

25th July, 2013

IMPORTANT NOTICE TO ALL CUSTOMERS

China Value Added Tax (VAT) Introduction

Dear All

Kindly note the Chinese government will introduce a new export tax for all shipments departing on, or after, the 1st of August.

In accordance with the new circular 37 (Cai Shui [2013] No. 37) on "Tax Policy of VAT Pilot Program on Transportation & Modern Services Sectors", issued jointly by the Ministry of Finance (MOF) and the State Administration of Taxation (SAT) of the People's Republic of China on 24th May 2013, the related VAT tax policy will be expanded nationwide with effect from 1 August 2013, having a direct impact on the taxation of invoices for export and import related services.

In compliance with the above mentioned policy, an additional 6% Value Added Tax (VAT) will be levied on top of the Freight and Origin charges payable at China starting from 1 August 2013, based on the issuance date of the VAT invoice.

The Tax of 6% will apply to the Ocean Freight charges if the Ocean Freight is prepaid in China.

In order to avoid the charge on Freight, ADM Global recommends prepaid shipments are converted to FOB with effect from vessel departures on 25th July 2013.

Importers should be aware that even though the 6% surcharge will be paid by your suppliers, it is likely your suppliers will look to pass on this Tax as part of the cost of goods.

In addition to the above, where terms of purchase are FOB or ExWorks, all Origin charges will also incur a 6% surcharge.

Should you have any questions please do not hesitate to contact your account representative.

Yours faithfully,
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