

Circular on the "Zero-tariff" Policy for Production Equipment for Self-use

Purpose of Hainan Free Trade Port

Cai Guan Shui [2021] No. 7

The Department of Finance of Hainan Province, the Haikou Customs District, and the Hainan Provincial Tax Service of State Taxation Administration,

In order to implement the Overall Plan for the Construction of Hainan Free Trade Port, the "zero-tariff" policy for production equipment for self-use purpose of Hainan Free Trade Port is hereby notified as follows upon approval by the State Council:

Article I. Before the independent customs operations throughout Hainan Island, the production equipment imported for self-use purpose by enterprises registered in Hainan Free Trade Port and having independent legal personality is exempt from tariffs, import value-added tax and consumption tax, except for the commodities that are not eligible for exemption from taxes as explicitly prescribed in laws, regulations and relevant provisions or whose import is prohibited by national provisions, as well as the equipment listed in the Negative List of Production Equipment for Self-use Purpose Entitled to the "Zero-tariff" Policy of Hainan Free Trade Port attached to the Circular on the "Zero-tariff" Policy for Production Equipment for Self-use Purpose of Hainan Free Trade Port (hereinafter referred to as the "Circular").

Article II. For the purpose of the Circular, production equipment refers to the equipment required for production and operation activities such as infrastructure construction, processing and manufacturing, R&D and design, inspection and maintenance, logistics and warehousing, medical services and culture, sports and tourism, including commodities other than spare parts, accessories and components of household appliances and equipment in Chapters 84, 85, and 90 of the Customs Import and Export Tariffs of the People's Republic of China.

Article III. A list of enterprises that meet the conditions specified in Article I and a list

of enterprises engaged in the industries covered by the appendix shall be finalized and adjusted by the competent departments — the Development and Reform Commission of Hainan Province and the Department of Industry and Information Technology of Hainan Province — in concert with the Department of Finance of Hainan Province, the Haikou Customs District and the Hainan Provincial Tax Service of State Taxation Administration, and the Haikou Customs District shall be informed in writing.

Article IV. See the appendix for details of the Negative List of Production Equipment for Self-use Purpose Entitled to the "Zero-tariff" Policy of Hainan Free Trade Port. The contents of the list are subject to dynamic adjustments by the Ministry of Finance, the General Administration of Customs and the State Taxation Administration in concert with relevant departments in light of actual needs and regulatory conditions of Hainan Free Trade Port.

Article V. The "zero-tariff" policy for production equipment for self-use purpose of Hainan Free Trade Port shall not apply to products under the Catalogue of Imported Major Technical Equipment and Products not Eligible for Tax Exemption, the Catalogue of Products Imported for Foreign Investment Projects and not Eligible for Tax Exemption and the Catalogue of Non-Tax-Exempted Imported Items under Domestically Funded Projects for the time being. Enterprises that meet the policy are exempt from duties, import value-added tax and consumption tax when importing equipment in the abovementioned three catalogues.

Article VI. For the convenience of implementation, the Ministry of Finance and the General Administration of Customs will, in concert with relevant departments, further define the scope of spare parts, accessories and components of household appliances and equipment in Article II.

Article VII. "Zero-tariff" production equipment shall be used for self-use purpose by enterprises eligible for the policy in Hainan Free Trade Port and subject to customs supervision. If any transfer of such production equipment is indeed required due to

bankruptcy or other reasons, prior consent of the customs shall be obtained and relevant formalities shall be handled. In particular, if such production equipment is transferred to entities not eligible for the policy, import-related tax payment shall be made up for as required. The transfer of "zero-tariff" production equipment is subject to the collection of domestic value-added tax and consumption tax in accordance with relevant regulations.

Article VIII. If an enterprise volunteers to pay import value-added tax and consumption tax when importing "zero-tariff" production equipment for self-use purpose, it may file an application at the time of customs declaration.

Article IX. Relevant departments of Hainan Province shall, by means of information technology or otherwise, strengthen supervision, prevent and control risks, promptly investigate and punish violations, thus ensuring the stable operation of the "zero-tariff" policy for production equipment, strengthen the information interconnection among relevant departments within Hainan Province, and share information on enterprises eligible for the policy, supervision of "zero-tariff" production equipment, etc.

Article X. The Circular shall come into force as of the date of promulgation.

Appendix: Negative List of Production Equipment for Self-use Purpose Entitled to the "Zero-tariff" Policy of Hainan Free Trade Port

Ministry of Finance
General Administration of Customs
State Taxation Administration

Appendix

Negative List of Production Equipment for Self-use Purpose Entitled to the "Zero-tariff" Policy of Hainan Free Trade Port

- I. Commodities that are not eligible for exemption from taxes as explicitly prescribed in laws, regulations and relevant provisions or whose import is prohibited by national provisions.
- II. Equipment imported by enterprises in the coal mining and washing industry, the ferrous metal mining and dressing industry, the non-ferrous metal mining and dressing industry and the non-metallic mining and dressing industry (excluding enterprises engaged in the production of sand, stone and soil used in buildings and geothermal, mineral water and mineral resources in sea areas).
- III. Equipment imported by enterprises in the leather tanning processing industry and the fur tanning and product processing industry.
- IV. Equipment imported by enterprises in the coal chemical industry and the nuclear fuel processing industry.
- V. Equipment imported by enterprises in the acetylene polyvinyl chloride industry and the chromium salt industry.
- VI. Equipment imported by enterprises in the ferrous metal smelting and rolling processing industry.
- VII. Equipment imported by enterprises in the nonferrous metal smelting and rolling processing industry.
- VIII. Equipment imported by enterprises in the metal surface treatment and heat treatment processing industry using electroplating, the lead-acid battery manufacturing industry, the printed circuit board, etc. production and manufacturing industry with high pollution and

high environmental risks and the used battery dismantling and recycling industry of metallic scrap and chipping processing and treatment (except for the equipment required for cascade utilization of power accumulators used in new energy vehicles).

IX. Equipment imported by enterprises in coal products manufacturing and nuclear radiation processing industries.

X. Equipment imported by small hydropower enterprises for hydropower generation.

XI. Equipment imported by coal-fired power and thermal production and supply enterprises.