and the importer and labels is around 20 working days in practice. The timeline for customs clearance is around 25-30 working days.

Since July 1 2013, the Ministry of Commerce has started anti-dumping investigation on wine originating from the EU. It is noted that the wine with following HS codes should be declared at the right price: 2204 1000 \ 2204 2100 \ 2204 2900.

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## 7. Exporting mechanical and electronic equipment

Exporting mechanical and electronic equipment to China can be illustrated by case 3, the EU company exporting electric torches. The export procedures are as follows:



The procedures for foreign enterprises exporting mechanical and electronic equipment to China are similar to those described in the first example (see page 12 above). Since portable electric torches are not subject to quota restrictions or import licenses, though, the steps described under “Quota management/Import license” do not apply.

However, not all mechanical and electronic equipment can be freely imported into China. To find out more, please consult the *Directory of Prohibition on Import of Mechanical and Electronic Products*, the *Directory of Restriction on Import of Mechanical and Electronic Products* and the *Directory on Import of Major and Used Mechanical and Electronic Products*.

In the case of mechanical and electronic equipment, foreign enterprises only need to pay the import duty and the VAT (at the rate of 17%).

When exporting mechanical and electronic equipment to China, the EU supplier should consider the following issues:

1) CCC Mark (China Compulsory Certification)

CCC Mark is required to be submitted when the relevant products enter China like UL in the USA. The EU supplier needs to confirm with the importer if CCC Mark is needed in advance according to the right HS code. CCC Mark can be applied in EU or in China. However it is better to complete this procedure in EU. For CCC Mark please consult the EU SME Centre guideline on this issue.

2) Second- hand Mechanical and Electronic Equipment

When exporting second-hand mechanical and electronic equipment to China, the EU supplier is strongly reminded of the pre-shipment inspection step by CIQ (China Inspection and Quarantine) overseas. Otherwise the shipment of second-hand machines will almost certainly be blocked in the port in China and returned to Hong Kong as a compromise if not back to the EU; people from CIQ overseas, e.g. from the Netherlands, would need to fly to Hong Kong to finish the legal inspection procedures and issue the certificate. The certificate would be posted to the applicant (the importer) by courier. The machines would then be shipped back to the destination port again. The applicant (the importer) has to pay all these cost.

**Process and documents** required by China Customs for imported metal products, machines and parts, autoparts clearance (submitted to the customs broker first):

- 1) One set of original B/L in 3 copies (All the three original copies of B/L should be chopped on the back. If it is the case that the copy of B/L is submitted, the L/G (Letter of Guarantee) signed and chopped by the importer should be submitted.).
- 2) Purchasing Contract, Proforma Invoice and Packing List.
- 3) Authorisation Letter for Customs Declaration.
- 4) Certificate of Wooden Packing or Certificate of Non-Wooden Packing.

5) Customs Process Trade Handbook

If the products are imported under customs bonded arrangement with customs process trade handbook, the related handbook is needed.

6) Automatic Import Licence for Mechanical and Electronic Equipment if applicable.

7) Customs Materials Approval Form when metals are imported as raw materials.

8) Customs Import Duty –free Approval Form for the importer who is classified into the Encouraged Category.

9) CCC Mark if applicable.

10) Registration Form of Importing Second-hand Machines and Pre-shipment Inspection Certificate.

The name and type of the machine, production date, production origin, and other specification should be indicated in the label which is fixed on the machine.

11) Concerning any machine relevant to energy consumption, the energy certificate should be submitted.

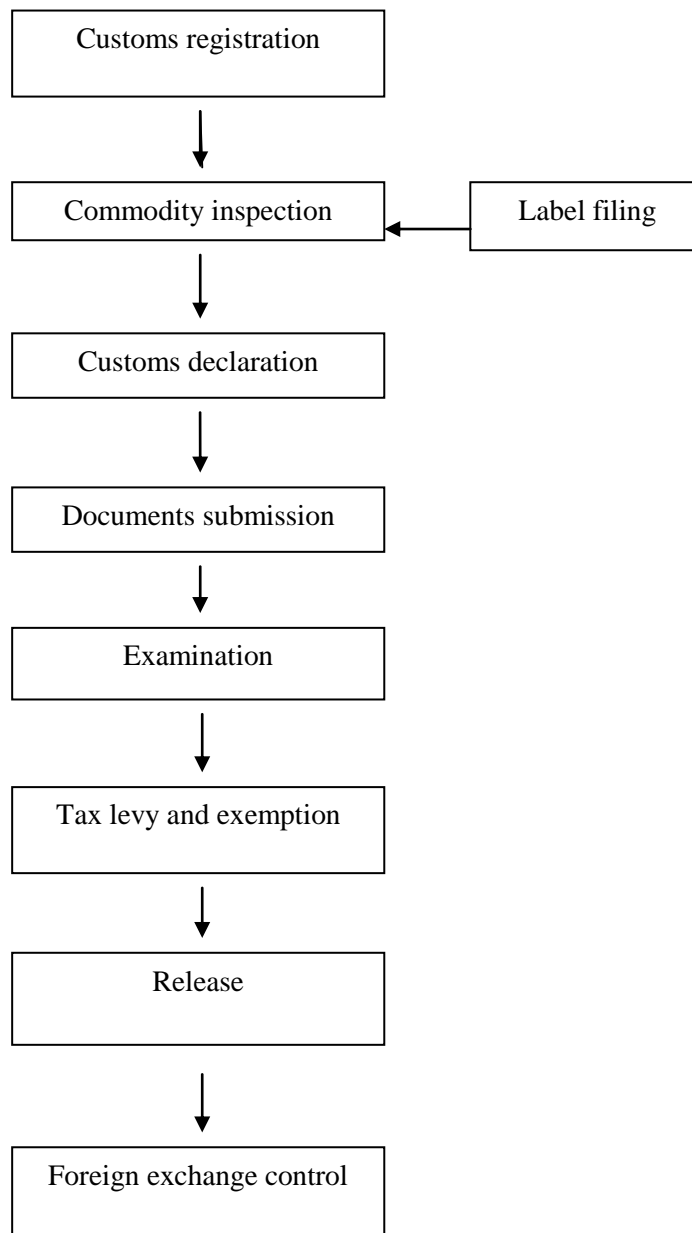
12) Concerning any electronic equipment relevant to code meters, the related certificate should be submitted which is issued by the importer's local code meter management authority.

13) The Ingredients Analysis Form of the Base Metal Products if applicable

The timeline for customs clearance is around seven working days.

## 8. Exporting cosmetics

The procedures for exporting cosmetics to China, as illustrated by case 4, are as follows:





Compared with the first three cases, the procedures for foreign enterprises exporting cosmetics to China are similar to those for sparkling wine. As was the case for wine and electric equipment, perfume is not subject to quota restrictions or import licenses. Therefore, the steps described under “Quota management/Import license” do not apply to this case.

However, registration procedures for importing cosmetics are rather complicated. It can take one year to complete the registration procedures. For more information on import of cosmetics consult EU SME Centre guideline on Cosmetics import.

Import Licence for Cosmetics Hygiene for Special Purposes must be submitted if the EU supplier exports the following cosmetics to China: cosmetics for perming hair, dying hair, waving hair, hair removal, fitness, deodorisation, removing dark spots.

Just as in the case of exporting wine to China, the importer will have to go through the **Label filing** procedure.

The **Commodity inspection** of cosmetics is complicated, since there are different kinds of inspections in place, depending on the type of cosmetics in question. We suggest consulting the *Cosmetics Hygienic Rules*, which specify which inspection formality is applicable according to the specific ingredients of the cosmetics which are imported to China.

As for the **Tax levy and exemption** procedure, apart from paying the tariff (MFN rate: 10%; general rate: 150%) and VAT at the rate of 17%, the importer will have to pay consumption taxes at the rate of 30%.

**Process and documents** required by the China Customs for imported cosmetics products, customs clearance (submitted to the customs broker first):

- 1) One set of original B/L in 3 copies (All the three original copies of B/L should be chopped on the back. If it is the case that the copy of B/L is submitted, the L/G (Letter of Guarantee) signed and chopped by the importer should be submitted)
- 2) Purchasing Contract, Proforma Invoice and Packing List
- 3) Authorisation Letter for Customs Declaration
- 4) Certificate of Wooden Packing or Certificate of Non-Wooden Packing
- 5) Certificate of Origin issued by the local chamber of commerce in EU
- 6) User Application Form (registration number and password) on the National Cosmetics Official Website (It takes one year to complete the procedures in Beijing)
- 7) Authorisation Letter from the EU supplier
- 8) Letter of Notary in China of the EU supplier who will take the responsibility

- 9) Samples and Sample Report
- 10) Registration Form in the National Ministry of Health
- 11) European and Chinese labels with at least ten pieces of the European labels
- 12) Ingredients Report
- 13) Certificate of Health issued by the official authority in EU
- 14) Certificate of Production Date
- 15) Filling Illustration
- 16) Original European labels (face and back label) and the Chinese translation, Chinese back label with the notes

The timeline for customs clearance is around 30 days.

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## **9. Customs declaration formalities for temporary import**

Temporary import goods are goods imported to China (or any other country) for a period usually no longer than 6 months for use in exhibitions, fairs and so on, using import mechanisms such as ATA Carnet or other mechanism in accordance with P.R.C. law. Before the temporary import goods enter China, the consignee or his agent will have to provide a list of all goods intended for temporary import and corresponding approval documents issued by the relevant authorities. Furthermore, an application form for temporary import goods will have to be completed before application at local customs. Only upon three-level approval can the temporary import goods enter China.

When declaring the goods at customs, the customs declaration forms for imported goods will have to be handed in triplicate (one copy will be returned to the consignor after it is marked by customs) together with the abovementioned approval documents at the place where the goods are imported. Once the goods are approved by customs, the declarer will have to pay a deposit equivalent to the amount of the duty to customs. It is possible to avoid payment of a deposit and the acquisition of an import license by providing written security acknowledged by customs.

If the temporary import goods need to be transported within China for reasons having to do with the customs declaration formalities, the declarer will have to go through customs declaration formalities according to the regulatory customs transit provisions.

Foreign enterprises need to be aware that the temporary import goods must leave China again within six months of the day when these goods entered China. In case of failure to do so, the goods will have to be formally imported into China according to the formalities described above and including payment of all duties stipulated in Chinese law.

Sample imports such as wine for tasting basically follow the same procedures as for the general trade imports. The only difference is that fewer samples will be taken for testing and the imported goods could be released without the Chinese labels in case of wine.

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## **10. Legislation on import to China**

The following is a selection of laws relevant to foreign companies intending to import goods into China:

1. Foreign Trade Law of the PRC;
  2. Customs Law of the PRC;
  3. Interim Regulations of the PRC on Value-added Tax;
  4. Interim Regulations of the PRC on Consumption Tax;
  5. Measures on Safety Administration of Import and Export Foods;
  6. Measures on Label Administration of Import and Export Foods;
  7. Measures on Inspection and Quarantine Supervision and Administration of Import and Export Cosmetics;
  8. Law of Import and Export Commodity Inspection of the PRC and its implementation rules.
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The EU SME Centre assists European SMEs to export to China by providing a comprehensive range of free, hands-on support services including the provision of information, confidential advice, networking events and training. The Centre also acts as a platform facilitating coordination amongst Member State and European public and private sector service providers to SMEs.

The Centre's range of free services cover:

- Business Development – provision of market information, business and marketing advice
- Legal – legal information, 'ask the expert' initial consultations and practical manuals
- Standards – standards and conformity requirements when exporting to China
- HR and Training – industry and horizontal training programmes
- Access to a service providers directory and information databases
- Hot-desking – free, temporary office space in the EU SME Centre to explore local business opportunities
- Any other practical support services to EU SMEs wishing to export to or invest in China.

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