PLATINUM PERSPECTIVES

The removal of VAT exemptions on platinum imports will increase the cost of platinum in China

Edward Sterck
Director of Research
+44 203 696 8786
esterck@platinuminvestment.com

Wade Napier
Analyst
+44 203 696 8774
wnapier@platinuminvestment.com

Kaitlin Fitzpatrick-Spacey
Associate Analyst
+44 203 696 8771
kfitzpatrick@platinuminvestment.com

Brendan Clifford
Head of Institutional Distribution
+44 203 696 8778
bclifford@platinuminvestment.com

World Platinum Investment Council
www.platinuminvestment.com
166 Piccadilly,
London, W1J 9EF

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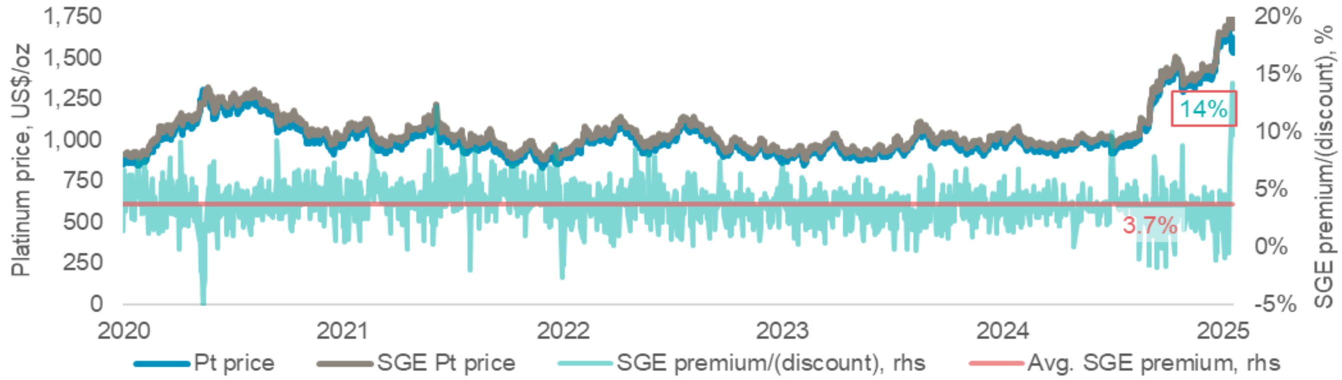
China's Ministry of Finance, the General Administration of Customs, and the State Taxation Administration, has announced amendments to Value-Added Tax (VAT) policies for wind power and other industries. Housed within other industries includes the cancellation of the 13% VAT exemption on platinum and platinum products at the import stage from 1 November 2025. Cancelling platinum imports' VAT exemption will put upward pressure on Shanghai Gold Exchange (SGE) platinum quotes. This may be partially offset by a reduction or full removal of the ~3% fee levied on SGE sales; however, Chinese platinum demand has historically been price sensitive and is likely to soften on higher costs.

China's tax reforms are part of a broader initiative (not specifically targeting platinum) to realign tax in sector/technologies which are mature such as onshore wind and nuclear power. There are muted discussions on realigning VAT exemptions on gold. Since 2003, Chinese platinum imports have had a VAT exemption which allowed for instant VAT refunds for platinum purchased on the SGE. In response to proposed tax changes, the SGE's platinum price premium to international prices has increased to 14%, versus an historic average premium of ~3% (Fig. 1). Ahead of the 1 Nov 2025 tax change, we expect Chinese platinum imports could surge to avoid paying the additional tax. Exporters may similarly front load shipments to China. Higher interim demand will push up the SGE premium. Beyond 1 Nov 2025, cancelling tax incentives will increase effective import costs for platinum, potentially dampening short-term demand in China's price sensitive market.

Fig 1. SGE platinum price will likely increase from the average of 3.7% above international spot to closer to 13%



Source: Bloomberg, WPIC research, data to 21/10/2025

Over the past three-years, China accounted for around 31% of global platinum demand (Fig. 2). Given its scale, any downgrading of Chinese platinum demand could weigh on international prices. Investment demand has supported robust Chinese platinum demand growth since 2022 (Fig. 3), and this may help mitigate some of the cost pressures from removing VAT relief. Applying VAT on SGE sales will align primary markets with the tax treatment on secondary OTC sales (Fig. 4: worked example). Accordingly, parity between recycling and imports should allow Chinese recycling volumes, which accounts for 3.5% of global supply (Fig. 5), to increase.

The cancellation of tax exemptions for platinum and platinum product imports will increase platinum purchase costs and widen the SGE premium to international prices.

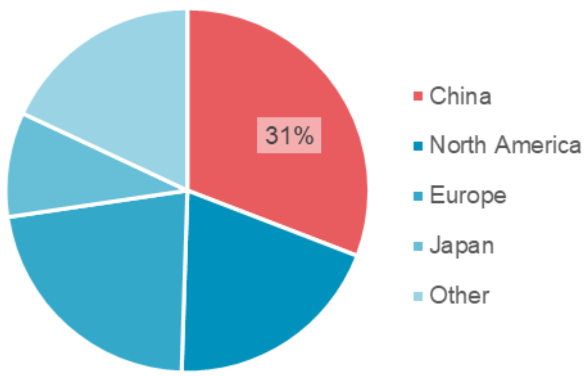
Chinese platinum recycling could increase with the alignment of VAT treatment between SGE sales and OTC sales.

Beyond fundamentals, policy changes may result in the ~3% levy currently on SGE sales receding since primary sales are no longer VAT advantaged relative to secondary sales. Two-way trade could emerge if the SGE begins accepting delivery of platinum from other sellers under 13% VAT as opposed to only selling metal imports from Chinese Platinum Company (CPC). This removal may increase Chinese imports (Fig. 6) and improve liquidity which the GFEX has argued would support its upcoming platinum futures contracts listings. Two-way SGE trade, OTC parity and the listing of futures should help liquidity and lower buyback discounts, further enhancing market efficiencies.

Platinum's attraction as an investment asset arises from:

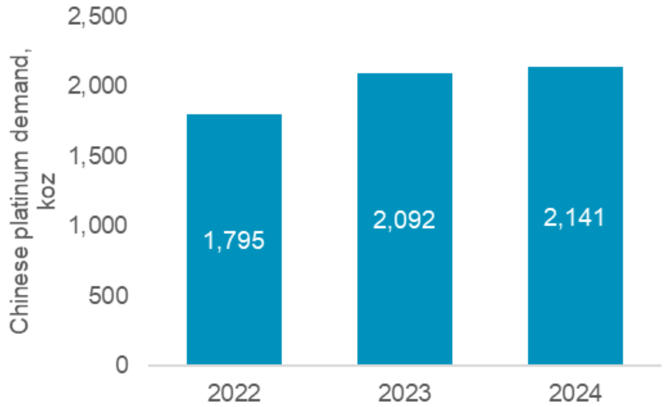
- WPIC research indicates that the platinum market entered a period of consecutive supply deficits from 2023 and these are expected to fully deplete above ground stocks by 2029f
- Platinum supply remains challenged, both in terms of primary mining and secondary recycling supply
- ICE vehicle demand will have a long-tail which will support PGM demand well beyond the 2030s
- Elevated lease rates and OTC London backwardation highlight tight market conditions
- The platinum price remains significantly below the price of gold

Figure 2: China has accounted for an average of 31% of platinum demand from 2022 to 2024



Source: Metals Focus, WPIC research

Figure 3: China's platinum demand has increased by 19% from 2022 to 2024 underpinned by strong physical bar and coin investment demand growth



Source: Metals Focus, WPIC research

Figure 4: Revised tax policies are expected to increase the cost of platinum sold via the SGE and align it to the OTC market.

Imports (incl. SGE sales)

		Current policy Tax-ememption
Import stage		
Illustrative price	US$/oz	1,500
VAT credit (13%)	*US$/oz*	195
Sales stage		
Price + 3% (incl. VAT)	US$/oz	**1,545**
Price (excl. VAT)	*US$/oz*	*1,367*
VAT	*US$/oz*	*178*
VAT calc & refund		
Output VAT	*US$/oz*	*178*
Input VAT	*US$/oz*	*-195*
CPC tax charge	US$/oz	-17
CPC gross (3%)	US$/oz	45
CPC after tax	US$/oz	28

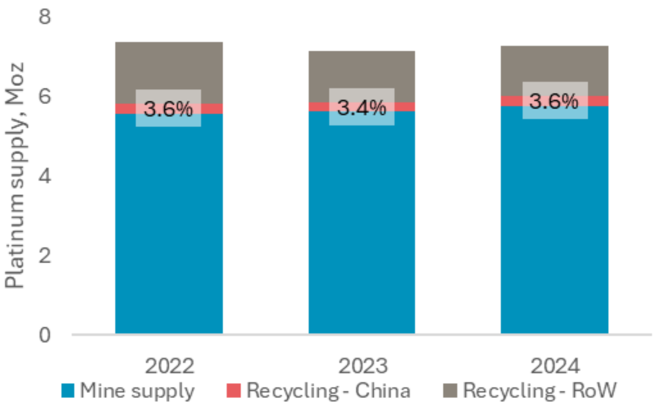
		Revised policy No tax-exemption
Import stage		
Illustrative price	US$/oz	1,500
VAT payable (13%)	*US$/oz*	195
Sales stage		
Price (incl. VAT)	US$/oz	**1,695**
Price (excl. VAT)	*US$/oz*	*1,500*
VAT	*US$/oz*	*195*
VAT calc & refund		
Output VAT	*US$/oz*	*195*
Input VAT	*US$/oz*	*-195*
CPC tax charge	US$/oz	0

OTC market

	No tax-exemption
Purchase stage	
Illustrative price	1,500
VAT payable (13%)	195
Sales stage	
Price (incl. VAT)	**1,695**
Price (excl. VAT)	*1,500*
VAT	*195*
VAT calc & refund	
Output VAT	*195*
Input VAT	*-195*
	0

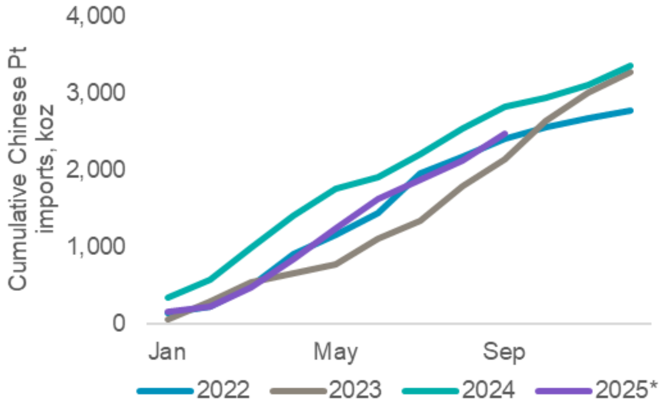
Source: WPIC research

Figure 5: Chinese recycling supply could benefit from the alignment of VAT policies which impact primary sales from SGE or secondary OTC platinum sales



Source: Metals Focus, WPIC research

Figure 6: Chinese platinum imports are down 12.5% YTD, but an opening up of SGE sales could stimulate more competition and possibility more imports



*Source: Bloomberg, WPIC research, *YTD to September 2025*

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