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Report Name: China Announces a New Round of Tariff Exclusions

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Report Highlights:

On February 18, 2020, China announced a new round of tariff exclusions for U.S. agricultural commodities impacted by the retaliatory Section 301-tariffs levied by China. While the announcement enumerates approximately 150 agricultural and agricultural-related tariff lines, eligible enterprises may apply for a tariff exclusion for any tariff line, provided that tariff line has not already received a tariff exclusion. However, tariff exclusions will be approved for individual applicants and will not automatically extend to all importers. Qualified importers can begin applying through China's Ministry of Finance website beginning March 2, 2020. This report contains a translation of the announcement, a table of enumerated tariff lines associated with this round, and a translated Q&A document from the Ministry of Finance.

Executive Summary:

On February 18, 2020, China's State Council Tariff Commission (SCCTC) announced it would open a new tariff exclusion process for Chinese companies impacted by the retaliatory Section 301-tariffs levied by China. Similar to past tariff exclusion announcements, applicants must be China-based enterprises and submit their applications through the Ministry of Finance (MOF) website: <https://gszx.mof.gov.cn/>. While the announcement states that the website will begin accepting applications on March 2, it has been reported that the online portal is now open for registration. While this announcement provides a new enumerated list of 696 tariff lines, with approximately 150 agricultural and agricultural-related tariff codes, the announcement also states that applicants may apply for an exclusion for tariff lines not listed in the announcement. Notably, under this new tariff exclusion process, each enterprise must apply individually for a tariff exclusion and only successful applicants will receive the requested tariff relief. The retaliatory Section 232-tariffs are not currently eligible for consideration. It is reported that MOF may provide additional guidance on this new process prior to the planned March 2 date.

This report includes: (1) an English translation of the February 18, 2020 SCCTC announcement, (2) the enumerated list of agricultural and agricultural-related tariff lines included in this latest announcement, and (3) an English translation of a Question and Answer document provided by SCCTC. Please note that guidance from the Chinese government continues to be released and it is likely that the implementation of this new tariff exclusion process will evolve. U.S. companies interested in exporting to China should work with their importers/agents to confirm how this exclusion process may apply to them.

Tariff Exclusions:

Under this new tariff exclusion process, applicants can apply for relief from the cumulative retaliatory 301-tariffs levied by China. Section 232 retaliatory tariffs are not under consideration at this time.

Product Scope:

In this announcement, SCCTC included a new list of 696 enumerated tariff lines, of which approximately 150 are agricultural or agricultural-related products. See Appendix 2 below for more information.

In addition to the enumerated products listed in the announcement, this new exclusion process will also allow importers to apply for a tariff exclusion for *any* tariff line at this time. However, tariff lines that have already received an exclusion do not need to apply again. For non-enumerated commodities, the applicant must provide additional information regarding the impact of the Section 301-tariffs.

Application Process:

Qualified applicants apply through the MOF website here: <https://gszx.mof.gov.cn/>. The application process requests certain company and market information, similar to past tariff exclusion processes. As of February 25, 2020, the system was open for applicants to register (note: applicants that have registered in the system for previous rounds of tariff exclusions can use their same account). The system will begin accepting new applications only after March 2, 2020. Please see [GAIN Report CH19032](#) for background information about past tariff exclusion applications.

Once the application is approved, the successful applicant will receive a company-specific exclusion number that can be used on customs declaration documents.

MOF has opened a hotline for questions about the exclusion process. The information is listed below:

Hotline open weekdays from 9:00 - 11:30 a.m., and 2:00 – 5:00 p.m., (China Standard Time, GMT+8)

Business consultation telephone: 010-53183759

Technical consultation phone: 010-82217953

Application Information:

In this announcement, SCCTC states that applications must include detailed purchase amounts (in value) and evidence to support these purchase amounts.

Also, for applications of non-enumerated tariff lines, applicants will be required to provide additional information demonstrating how the retaliatory Section 301-tariffs have impacted the overall market for the commodity.

Implementation:

Unlike past tariff exclusions, under this new exclusion process, approved tariff exclusions will be company specific. Approved tariff exclusions in the past resulted in an automatic lifting of the specific tariff for all importers. Also, in certain situations, applicants could request a refund of tariffs paid, up to six months prior to the exclusion announcement date. In this new process, no refunds for past tariffs paid will be authorized.

Another notable change under this new process is that approved tariff exclusions will be tied to specific amounts, apportioned per month. While an approved tariff exclusion is valid for up to one year, approved importers will need to provide monthly purchase amounts (in value) to SCCTC. If the importer exceeds the amount (on a monthly basis) indicated in the application, the excess portion will not benefit from an otherwise valid tariff exclusion. The announcement does provide some flexibility in that up to 10 percent of excess monthly imports could be covered by an approved tariff exclusion. If the importer transacts less than the approved monthly amount, that unused amount does not automatically roll-over to the next month.

The New Tariff Exclusion Process

The scope of eligible products includes 150 enumerated agricultural and agricultural-related products, but non-enumerated commodities may also apply, with sufficient justification.

Approved tariff exclusion applications will only benefit the individual applicant.

As part of the application process, applicants must submit evidence of an intent to purchase U.S. goods (e.g., a signed contract).

Tariff exclusions will be tied to a certain product amount and excess product will not receive an exclusion.

The Previous Tariff Exclusion Process

Only enumerated products considered for a tariff exclusion.

Approved tariff exclusions automatically applied to all importers during a specified time period.

Applicants were not required to submit specific evidence of an intent to purchase U.S. goods.

Once approved, there was is no limit to how much product could be imported under the tariff exclusion.

Appendix 1: Unofficial Translation of the February 18, 2020 SCCTC Announcement

(Begin unofficial translation)

State Council Customs Tariff Commission Notice on Advancing the Exclusion Process for Market-based Procurement of U.S. Products Subject to Additional Tariffs

(Tariff Commission Notice [2020] No. 2)

In order to better meet the increasing demands of consumers in China, expedite the acceptance of exclusion applications from enterprises, the State Council Customs Tariff Commission (SCCTC) has decided to carry out the exclusion process of market-based procurement of commodities imposed additional tariffs from the United States in accordance with relevant laws and regulations such as the Customs Law of the People's Republic of China, the Foreign Trade Law of the People's Republic of China, and the Regulations of the People's Republic of China on Import and Export Tariffs. According to the application of enterprises within in Chinese territory, imported commodities from the United States that meet the conditions and are purchased based on the principles of marketization and commercialization will not be imposed tariffs in retaliation for U.S. Section 301 measures within a certain period. The specific matters are as follows:

I. Applicants

The applicants should be enterprises within in Chinese territory that intends to sign a contract to purchase and import related goods from the United States.

II. Scope of Eligible Products for Exclusion Applications

The list of products eligible for exclusion applications is part of the products that we have announced and have not stopped or suspended the imposition of tariffs in retaliation for U.S. Section 301 measures, see the attachment. For products that are not on the list, the applicant may apply for adding excluded products. Imported goods from the United States under the import tariff reduction and exemption policies that have been approved and that will be approved in the future, as well as imported goods through express mail channels, are automatically excluded and exempted from application. There is also no need to apply for products that have already been included in the previous exclusion list and within the valid exclusion period.

III. Application Method and Time

Applicants should fill out and submit their market-based procurement exclusion applications as required via the exclusion declaration system (the website of the Ministry of Finance's Tariff Policy Research Center is <https://gszx.mof.gov.cn>). The exclusion declaration system will accept applications from March 2, 2020.

IV. Requirements for Filling Out and Submitting Applications

The applicant should completely fill out the exclusion application information such as the tariff code and the amount of the purchase plan according to the specific instructions and requirements for the exclusion application on the above website for review reference. When applying for adding excluded commodities, it is necessary to fill in the necessary explanations such as the impact of tariffs on the applicant.

The applicant should be responsible for the truthfulness of the information submitted. If false information is found after verification, the relevant applicant's application for this exclusion and application for subsequent batches of market-based procurements will not be considered. The information submitted by the applicant will only be used for exclusion work of additional tariffs on U.S. goods. It will not be disclosed to third parties without the consent of the applicant, except for laws and regulations and national regulations.

V. Application results and procurement implementation

The SCCTC will, based on the information submitted by the applicants and combine the first and second batch of applications for the exclusion of tariffs on the U.S. goods, organize review of valid applications one by one, and notify the applicants of the results of the exclusions in a timely manner through the exclusion declaration system. The commodities within the approved amount of imports of relevant applicants, within one year from the date of approval, will no longer be imposed tariffs in retaliation for U.S. Section 301 measures; the excess will not be excluded, and will be subject to additional tariffs. Tariffs levied before approval will not be refunded. The above-mentioned exclusion measures shall also apply to the overfilled commodities clearly stipulated in the import contract and the quantity is within 10% (inclusive). Other import supervision matters such as inspection and quarantine shall be implemented in accordance with the current regulations.

Applicants must upload transaction information in a timely manner according to relevant instructions and requirements. For the approved purchase plan, the unsettled part of the month will automatically expire at the end of the month; transactions exceeding the purchase plan of the month need to add an exclusion application within a specified period and will be excluded after approved by the SCCTC. The applicant should submit a self-declaration and receive the exclusion number through the exclusion declaration system based on the information to be declared before the import declaration. The SCCC will approve within 3 working days after submission of the self-declaration, and an exclusion number will be generated by the exclusion declaration system. The applicant shall fill in the exclusion number on the declaration form and go through the declaration process in accordance with the customs regulations.

Attachment: List of Products Eligible for Exclusion Application

(End translation)

Appendix 2: List Agricultural and Agricultural-Related Products Attached to New Process

HS Code (8-digit)	Product Description	MFN* Rate	232 tariffs	Section 301 tariffs (cumulative)	Add'l Section 301 tariffs (adjusted on Feb 14, 2020)
02011000	Meat of bovine animals, fresh or chilled: whole or half-carcasses	20%		25%	
02012000	Fresh or Chilled Unboned Bovine Meat	12%		25%	5.0%
02013000	Fresh or Chilled Boneless Bovine Meat	12%		25%	5.0%
02021000	Frozen Bovine Carcasses & Half Carcasses	25%		25%	
02022000	Frozen Unboned Bovine Meat	12%		25%	5.0%
02023000	Frozen Boneless Bovine Meat	12%		25%	5.0%
02031110	Fresh or chilled, suckling pig: whole or half-carcasses	20%		25%	
02031190	Fresh or chilled, other meat of swine: whole or half-carcasses	20%		25%	
02031200	Fresh or Chilled Unboned Hams, Shoulders & Cuts	20%	25%	25%	5.0%
02031900	Other Fresh or Chilled Swine Meat	20%	25%	25%	5.0%
02032110	Frozen, suckling pig: whole or half-carcasses	12%		25%	
02032190	Frozen Swine, whole or half-carcasses, Nes	12%	25%	25%	
02032200	Frozen Unboned Hams, Shoulders & Cuts Thereof Of	8%*	25%	25%	5.0%
02032900	Other Frozen Swine Meat	8%*	25%	25%	5.0%
02042200	Fresh or Chilled Unboned Meat of Sheep	15%		25%	5.0%
02062900	Frozen Edible Bovine Offal	12%		25%	5.0%
02063000	Edible swine offal, fresh or chilled	20%		25%	5.0%
02064100	Frozen Swine Livers	20%	25%	25%	5.0%
02064900	Other Frozen Edible Swine Offal	12%	25%	25%	5.0%
03061100	Frozen Rock Lobsters and Crawfish	7%		25%	5.0%
03061200	Frozen Lobsters	7%		25%	5.0%
03061410	Frozen Swimming Crabs	7%		25%	5.0%
03061490	Other Frozen Crabs	5%		25%	5.0%
03061500	Frozen Norway Lobsters	7%		25%	5.0%
03061611	Frozen Cold-Water Shelled Shrimps	7%		25%	5.0%
03061612	Other Frozen Cold-Water Northern Pandalus	2%		25%	5.0%
03061619	Other Frozen Cold-Water Shrimps	5%		25%	5.0%

03061621	Frozen Cold-Water Shelled Prawns	7%		25%	5.0%
03061629	Other Frozen Cold-Water Prawns	5%		25%	5.0%
03061711	Other Frozen Shelled Shrimps	7%		25%	5.0%
03061719	Other Frozen Shrimps	2%		25%	5.0%
03061721	Other Frozen Shelled Prawns	7%		25%	5.0%
03061729	Other Frozen Prawns	5%		25%	5.0%
03061911	Frozen freshwater crawfish, shelled	7%		25%	5.0%
03061919	Frozen Freshwater Crawfish, unshelled	7%		25%	5.0%
03061990	Frozen Crustaceans, Nes,	7%		25%	5.0%
03063110	Live Rock Lobster and Other Sea Crawfish for Cultivation	0%		25%	
03063190	Live/Fresh/Chilled Rock Lobster and Other Crawfish	5%		25%	5.0%
03063210	Live Lobsters for Cultivation	0%		25%	
03063290	Live/Fresh/Chilled Lobsters, Not for Cultivation	7%		25%	5.0%
03063310	Live Crabs for Cultivation	0%		25%	
03063391	Live, fresh or chilled Chinese mitten crabs, Not for Cultivation	7%		25%	5.0%
03063392	Live/Fresh/Chilled Swimming Crabs, Not for Cultivation	14%		25%	5.0%
03063399	Other Live/Fresh/Chilled Crabs, Not for Cultivation	7%		25%	5.0%
03063410	Norway lobster, for cultivation	0%		25%	
03063490	Live, fresh or chilled Norway lobster	7%		25%	5.0%
03063510	Live, fresh or chilled cold water prawns, for cultivation	0%		25%	
03063520	Live, fresh or chilled cold water prawns	10%		25%	5.0%
03063590	Live/Fresh/Chilled, Cold Water Shrimps/Prawns	10%		25%	5.0%
03063620	Other Live/Fresh/Chilled Prawns	10%		25%	5.0%
03063690	Other Live/Fresh/Chilled Shrimps, Nes	12%		25%	5.0%
03063910	Other Edible Prawns and Shrimps, for cultivation	0%		25%	
03063990	Other Live/Fresh/Chilled Crustaceans, Nes,	7%		25%	5.0%
03069100	Rock Lobster and Other Sea Crawfish, Prepared Other Than Fresh/Chilled	7%		25%	5.0%
03069200	Lobsters, Prepared Other Than Fresh/Chilled	7%		25%	5.0%

03069310	Chinese mitten crabs, Prepared Other Than Fresh/Chilled	7%		25%	5.0%
03069320	Swimming crab, Prepared Other Than Fresh/Chilled	7%		25%	5.0%
03069390	Other Crab, Prepared Other Than Fresh/Chilled	7%		25%	5.0%
03069400	Norway lobsters (Nephrops norvegicus), Prepared Other Than Fresh/Chilled	7%		25%	5.0%
03069510	Cold-water shrimps/prawns, Prepared Other Than Fresh/Chilled	10%		25%	5.0%
03069590	Other Shrimps/Prawns, Prepared Other Than Fresh	10%		25%	5.0%
03069900	Crustaceans Nes, Incl. Edible Flours/Meals/Pellets,	7%		25%	5.0%
04021000	Milk & Cream in Solid Forms, Fat≤1.5%, Concentrated	10%		25%	
04041000	Whey and Modified Whey	2%		25%	
07061000	Carrots & Turnips, Fresh or Chilled	13%		25%	5.0%
07069000	Other Similar Edible Roots, Fresh or Chilled, Excl	13%		25%	5.0%
08025100	Pistachios, In-shell	5%	15%	25%	5.0%
08051000	Oranges, Fresh or Dried	11%	15%	25%	5.0%
08061000	Fresh Grapes	13%	15%	25%	5.0%
08092900	Other Cherries, Fresh	10%	15%	25%	5.0%
10011900	Durum Wheat, Excl. Seed, In-Quota	1%		25%	
10011900	Durum Wheat, Excl. Seed, Out-of-Quota	65%		25%	
10019900	Other Wheat and Maslin, Excl. Seed, In-Quota	1%		25%	
10019900	Other Wheat and Maslin, Excl. Seed, Out-of-Quota	65%		25%	
10059000	Maize Excl. Seed, In-Quota	1%		25%	
10059000	Maize Excl. Seed, Out-of-Quota	65%		25%	
10079000	Grain Sorghum, Excl. Seed	2%		25%	
12019010	Yellow Soybeans, Not for Cultivation	3%		25%	2.5%
12019020	Black Soybeans, Not for Cultivation	3%		25%	
12019030	Green Soybeans, Not for Cultivation	3%			5.0%
12019090	Other soybeans	3%			5.0%
12149000	Other Forage Products, incl swedes and mangolds**	9%		25%	
15071000	Crude Soybean Oil	9%		25%	
17021100	Anhydrous Lactose, Lactose	10%		10%	

	Wt.≥99%				
19011010	Powdered Formulas for Infant Use in Retail Package	5%		25%	
19011090	Preparations for Infant Use in Retail Package Other	2%		10%	
20041000	Prprd/Prsrvd Potatoes, Not by Vinegar, Frozen	5%		10%	
21069020	Compound alcoholic preparations of a kind used for the manufacture of beverages	12%			2.5%
21069030	Royal Jelly Preparations	3%			5.0%
21069040	Coconut Juice	10%		25%	
21069050	Seal Oil Capsules	5%			2.5%
21069090	Food Preparations, Nes	0%		10%	
22072000	Ethyl Alcohol & Other Spirits, Denatured of Any Strength	30%	15%	25%	
23011011	Flours & Meals of Bovine and Sheep Bones, for human consumption	2%			5.0%
23011019	Flours & Meals of Other Meat Bones, for human consumption	2%		10%	
23011020	Greaves	5%			5.0%
23011090	Other Flours, Meals & Pellets, Of Meat/Offal, not for human consumption	5%		10%	
23012090	Flours, Meals & Pellets of Fish/Crustaceans/Aquatic, not for human consumption	5%			
23033000	Brewing or Distilling Dregs & Waste	5%		25%	
24012010	Flue-Cured Tobacco, Partly or Wholly Stemmed/Strip	10%		25%	
24012090	Tobacco, Not Flue-Cured, Partly or Wholly Stemmed/	10%		25%	
33021010	Mixtures of Odoriferous Substances for Drink Industry	15%		25%	
33021090	Mixtures of Odoriferous Substances for Food or Drink	15%		5%	
35022000	Milk Albumin	10%		5%	
35051000	Dextrins & Other Modified Starches	6%		10%	2.5%
41015019	Whole Bovine Hide & Skin, Nes, > 16kg	5%		5%	
41015020	Whole Equine Hide & Skin, Nes, >16Kg	5%			5.0%

44011200	Non-Coniferous Fuel Wood, In Logs/Billets/Twigs	0%		20%	5%
44012100	Coniferous Wood in Chips Or Particles	0%		20%	5%
44012200	Non-Coniferous Wood in Chips Or Particles	0%		25%	
44013100	Wood Pellets	0%		25%	
44013900	Sawdust and Wood Waste and Scrap, Agglomerated In	0%		25%	
44014000	Sawdust and Wood Waste and Scrap, Not Agglomerated	0%		25%	
44029000	Other Wood Charcoal	4%*		25%	
44031100	Coniferous Wood in The Rough, Treated with Paint/S	0%		25%	
44031200	Non-Coniferous Wood in The Rough, Treated with Pai	0%		20%	
44032110	Wood of Korean Pine and Mongolian Scotch Pine, In	0%		25%	
44032130	Wood of Larch, In the Rough, Cross-Sectional Dimension	0%		25%	
44032140	Wood of Douglas Fir, In the Rough, Cross-Sectional	0%		5%	
44032190	Wood of Other Pin, In the Rough, Cross-Sectional D	0%		25%	
44032240	Wood of Douglas Fir, In the Rough, Cross-Sectional	0%		20%	
44032290	Wood of Other Pin, In Rough, Cross-Sectional Dimension	0%		20%	
44032300	Wood of Fir (Abies Spp.) & Spruce (Picea Spp.),	0%		20%	
44032400	Wood of Fir (Abies Spp.) & Spruce (Picea Spp.),	0%		25%	
44032500	Other Coniferous Wood in The Rough, Cross-Sectional	0%		5%	
44032600	Other Coniferous Wood in The Rough, Cross-Sectional	0%		20%	
44039100	Oak (Quercus Spp.) Wood in The Rough, (Excl. Treat**	0%		25%	
44039500	Birch (Betula Spp.) In the Rough, Cross-Sectional	0%		25%	
44039700	Poplar and Aspen (Populus Spp.) In the Rough	0%		25%	
44039800	Eucalyptus (Eucalyptus Spp.) In the Rough	0%		25%	
44039980	Other Temperate Non-Coniferous	0%		25%	

	Wood in The Rough,				
44039990	Non-Coniferous Wood in The Rough, Nes	0%		25%	
44071190	Wood of Other Pine, Sawn Lengthwise, Thick > 6Mm	0%			5%
44071900	Other Coniferous Wood, Sawn Lengthwise, Thick > 6Mm	0%			5%
44072910	Teak Wood, Sawn Lengthwise, Thick > 6Mm	0%		25%	
44072930	Wood of Merbau, Sawn Lengthwise, Thick > 6Mm	0%		25%	
44072990	Tropical Wood, Nes, Sawn Lengthwise, Thick > 6Mm	0%		25%	
44079100	Wood of Oak (Quercus Spp.), Sawn Lengthwise, Thick > 6**	0%		25%	
44079200	Wood of Beech (Fagus Spp.), Sawn Lengthwise, Thick > 6	0%		25%	
44079300	Wood of Maple (Acer Spp.), Sawn Lengthwise, Thick > 6	0%		5%	
44079600	Wood of Birch (Betula Spp.), Sawn Lengthwise, Thick	0%		25%	
44079700	Wood of Poplar and Aspen (Populus Spp.), Sawn Leng	0%		5%	
44079910	Non-Tropical Rosewood, Sawn Lengthwise, Thick > 6Mm	0%		25%	
44079980	Other Temperate Non-Coniferous Wood, Sawn Lengthwise	0%		20%	5%
44079990	Other Non-Coniferous Wood, Sawn Lengthwise, Thick > 6	0%		20%	
52010000	Cotton, Not Carded or Combed, In-Quota	1%		25%	

Notes:

*Tentative tariffs went into force on January 1, 2020 and HS 08119090 refers to frozen avocados only.

**Under previous tariff exclusion announcements, these tariff lines received a tariff exclusion.

However, the exclusion was limited to the specific “Commodity Description” listed in the Chinese announcements. For example, tariff line 12149000 received a tariff exclusion limited to “Other Lucerne (Alfalfa), not including meals and pellets.” This new announcement may allow other products within the broader 12149000 category (“Other Forage Products, incl swedes and mangolds”) to apply for a tariff exclusion as well.

Appendix 3: Guidance from China’s Ministry of Finance on New Exclusion Process

Answers to Questions Regarding the Exclusion Process for Market-based Procurement of U.S. Products Subject to Additional Tariffs

On February 18, the State Council Customs Tariff Commission (hereinafter referred to as the Tariff Commission) issued a notice on carrying out the exclusion process for market-based procurement of U.S. products subject to additional tariffs. The person in charge of the SCCTC office answered the questions concerned.

Question 1: What are the main considerations for the exclusion process for market-based procurement of U.S. products subject to additional tariffs?

A: The *State Council Customs Tariff Commission Notice on Advancing the Exclusion Process for Market-based Procurement of U.S. Products Subject to Additional Tariffs* (Tariff Commission Notice [2020] No. 2) has decided to carry out the exclusion process for market-based procurement of U.S. products subject to additional tariffs, which mainly considers the following two factors:

- The first is focusing on domestic consumption demand. To promote the fair competition of high-quality products from all countries in the Chinese market and increase the imports of U.S. products with high quality and competitive price is to better meet the increasing demands of Chinese consumers.
- The second is expediting the acceptance of exclusion applications from enterprises. Based on the exclusion process that has already been carried out, optimize the exclusion procedures, serve enterprises conveniently, play the role of the market, and support enterprises to independently carry out procurement and imports from the U.S. in accordance with the principles of marketization and commercialization to create conditions for the implementation of the Phase One Economic and Trade Agreement between China and the U.S.

Question 2: What is the main content of the exclusion process for market-based procurement?

A: From March 2, the Tariff Commission will accept enterprises’ exclusion applications through the exclusion declaration system. Enterprises within Chinese territory that intend to sign a contract to purchase and import related products from the U.S. can be the applicants, who shall complete and

submit the application through the exclusion declaration system as required. Based on the information provided, the Tariff Commission will review valid applications one by one, and notify the applicants of the results in a timely manner through the exclusion declaration system. Within one year from the date of approval of the application, the relevant applicants will no longer be imposed with additional tariffs in retaliation for U.S. Section 301 measures for the imports of products within the approved value, while the excess will not be excluded, and the applicant shall be responsible for additional tariffs. The additional tariff imposed before the approval shall not be refunded.

Question 3: What is the difference between the exclusion process for market-based procurement and the exclusion process already implemented?

A: On May 13, 2019, the *State Council Customs Tariff Commission on the Trial Implementation of the Exclusion Process for U.S. Products Subject to Additional Tariffs* (Tariff Commission Notice [2019] No. 2) has decided to carry out the trial implementation of the exclusion process for U.S. products subject to additional tariffs. The exclusion applications for the first and the second batch of U.S. products subject to additional tariffs have been successively accepted. On September 11 and December 19, 2019, the Tariff Commission announced the List 1 and List 2 of the first batch exclusion. For the listed products, regardless of whether the import enterprises have submitted an exclusion application or not, within one year from the date of implementation, there will be no additional tariffs imposed in retaliation for U.S. Section 301 measures. Currently, the first batch of exclusion process for U.S. products subject to additional tariffs has finished. With regard to the second batch of exclusion applications submitted, the Tariff Commission will continue to formulate and announce the exclusion list in due course.

For the products included in the first and second batch of exclusion lists for U.S. products subject to additional tariffs and within the exclusion period, import enterprises do not need to apply for market-based purchase exclusion process, and the tariffs can be excluded in accordance with the regulations, and the collected additional tariffs can be refunded if eligible.

For products that have not been included in the first or second batch of the exclusion lists for U.S. products subject to additional tariffs, or for products that are not within the exclusion period, no matter whether an exclusion application has been submitted before, import enterprises may apply for market-based procurement exclusion in accordance with regulations. In order to expedite the acceptance of exclusion applications, the market-based procurement exclusion application and review procedure have

been further optimized to facilitate most enterprises to purchase and import from the United States based on the principles of marketization and commercialization.

Question 4: What is the scope of products eligible for exclusion applications of market-based procurement?

A: A list of products eligible for exclusion applications has been announced in the attachment of Tariff Commission Notice [2020] No. 2, which includes 696 8-digit tariff lines, covering products in strong demand in Chinese market, such as soybeans, crude oil, timber and other U.S. agricultural products, energy products, and finished products. For such products, exclusion applications can be directly submitted by enterprises. For other products that are not in the list of the Notice and are currently subject to imposed tariffs in retaliation for U.S. Section 301 measures, enterprises can file exclusion applications for such unlisted products.

Imported goods from the United States under the import tariff reduction and exemption policies that have been approved and that will be approved in the future, as well as imported goods through express mail channels, are automatically excluded and exempted from application. There is also no need to apply for products that have already been included in the first or second batch of the exclusion lists for U.S. products subject to additional tariffs and within the valid exclusion period.

Question 5: How do enterprises submit exclusion applications of market-based procurement and what are the requirements for filling out?

A: The enterprises should fill out and submit their application as required via the exclusion declaration system (the website of the Ministry of Finance's Tariff Policy Research Center <https://gszx.mof.gov.cn>). The exclusion declaration system will soon announce specific instructions and operation guidelines and provide means such as online and telephone to answer technical questions. The enterprises should be responsible for the truthfulness of the information submitted. The Tariff Commission will conduct in-process and post-supervision of market-based procurement exclusions based on the information provided by enterprises and the actual import declarations. If false information is found after verification, the relevant enterprise's application for this exclusion and application for subsequent batches of market-based procurements will not be considered. The information submitted by the

enterprise will only be used for exclusion work of additional tariffs on U.S. goods. It will not be disclosed to third parties without the consent of the enterprise.

Question 6: What are the main procedures for exclusion applications of market-based procurement, and what are the considerations?

A: The main procedures for exclusion applications of market-based procurement are as follows. First, the applicant should completely fill out the exclusion application information such as the tariff lines and the value of the purchase plan as required; after approval, upload the transaction information in time. Second, the applicant should submit a self-declaration and receive the exclusion number through the exclusion declaration system based on the information to be declared before the import declaration. Third, during the import declaration, the applicant should fill out the exclusion number on the declaration form and go through the declaration process in accordance with the customs regulations.

Among them, the exclusion application will be set in the procurement plan, which is mainly to facilitate enterprises to clarify policy expectations and carry out procurement and imports in accordance with market-based principles. After the monthly submission of the procurement plan by the applicant and the approval of the submission, it is necessary to upload the corresponding transaction information in time in the same month; if the actual transaction is lower than the procurement plan, the unfulfilled portion will automatically expire at the end of the month, and the products that have actually been traded will be excluded accordingly; if the actual transaction exceeds the procurement plan, the enterprise will need to add an exclusion application within the prescribed time and exclusion will be implemented after approval.

Attachments:

No Attachments.