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# China Cancels Export Tax Rebate on Steel Products

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## TAKEAWAYS

Notice No. 16 lists 146 steel products subject to the cancellation of export tax rebates.

Notice No. 16 does not provide any transition period or other options that may lessen the impact on exporters in China.

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On April 28, 2021, China's Ministry of Finance (MoF) and the State Administration of Taxation (SAT) issued a short notice (Notice No. 16) on their official websites to cancel VAT rebates on the exports of certain steel products starting May 1, 2021.

A list of 146 steel products subject to the cancellation of export tax rebates is attached to Notice No. 16, which includes pig iron, seamless and ERW pipes (all sizes), hollow sections, wire rods, rebar, PPGI/PPGL coils and sheets, CRS, HRC, HRS and plates in carbon, alloy/SS, SS/alloy bars and rods, round/square bars/wires, structural and flat products, steel sheet piles, railway materials, and articles of cast iron.

Notice No. 16 does not provide any transition period or other options that may lessen the impact on exporters in China. The VAT rebates on these products were made available by MoF and SAT in a notice dated March 17, 2020, which increased the export VAT rebates of 1,084 products to a rate of 13 percent to relax financial burdens faced by exporters due to the breakout of COVID-19 in early 2020. The 13 percent VAT rebates of 146 steel products will no longer apply starting on May 1, 2021.

At the same time of the cancellation of the VAT rebates, MoF issued a separate notice to abolish the import duty on pig iron, DRI, ferrous scrap, ferrochrome, MS carbon and SS billets (which is now zero), going into effect starting May 1, 2021.

According to a statement by the Customs Tariff Commission under the MoF and the interpretation by certain analysts, the export VAT rebates and import duty adjustments aim at reducing steel production volume in China since China is committed to reducing carbon emission from steel plants significantly in the coming years. The cancellation of export tax rebates would prompt and encourage Chinese steel manufacturers to turn to the domestic market and reduce domestic crude steel production for export. Furthermore, the new adjustments aim to reduce import costs and expand imports of steel resources.

Based on our no-names-basis telephone consultation with the local tax authorities in certain municipalities regarding the implementation of Notice No. 16, at this stage, there are no policies or implementing rules regarding any exemptions for the cancellation of export tax rebates under Notice No. 16.

At the same time, China raised the export duty on high-silicon steel, ferrochrome and foundry pig iron to 25 percent, 20 percent and 15 percent respectively, from 20 percent, 15 percent and 10 percent. Our clients who import steel products from China are likely to face a cost increase since Chinese exporters may add the cost of VAT into their offers and require overseas buyers to bear such costs.

Pillsbury will keep a close eye on any new developments related to this change and update as needed.

TAGS

China