



Attachment

4.1 Imported Materials

In some cases, you may need materials or components made by suppliers in Europe, the United States, Japan or Korea, to be delivered to your Chinese manufacturer for further processing. This attachment explains how to coordinate this with your supplier.

Step 1: Material supplier issues invoice

The materials supplier invoice is normally paid by the buyer, not the supplier in China. Hence, you shall ask the material supplier for an invoice with the following information:

- Your company name
- Tax ID / VAT number
- Your address
- Country
- Product information
- Quantity
- Shipping cost

You shall then wire the money directly to the non-China based materials supplier, which will then start processing the delivery to your factory in China.

The goods can generally be shipped directly from the material supplier to the Chinese supplier - without being sent to your location.

Step 2: Material shipment to China

The overseas material suppliers shall book the shipment via a local forwarder, directly to your supplier in China. The supplier must be specified as the consignee. Hence, you need the following information:

- Chinese company name
- English company name
- Business license number
- Company address
- Delivery address
- Country
- Phone number
- Contact person
- Delivery terms (i.e., CIF or DAP terms)

Instruct the material supplier to also ensure that the correct customs value is declared:

- Product cost
- China import duties
- Shipping cost

Notice: For small material shipments (below 100 kgs), we recommend that the goods are delivered by air courier (i.e., DHL or FedEx).

Step 3: China customs clearance

Once the shipment of the material arrive in China, the goods will be subject to customs clearance - a process that normally takes 7 - 10 days. Your supplier shall handle this process directly with the China customs authorities.

Notice: Your Chinese supplier may need a customs clearance agent to receive the goods. Notice that you will also need to cover their charges.

Cost Example

As you can see in the example below, the administrative charges often exceed the import duties. Importing small material shipments to China is generally very expensive.

- Customs Value: \$1600 (Material cost + shipping cost)
- Import Duty: $\$1600 \times 8\% = \128
- Airport charges: 1400 RMB (\$210)
- China customs admin fee: 2000 RMB (\$300)
- **Total:** $\$128 + \$210 + \$300 = \638

Step 4: Re-exporting the finished product

Once processed into the final product, you must ensure that the value of the imported materials is included in the customs value. See **Module 5 and 6** for more information about customs value calculations.

Notice: You cannot deduct any import duties, fees or other taxes paid in China when the final product is imported to your country. Hence, all taxes and administrative fees paid in China must be added to the customs value.