

## **Implementation of Reform of Trade Taxes in CAREC Countries—Review of Progress**

### **1. Reducing tariffs and other trade taxes in countries where the cumulative average rate is high, with the aim of bringing the simple average tariff below 10 percent.**

**AFG:** The simple average rate is 5.6%.

**AZE:** Currently the cumulative average rate is 9.9 percent.

**KAZ:** The arithmetic mean value of customs tariff, set by the Government Resolution No. 1317 of December 28, 2007, is 6.6 percent (previously it was 7.2 percent)

**KGZ:** The average rate of customs tariff for 2008 was 5.0 percent

**MON:** The cumulative average rate is moderate, at less than 10 percent.

**PRC:** Since January 1<sup>st</sup>, 2008, China has basically fulfilled its commitments of tariff reduction for WTO entry, with the overall level of tariff rates down to 9.8%; of which, the average tax rate of agricultural products was 15.2% and that of industrial products was 8.92%.

**TAJ:** The average rate of customs tariff is 7.75 percent.

**UZB:** The simple average rate is 14.8 percent.

### **2. Reducing the maximum and high tariff rates, with the maximum rate limited to 20 percent.**

**AFG:** The high tariff rates are 40% for soft drinks and 25% for high cylinder capacity vehicles. Afghanistan is committed to reducing these rates at 20 percent as soon as the VAT and the excise duties are implemented.

**AZE:** The maximum tariff rate applied is 15 percent.

**KAZ:** (i) The import customs tariff of Kazakhstan includes 10852 commodity sub items. Of these, 97 percent (10474 items) of customs duties are in the band from 0 to 20 percent; and (ii) Maximum rates of customs duties (from 25 percent and higher) were set for 216 items, which is only 2 percent of the total number of goods. They represent goods that are sensitive for Kazakhstan, and that need high tariff protection.

**KGZ:** Customs duties at 20 percent rate make up 0.06 percent and consist of 138 commodity items. The customs duty at 30 percent rate is applied to only one commodity item—sugar.

**MON:** There is no need for Mongolia to reduce tariff rates, since they are now below 20 percent.

**PRC:** There are less than 500 products with an 8-digit tax line with tariff rates higher than 20% in 2008, compared to 2000 products in 2001, with their share down to 6.25% of the total tariff line (7758). High-tariff rates products are mainly agricultural products, automobiles, and other high-end electromechanical products relating to the national economy and the people's livelihood which needs emphasized protection. These products are also sensitive products generally protected in some developed countries.

**TAJ:** The current customs tariff of the Republic of Tajikistan, has four different rates of import duties (2 percent, 5 percent, 10 percent and 15 percent).

**UZB:** The maximum customs tariff is 30 percent. There are no plans to reduce this rate.

### **3. Cutting the number of non-zero tariff bands to around three.**

**AFG:** Currently there are 12 bands, but Afghanistan is committed to implement the recommendation as soon as possible; considering for example: 0, 5, 10 15 and 20 percents with an estimated simple average rate around 8 and 9 percent.

**AZE:** There are 6 non-zero tariff bands (0,5%; 1%; 3%; 5%; 10%; 15%).

**KAZ:**

**KGZ:** The adopted Law on Customs Tariff for 2008 has 6 non-zero rate tariff bands: 5, 10, 12, 15, 20, and 30 percent.

**MON:** The import tariff rate is 5 percent on average. The export tariff rate is zero for all but 5 types of goods.

**PRC:** [waiting for response]

**TAJ:** Currently, as part of the process of negotiations for joining the WTO, this issue is being considered by a two-level working group.

**UZB:** There are three tiers of non-zero tariff bands: 5 percent, 10 percent; and 30 percent.

#### **4. Eliminating specific and combined tariffs by shifting to an ad valorem methodology.**

**AFG:** The ad valorem methodology is applied. There are no specific or combined tariff rates.

**AZE:** The tariff schedule includes 10130 tariff lines, of which 259 of them are specific. There are no combined tariffs in this schedule.

**KAZ:** For the overwhelming majority of items (9395 items, or 86.6 percent) ad valorem customs duties are in effect. For 1295 items (11.9 percent) combined rates of customs duties are in effect, and for 162 items (1.5 percent) specific rates are applied.

**KGZ:** Customs duties at specific rates make up 0.1 percent and consist of 11 commodity items. Customs duties at combined rates make up 1.3 percent and consist of 143 commodity items.

**MON:** In 2007, as part of implementation of the Kyoto Convention, Mongolia passed a new customs tariff law

**PRC:** China levies specific duties on 46 products, such as frozen chicken and beer and compound duties on 9 products, such as video tape recorder and video camera. Non-ad valorem duty items account for less than 1% of PRC's tariff line, of which, the 6-digit tariff line items such as beer, crude oil, integrated video tape recorder, video camera and digital camera enjoy a most-favored-nation tariff rate of zero. At the same time, China implemented a tariff quota management for 7 kinds of agricultural products, such as wheat and corn, and for 3 kinds of fertilizers, including urea. Since 2001, China has canceled the quota management for 6 kinds of products such as wheat, soybean, and edible vegetable oil to implement a single tariff rate. In addition, China now levies an optional duty on natural rubber and a sliding duty on imported cotton out of duty quota. These particular forms of duty aim to enforce the macro regulations, stabilize domestic markets, and balance the interest of all parties, and have achieved outstanding results in recent years.

**TAJ:** Currently as part of the process of negotiations for joining the WTO this issue is also at the stage of consideration.

**UZB:** For 85 percent of items ad-valorem and for 15 percent of items compound customs duty rates are in effect. There are no specific rates applied.

#### **5. Removing exemptions and abstaining from granting them in the future.**

**AFG:** We cannot commit to remove exemptions or abstain from granting them in the future as most of them are provided through International or Bilateral Conventions or Agreements.

**AZE:** Imports of a number of goods are exempted from VAT. These exemptions are on a MFN basis and have no discriminatory character.

**KAZ:**

**KGZ:**

**MON:** Relevant measures are being implemented under the new customs tariff law.

**PRC:** Removing exemptions and abstentions are tax preferences, which are commonly used adjusting instruments. A timely and proper import tax preference policy is an important tool for China to carry out macro regulation. In recent years, while following WTO rules, China implemented and adjusted its import exemption preference policy. This played an important regulating role in encouraging innovative practice, supporting enterprises' technical progress, adjusting economic performance, ensuring steady domestic market, supporting agricultural development, and promoting a socialistic harmonious society and new village building. Along with the continuous development of foreign trade in China, the import tax preference policy will play a more important role.

**TAJ:** (i) Exemptions from duties and payments are used only for the building of important state facilities, among which is the construction of hydroelectric power plants, roads, hotels and other facilities, based on decisions by the Government; and (ii) exemptions from the payment of customs duties for individual types of goods are governed by article 345 of the Republic of Tajikistan Tax Code, and exemptions from taxes by article 211 of the Tax Code.

**UZB:** Technical equipment and spare parts imported for priority projects included in the investment and localization programs are exempt from custom duties and VAT. Also, exemptions are provided through Agreement on Free Zone and Bilateral Agreements.

## **6. Applying taxes (VAT and excise) uniformly to imported and domestically produced goods.**

**AFG:** VAT or excise duties are not applicable or charged at the moment.

**AZE:** VAT is 18 % and equal for domestic and imported goods. The excises for imported and domestic goods currently are different, but as part of the action plan of bringing the legislation into conformity with WTO requirements it is planned to uniform the rates.

**KAZ:** Within the framework of the negotiation process for the accession to WTO, the Government is working on a gradual unification of excise rates for domestically produced and imported goods.

**KGZ:** VAT and excise taxes are applied uniformly domestically produced and imported goods.

**MON:** VAT and excise taxes are applied uniformly domestically produced and imported goods.

**PRC:** VAT and excise taxes are applied uniformly domestically produced and imported goods.

**TAJ:** Currently, the rate of value-added tax is 20 percent of taxable turnover, excluding exports, and (or) 20 percent of taxable imports (article 224 of the Republic of Tajikistan Tax Code).

**UZB:** VAT of 20 percent is applied for domestically produced and imported goods and services (excluding some goods and services that are exempt from VAT in accordance with Articles 208-211 of the Tax Code). Excises are applied at differential rates to imported and domestically produced goods.

## **7. Consolidation of other duties and charges on imports into a unified rate.**

**AFG:** It is only 2%.

**AZE:** There are no application of other duties and charges.

**KAZ:** Kazakhstan does not apply duties and charges on imports except for the current import customs duties and charges for services provided. Thus, in accordance with article 290 of the Customs Code, the following customs payments apply: 1) customs duties; 2) customs charges; 3) charges for issuance of licenses; 4) fees for a provisional decision regarding classification, the method for determining the country of origin, and the customs value of the good.

**KGZ:** At present there are no plans for consolidating taxes, fees, and charges into a single rate.

**MON:** Mongolia also applies a single rate for taxes, fees, and charges on imports.

**PRC:** In addition to customs duties and import-related taxes, many countries usually collect some fees in the inspection, quarantine and other aspects of the customs clearance process. Both in policy design and operation, it is very hard to consolidate taxes, fees and charges to a single tax rate.

**TAJ:** Previously it has been pointed out that a number of important issues need to be specified, including types of charges and other payments on imports because the implementation of some types of charges does not contravene the WTO Agreement if they are limited in their amount to the approximate value of services provided. In the long run it is possible to consolidate these charges in a single equivalent rate or transform them into a part of tariffs.

**UZB:** At present there are no plans for consolidating taxes, fees, and charges into a single rate.