

Import duty & VAT for import of thermal overload protector switches

Q: We are suppliers of thermal overload protector switches (HS Code 85361090) in India used for protection of air conditioning compressors from excess heat & the other overload conditions. It is auto reset type. We wish to export these protectors to big companies in China. In order to finalise our product pricing strategy and to safeguard from local Chinese competitors, we would like to know the following: 1. Import duty for our product in China 2. Is VAT applicable, if yes, how much? 3. If VAT is applicable, is VAT refundable to importer in China? For example: If my product price is 1 RMB, the import duty is 5% and the VAT applicable is 17%, then the total import cost to the importer is 1RMB + Duty 5%(0.050 RMB)+ VAT 17%(0.179RMB) =1.229 RMB? Out of this, is the VAT of 0.179 RMB refundable to the importer?

A: [1] There is no HS code 85361090 in the 2008 PRC tariff schedule. The corresponding HS code and duty rate is set out below for your references:

HS code	Description	MFN rates	AESAN country rates
8536.1000	Fuses	10%	8%
8636.2000	Automatic circuit breakers	9%	5%
8536.3000	Other apparatus for protecting electrical circuits	9%	5%

[2] Your computation is correct. But the PRC Company cannot get a VAT refund for the purchases. When they re-sell the goods (at say 2 RMB), they are required to collect the output VAT (17% of RMB2=RMB0.34) from the buyer and pay it to the tax authority. From the output VAT RMB0.34, the PRC Company can deduct (or get an input credit of) RMB0.17, which has been paid at the time of importation.

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