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China, Peoples Republic of

Agricultural Situation

Value Added Tax Rebate Eliminated for Vegetable Oil Exports

2008

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Report Highlights:

On June 3, 2008, China's Ministry of Finance (MOF) announced that, effective June 13, 2008, the Value Added Tax (VAT) rebate for exports of some vegetable oils will be eliminated. This is a follow-up to the reduction of import tariff for similar food items announced in May 2008. All these adjustments are aimed at containing the persistent food price inflation recorded in 2008. This report provides an UNOFFICIAL translation for reference purposes only.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Beijing [CH1]
[CH]

Executive Summary

On June 3, 2008, China's Ministry of Finance (MOF), in collaboration with China's State Taxation Administration, announced that, effective June 13, 2008, the rebate of Value Added Tax (VAT) for exports of vegetable oils will be eliminated. On May 28, 2008, MOF announced a tentative reduction to import tariffs for six commodities including some vegetable oils (GAIN CH8040) effective between June 1 and September 30, 2008.

The elimination of the VAT rebate on vegetable oil exports and lowering import tariffs on food items such as infant food and olive oil (China is not a major producer of either product) is intended to help satisfy increasing domestic consumer demand without putting a strain on the availability of supplies. It is also aimed at curbing the high CPI index, which grew 8.5 percent in April and averaged at 8.2 percent growth for the first four months of 2008. According to China's National Statistics Bureau, prices for food, including vegetable oils, increased 22.1 percent as compared to the previous year.

China's vegetable oil exports remained small (about 100,000 MT in 2007) compared to the estimated 24 MMT consumption. The elimination of the VAT rebate is expected to further reduce vegetable oil exports. Its impact on soybean imports is expected to be insignificant. However, it may slightly reduce vegetable oil (soybean oil and palm oil) imports.

China's exports of vegetable oils from 2004 to 2007 (in volume, metric tons)

Year	2004	2005	2006	2007
Soy oil	19,428	63,044	117,682	65,696
Rapeseed oil	5,455	30,637	144,763	21,692
Peanut oil	14,201	20,239	12,961	10,288
Cotton seed oil	365	1,015	2,339	2,976
Sunflower seed oil	14	1,122	283	59
Total	39,463	116,056	278,029	100,711

Source: World Trade Atlas

BEGIN UNOFFICIAL TRANSLATION:

Notice of the Ministry of Finance and State Taxation Administration on Elimination of VAT rebate for Vegetable Oil Exports.

CaiShui (2008) No.77

To: Finance Bureaus of All Provinces and Municipalities

Approved by the State Council, effective on June 13, 2008, the VAT rebate for export of some vegetable oils will be eliminated. See the appendix for the specific commodity descriptions and HS codes. The specific effective date will be based on the export date endorsed by the Customs Administration on the form of "Export Goods Customs Declearance Form-for Export Rebate".

Ministry of Finance (stamp)
State Taxation Administration (Stamp)
June 3, 2008-06-06

Appendix

HS#	Description	MFN %	CP %	Gen %	VAT %	VAT rebate %	Unit
15071000	- Crude oil whether or not degummed	9		190	13	0*	Kg
15079000	- Other	9		190	13	0*	kg
1508	Ground-nut oil and its fractions, whether or not refined, but not chemically modified:						
15081000	- Crude oil	10		100	13	0*	kg
15089000	- Other	10		100	13	0*	kg
1509	Olive oil and its fractions, whether or not refined, but not chemically modified:						
15091000	- Virgin	10		30	13	0	kg
15099000	- Other	10		30	17	0	kg
1510	Other oils and their fractions, obtained solely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions of heading 15.09:						
15100000	Other oils and their fractions, obtained solely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions of heading 15.09	10		30	17	0	kg
1511	Palm oil and its fractions, whether or not refined, but not chemically modified:						
15111000	- Crude oil	9		60	13	0	kg
	- Other						
15119010	---Liquid palm oil (melting point 19 °C to 24°C)	9		60	13	0	kg
15119020	---Stearin (melting point 44 °C to 56°C)	8		60	13	0	kg
15119090	---Other	9		60	17	0	kg
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified:						
	- Sunflower-seed or safflower oil and fractions thereof:						
15121100	-- Crude oil	9		160	13		kg
15121900	-- Other	9		160	17		kg
	- Cottonseed oil and its fractions:						
15122100	-- Crude oil, whether or not gossypol has been removed	10		70	13	0*	kg
15122900	-- Other	10		70	17	0*	kg
1513	Coconut (copra), palm kernel or babassu oil and fractions						

HS#	Description	MFN %	CP %	Gen %	VAT %	VAT rebate %	Unit
	thereof, whether or not refined, but not chemically modified:						
	- Coconut (copra) oil and its fractions:						
15131100	-- Crude oil	9		40	13	0*	kg
15131900	-- Other	9		40	13	0*	kg
	- Palm kernel or babassu oil and fractions thereof:						
15132100	-- Crude oil	9		40	13	0*	kg
15132900	-- Other	10		40	13	0*	kg
1514	Rape, colza or mustard oil and fractions thereof, whether or not refined, but not chemically modified:						
	- Low erucic acid rape or colza oil and its fractions:						
15141100	--Crude oil	9		170	13	0*	kg
15141900	--Other	9		170	13	0*	kg
	-Other						
	--Crude oil						
15149110	---Rape colza oil	9		170	13	0*	kg
15149190	---Mustard oil	9		170	13	0*	kg
15149900	--Other	9		170	17	0*	kg
1515	Other fixed vegetable fats and oils (including jojoba oil) and fractions thereof, whether or not refined, but not chemically modified:						
	-Linseed oil and its fractions:						
15151100	-- Crude oil	15		30	13	0*	kg
15151900	-- Other	15		30	17	0*	kg
	- Maize (corn) oil and its fractions:						
15152100	-- Crude oil	10		160	13	0*	kg
15152900	-- Other	10		160	17	0*	kg
15155000	- Sesame oil and its fractions	12		20	13	0*	kg
	- Other						
15159090	---Other	20		70	17	0*	kg
1516	Animal or vegetable fats and oil and fractions thereof, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinized, whether or not refined, but not further prepared:						
15162000	- Vegetable fats and oils and fractions thereof	25		70	17	0*	kg
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other						

HS#	Description	MFN %	CP %	Gen %	VAT %	VAT rebate %	Unit
	than edible fats or oils or their fractions of heading 15.16:						
15171000	- Margarine, excluding liquid margarine	30		80	17	0*	kg
15179000	- Other	25		70		0*	kg
1517900090	Edible mixtures or preparations of vegetable fats or oil or of fractions	25		70	13	0*	kg

End of translation

Note: *Newly eliminated VAT rebate (VAT rebate ranged from 11 to 13 percent).