

## Paying import & reclaiming VAT into China

Q: I currently have a manufacturing partner in China that packages goods that I have delivered directly to them from South Korea. The goods once packed are then sent directly to me in the UK (they are not for re-sale in China). My Chinese Manufacturing partner is invoicing me for the import tax and VAT into China for the delivery of wet wipes from South Korea. My questions are: - 1. Can the VAT be claimed back by my Chinese partner? 2. Is import tax applicable to wet wipes? 3. Should VAT be included on an item that is not for re-sale in China?

A: The goods will not be subject to any import duty and VAT if they are shipped to one of the free trade zones in China. Where the goods are shipped to the free trade zone, packed and then re-shipped to the UK, there will be no tax at all in China. If the goods are imported to locations other than the free trade zones, then the importer should import the goods as bonded goods in order to avoid paying the import duty and VAT. Where the importer imports the goods as normal trading goods instead of bonded goods, import duty and VAT are payable. The taxes so paid are not refundable even if the packed goods are exported out of China later.

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