

## Issues relating to Revision of Interest Rates for Levying and Collection of Deferred Tax on Domestic Sale of Processing Trade Commodities

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General Administration of Customs, Ministry of Finance, Ministry of Commerce, People's Bank of China, State Administration of Taxation

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For the purposes of standardising administration of processing trade further and creating a market environment for fair competition between enterprises, with the approval of the State Council, public announcement on issues relating to revision of interest rates for levying and collection of deferred tax on domestic sale of processing trade commodities is hereby given as follows:

### 1. Interest rates for interest on deferred tax

Reference shall be made to the annual interest rate for short-term loans of six months to one year published by the People's Bank of China (hereinafter referred to as the "annual interest rate for short-term loans"), for the revision of applicable interest rates for interest on deferred tax levied and collected for domestic sale of bonded processing trade goods. Reference shall be made to the latest "annual interest rate for short-term loans" of 6.12% published by the People's Bank of China, for the prevailing interest rates for deferred tax. Henceforth, the General Administration of Customs shall revise the interest rate for deferred tax at the appropriate timings with reference to the "annual interest rate for short-term loans" published by the People's Bank of China, and such revision shall be implemented upon public announcement.

Where an expiring contract is not granted extension and is deemed as a domestic sale due to a revision in processing trade policy, interest on deferred tax shall be levied and collected pursuant to the interest rate for current deposits published by the People's Bank of China, in the year preceding the issued Customs duties payment notice; for tax levies on domestic sale of bonded processing trade goods that are expired but not cancelled in the manual, the levying and collection of interest on deferred tax shall be pursuant to the provisions of the preceding paragraph.

### 2. Levying and collection of interest on deferred tax and method of calculation

Interest on deferred tax on processing trade shall be levied and collected on a daily basis pursuant to the latest interest rate for deferred tax published by the General Administration of Customs on the date of issue of the Customs duties payment notice. The method for calculating interest on deferred tax is as follows:

Interest on deferred tax to be levied = Tax amount to be levied × calculation

period × interest rate for deferred tax ÷ 360

The specific measures for levying and collection of interest on deferred tax on domestic sale of bonded processing trade goods shall be formulated by the General Administration of Customs separately.

This public announcement shall be effective 10 October 2006.

Notice is hereby given.