

## 8.3. Import Regulations (RC)

### Introduction

In general, three cases of imports can be distinguished:

- Personal Effects
- Samples & Advertising Cargo
- General Cargo

Each of these bring different requirements regarding duties, declaration forms and clearance times.

This chapter will mostly focus on the General cargo even while most of the following descriptions will be valid for the other categories too.

### Legal Status of Goods in Transfer

Products that have not yet entered the territory of China do not yet belong to the importing company until they have been cleared by customs, since the “economic benefit” is not yet likely to go towards the purchasing company.

### Requirements towards the importing company

For a company to be able to import goods in the sovereign territory of China, it must have several registrations and permits:

- Foreign Trade Registration (MOFCOM)
- China Customs Registration
- Import/Export License

If importing is not part of the regular business transactions, using an authorized agent to substitute the requirement could be considered.

### Requirements towards Product properties

When importing products to the Chinese market that are for resale, they must be fit for sale according to local specifications, otherwise the import can be denied. These can be industry specific regulations and required certifications.

Additionally, China classifies goods in permitted, restricted and prohibited goods

and it is recommended to check the appropriate classification before considering an import.

### Import documentation requirements

For dutiable imports, an invoice must be provided including the following information:

- Number and date of issue •
- Full name and address of shipper and receiver, including contact details
- Description of goods in plain language and sufficient detail
- VAT numbers for shipper and Receiver if Applicable
- Harmonized System Code (“HS Code”)
- Customs Registration codes (“CR Code”)
- Total value of goods
- Currency
- Country of origin (of goods)
- Payment terms (value for customs only for example)
- Delivery terms
- Signed and stamped (if applicable)

For some product categories additional requirements might exist, e.g.

- for certain foods, cosmetics and farming products require a certificate of Quarantine
- Electronic parts might require an import license and the China Compulsory Certificate (CCC)
- Software will require additional details on the invoice for the purpose of the software, additionally for business or entertainment use an import license must be acquired
- Drugs require a Medical Inspection Certificate
- Tobacco require an import license and a certificate of Quarantine.

Since import regulations can change and additional requirements could be in place, it is recommended to doublecheck with your forwarder to avoid any import problems before the transport.

### Bonded Warehouse

Sales companies cannot import certain goods until the final customer is determined. These goods can be stored at “bonded warehouses” which are warehouses in the territory of China but the goods there do not count as “imported” yet.

### Special requirements for goods

For some types of goods there might be special requirements in place, e.g. as long as the final destination of installation for some investment goods is not known, they cannot be imported.

### Import Value, Import Tax and Customs Duty

The basis for the calculation of import tax and customs duty will be evaluated at the value of the goods plus transportation costs and cost of insurance which occurred until the arrival at the custom’s territory of China. The declared value of goods must match the goods value that in fact is being paid for by the importer.

Based on this CIF value (Cost, Insurance, Freight) the import duty will be calculated – this rate depends heavily on the type of the imported product.

Additionally, the Import VAT has to be paid on which can be divided in general import VAT, reduced import VAT for special products or small tax payer VAT for small tax payer companies.

This Import VAT is calculated on the basis CIF plus Customs Duty.

### Common Pitfalls

- Being “fit for sale” in the Chinese market includes manuals printed documents. Documents with incorrect maps regarding the sovereign territory of China are illegal and can be rejected, some products require additional labels according to industry standards, etc.
- While certain products can be imported if they have the right certifications without a certification of their single components, importing spare parts for these products

can lead to problems if they were not certified individually since they do not get delivered “as a whole” and might count as individual products.

- Small technical products or documents that are required in the local entity can lead to a longer custom clearing procedure including the risk of rejection since they might not have the correct properties or certifications. Some companies resort to bringing these devices to the country in the luggage during business travel which is a risky approach.
- A correct import procedure is heavily intertwined with the ability to process international payments since banks will compare the customs registration system with your planned payments. See the chapter about international payments for detail.
- When your company is being caught for incorrect import transactions it can lead to more frequent inspection rates and stricter supervision measures. Better try to follow the regulations all the time to smoothen the import process.