

Export-processing trade question

Q: Hello Here is a question: I want to supply some raw materials to China and get finished products under "processing with supplied materials" scheme. BUT - I need raw materials (scrap brass) first to be processed to brass bar (factory #1) and then brass bar to be processed to finished product (factory #2). Can this be achieved under processing trade scheme?

A:

1. The HS code for scrap brass is 7404, and the HS code for finished product is 7418 and 7419 respectively. Both 7418 and 7419 are on the list of export processing goods under the restricted category (for export goods).
2. The advantage of doing export-processing trade is that the goods are imported as bonded goods. It means that it is not required to pay customs duty. Effective on 23 August 2007, the Ministry of Commerce issued a policy on the export processing trade in a document no. 44, which has the following implications: (a) A ban is imposed on the application for setting up export processing enterprises for goods under the restricted category after 23 August 2007; (b) All existing export-processing enterprises are required to set up a security account and place a deposit equal to 50% of the value of duty and VAT for the import or export goods, including those factories that receive a type-A and type-B classification; (c) Previously the restricted category only includes inbound goods, while the new policy no. 44 has extended the scope of goods under the restricted category to outbound goods. That is, the export products.
3. Where you want to set up a JV enterprise or wholly foreign owned enterprise for export processing business, you cannot get the approval. However, you can take advantage of the following exceptions in document no. 44: (a) setting up the JV or WFOE in Central and Western regions of China, (b) setting up the JV or WFOE in the free trade zone or export processing zone (the special economic areas); (c) Where the goods are transferred from one factory to another, it is not falling under the scope of document no. 44. You can contract the export processing to two different factories outside the special economic areas: one for making the brass bar and the other for making the brass products. As long as the goods are classified under the restricted category, you can continue to do export processing trade until the products are classified as goods falling under the prohibited category in future.

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