

OCTOBER 15, 2013

### **VAT ON CHINA FREIGHT CHARGES**

New rules have been issued by the Ministry of Finance and State Administration of Tax in their Cai Shui no.37 (Circular 37) regarding application of VAT to ocean transport services. The majority of carriers have confirmed that they will start to debit 6 % VAT on all charges payable in China. In order to avoid the payment of VAT, the ocean rate should be payable at destination.

There is a great deal of uncertainty about the application of the new rules and carriers are seeking clarification with Ministry of Finance and State Administration of Tax. We understand that until the carriers receive clarification of the rules and their application to ocean shipping, existing invoicing arrangements will remain unchanged.

As is often the case with changes to regulations in China there will be some contradictory statements and we cannot make a definitive statement how this will be implemented at this time.

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