



CHINA: Duty Exemption for Warranty Replacement Parts

Were you aware China honors a duty and VAT exemption for the import of replacement parts still under warranty? Here is the scenario: Chinese consignees, or end users, need a replacement part for a machine that is within the warranty period. To properly utilize these exemptions the Chinese consignee will need to contact their local Inspection and Quarantine Bureau (branch AQSIQ) and document the damaged part. You will then need to present the following documents to China Customs when importing the replacement part:

- Copy of the customs declaration of the original damaged part
- Documentation from the local inspection and quarantine bureau verifying the damages occurred within the warranty period
- Copy of the warranty contract

Problems claiming duty and VAT exemption are commonplace due to misunderstandings or incorrect handling of various formalities. In some cases, Chinese consignees are not willing to spend the time necessary for such duty and VAT exemption when the contract assigns the duty and VAT cost to the foreign exporter. In other cases, consignees neglect to make proper declarations to the local Inspection and Quarantine Bureaus documenting part damage and providing evidence of the warranty coverage.

We encourage you to work closely with the importer and China customs broker to communicate with China Customs officials at the intended port of entry in advance of importation.