

# China Tax Alert

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## Pilot implementation of registration process for importation of non-special cosmetics in Pudong New Area of Shanghai

### Regulations discussed in this issue:

- Notice concerning the pilot implementation of registration process for importation of non-special cosmetics in Pudong New Area of Shanghai (Circular No.7, 2017) of the China Food and Drug Administration and the General Administration of Quality Supervision, Inspection and Quarantine, effective from 1 March 2017
- Procedures for the registration process for importation of non-special cosmetics in Pudong New Area of Shanghai (Provisional)(Circular No.10, 2017) of the China Food and Drug Administration and the General Administration of Quality Supervision, Inspection and Quarantine, effective from 17 January 2017

### Background

The China State Council announced to adjust administrative approval procedures through publishing Guo Fa [2016] No. 24 on 19 April 2016. In the circular, it calls for a stop to the administrative approval process for non-special cosmetics imported for the first time. Guo Fa [2016] No. 24 was announced to be effective till 21 December 2018.

On 10 January 2017, a notice regarding the pilot implementation of registration process for importation of non-special cosmetics in the Pudong New Area of Shanghai (hereafter referred to as "Circular No.7") was issued by the China Food and Drug Administration, together with the General Administration of Quality Supervision, Inspection and Quarantine.

In succession, the two departments jointly issued another official document– Procedures for the registration process for importation of non-special cosmetics in Pudong New Area of Shanghai (Provisional) (hereafter referred to as "Procedures"), which details the specific operating methods and information requirements relevant to the registration process.

Both "Circular No.7" and the "Procedures" are announced to be implemented from 1 March 2017, and would be effective till 21 December 2018.

### Main contents

"Circular No.7" clarifies that:

- From 1 March 2017 to 21 December 2018, a registration process shall be implemented (in place of the administrative approval process) for non-special cosmetics imported to ports in the Pudong New Area of Shanghai (the registered address of the responsible Chinese legal entity) for the first time. Cosmetics-import enterprises and their domestic responsible person (a party responsible for the importation and operation of the cosmetics and liable for products' quality and safety) shall handle registration process for non-special cosmetics before the importation.

- The registration process for non-special cosmetics imported for the first time is executed through the registration system; the importation cannot be carried out until a registration certificate has been obtained from that system.
- In the event that an enterprise needs a subsequent importation of cosmetics already registered in the registration system from ports outside the Pudong New Area, the registered information shall be deregistered and an administrative approval shall be obtained before the importation, in accordance with active Regulations on the Supervision of Cosmetics Hygiene.
- The China Food and Drug Administration shall, together with the Entry-Exit Inspection and Quarantine Bureau, strengthen their coordination and cooperation to ensure a timely circulation of the quality and safety information, and crack down on illegal behaviours and actions with related departments. The China Food and Drug Administration (in charge of implementing registration process management) shall inform the Entry-Exit Inspection and Quarantine Bureau (responsible for the management of import inspection, quarantine and supervision) with timely information related to registered information to facilitate the Bureau in its verification.

“Procedures” stipulates that the responsible Chinese legal entity can register with a user name and submit relevant electronic information in the registration system of the Shanghai Food and Drug Administration. After the successful uploading of electronic information, related physical documents need to be sent to the Shanghai Food and Drug Administration for the purpose of record-keeping. The Shanghai Food and Drug Administration shall execute supervision and inspection on the registered information within 3 months upon the registration date, with focus on the ingredients, processing technique, inspection items and security risk assessment of the products. When necessary, spot supervision and inspection are required.

### **KPMG observations**

“Circular No.7” and “Procedures” clarified that after 1 March 2017, there is no longer a need for domestic enterprises registered in the Pudong New Area to file and obtain administrative approval from the China Food and Drug Administration (“State administrative approval process”) when importing non-special cosmetics for the first time from ports in the Pudong New Area. They can distribute the cosmetics nationwide with filing serial numbers obtained from the Shanghai Food and Drug Administration (“Shanghai registration process”) when both electronic information and physical documents are examined and approved. Compared to the State administrative approval process, the Shanghai registration process facilitates enterprises to shorten the time to put products into the market by setting technical examinations of the submitted information after product launch.

It should be noted that the Shanghai registration process is only applicable to enterprises satisfying all the following conditions:

- Registered in Pudong New Area
- Import products from ports in Pudong New Area
- Non-special cosmetics imported for the first time

The Shanghai registration process embodies the reform measures of the central government to simplify pre-approval measures, and to enhance on-going supervision. This process sets higher requirements for the responsible

Chinese legal entity, who shall be responsible for the quality and safety of the products. As a consequence, the responsible Chinese legal entity should take the potential quality and safety problems of their products into consideration before deciding to utilise the Shanghai registration process.

The main differences between the two processes are summarised by KPMG as follows:

Item	Administrative approval process	Registration process
Department in charge	China Food and Drug Administration	Shanghai Food and Drug Administration
Registration location of the responsible Chinese legal entity	Unlimited	Pudong New Area
Port of entry	Nationwide ports	Ports in Pudong New Area
Technical examination of the submitted information	Before granting approval	Within 3 months upon the registration
Valid term of certificates	4 years	Not specified in the current regulations
Process to be adopted in case the products would no longer be imported	No requirement	Registered information shall be deregistered

Cosmetics-import enterprises registered in the Pudong New Area are suggested to understand more about the new development and adopt the Shanghai registration process, which helps to shorten the time to launch products to the market. For those who are not registered in the Pudong New Area and want to enjoy the preferential policy, a feasibility study regarding benefits of this policy should be evaluated.

For any enquiries, please send to our public mailbox: [taxenquiry@kpmg.com](mailto:taxenquiry@kpmg.com) or contact our partners/directors in each China/HK offices.

#### Khoonming Ho

Head of Tax,  
KPMG China  
Tel. +86 (10) 8508 7082  
[khoonming.ho@kpmg.com](mailto:khoonming.ho@kpmg.com)

#### Beijing/Shenyang

**David Ling**  
Tel. +86 (10) 8508 7083  
[david.ling@kpmg.com](mailto:david.ling@kpmg.com)

#### Tianjin

**Eric Zhou**  
Tel. +86 (10) 8508 7610  
[ec.zhou@kpmg.com](mailto:ec.zhou@kpmg.com)

#### Qingdao

**Vincent Pang**  
Tel. +86 (532) 8907 1728  
[vincent.pang@kpmg.com](mailto:vincent.pang@kpmg.com)

#### Shanghai/Nanjing

**Lewis Lu**  
Tel. +86 (21) 2212 3421  
[lewis.lu@kpmg.com](mailto:lewis.lu@kpmg.com)

#### Chengdu

**Anthony Chau**  
Tel. +86 (28) 8673 3916  
[anthony.chau@kpmg.com](mailto:anthony.chau@kpmg.com)

#### Hangzhou

**John Wang**  
Tel. +86 (571) 2803 8088  
[john.wang@kpmg.com](mailto:john.wang@kpmg.com)

#### Guangzhou

**Lilly Li**  
Tel. +86 (20) 3813 8999  
[lilly.li@kpmg.com](mailto:lilly.li@kpmg.com)

#### Fuzhou/Xiamen

**Maria Mei**  
Tel. +86 (592) 2150 807  
[maria.mei@kpmg.com](mailto:maria.mei@kpmg.com)

#### Shenzhen

**Eileen Sun**  
Tel. +86 (755) 2547 1188  
[eileen.gh.sun@kpmg.com](mailto:eileen.gh.sun@kpmg.com)

#### Hong Kong

**Karmen Yeung**  
Tel. +852 2143 8753  
[karmen.yeung@kpmg.com](mailto:karmen.yeung@kpmg.com)

#### Northern China

##### David Ling

Head of Tax,  
Northern Region  
Tel. +86 (10) 8508 7083  
[david.ling@kpmg.com](mailto:david.ling@kpmg.com)

##### Andy Chen

Tel. +86 (10) 8508 7025  
[andy.m.chen@kpmg.com](mailto:andy.m.chen@kpmg.com)

##### Conrad TURLEY

Tel. +86 (10) 8508 7513  
[conrad.turley@kpmg.com](mailto:conrad.turley@kpmg.com)

##### Milano Fang

Tel. +86 (532) 8907 1724  
[milano.fang@kpmg.com](mailto:milano.fang@kpmg.com)

##### Tony Feng

Tel. +86 (10) 8508 7531  
[tony.feng@kpmg.com](mailto:tony.feng@kpmg.com)

##### John Gu

Tel. +86 (10) 8508 7095  
[john.gu@kpmg.com](mailto:john.gu@kpmg.com)

##### Rachel Guan

Tel. +86 (10) 8508 7613  
[rachel.guan@kpmg.com](mailto:rachel.guan@kpmg.com)

##### Helen Han

Tel. +86 (10) 8508 7627  
[h.han@kpmg.com](mailto:h.han@kpmg.com)

##### Michael Wong

Tel. +86 (10) 8508 7085  
[michael.wong@kpmg.com](mailto:michael.wong@kpmg.com)

##### Josephine Jiang

Tel. +86 (10) 8508 7511  
[josephine.jiang@kpmg.com](mailto:josephine.jiang@kpmg.com)

##### Henry Kim

Tel. +86 (10) 8508 5000  
[henry.kim@kpmg.com](mailto:henry.kim@kpmg.com)

##### Li Li

Tel. +86 (10) 8508 7537  
[li.li@kpmg.com](mailto:li.li@kpmg.com)

##### Lisa Li

Tel. +86 (10) 8508 7638  
[lisa.h.li@kpmg.com](mailto:lisa.h.li@kpmg.com)

##### Thomas Li

Tel. +86 (10) 8508 7574  
[thomas.li@kpmg.com](mailto:thomas.li@kpmg.com)

##### Larry Li

Tel. +86 (10) 8508 7658  
[larry.y.li@kpmg.com](mailto:larry.y.li@kpmg.com)

##### Simon Liu

Tel. +86 (10) 8508 7565  
[simon.liu@kpmg.com](mailto:simon.liu@kpmg.com)

##### Alan O'Connor

Tel. +86 (10) 8508 7521  
[alan.oconnor@kpmg.com](mailto:alan.oconnor@kpmg.com)

##### Vincent Pang

Tel. +86 (10) 8508 7516  
+86 (532) 8907 1728  
[vincent.pang@kpmg.com](mailto:vincent.pang@kpmg.com)

##### Naoko Hirasawa

Tel. +86 (10) 8508 7054  
[naoko.hirasawa@kpmg.com](mailto:naoko.hirasawa@kpmg.com)

##### Shirley Shen

Tel. +86 (10) 8508 7586  
[yinghua.shen@kpmg.com](mailto:yinghua.shen@kpmg.com)

##### Joseph Tam

Tel. +86 (10) 8508 7605  
[laiyiu.tam@kpmg.com](mailto:laiyiu.tam@kpmg.com)

##### Joyce Tan

Tel. +86 (10) 8508 7666  
[joyce.tan@kpmg.com](mailto:joyce.tan@kpmg.com)

##### Jessica Xie

Tel. +86 (10) 8508 7540  
[jessica.xie@kpmg.com](mailto:jessica.xie@kpmg.com)

##### Cynthia Xie

Tel. +86 (10) 8508 7543  
[cynthia.py.xie@kpmg.com](mailto:cynthia.py.xie@kpmg.com)

##### Christopher Xing

Tel. +86 (10) 8508 7072  
[christopher.xing@kpmg.com](mailto:christopher.xing@kpmg.com)

#### Irene Yan

Tel. +86 (10) 8508 7508  
[irene.yan@kpmg.com](mailto:irene.yan@kpmg.com)

#### Jessie Zhang

Tel. +86 (10) 8508 7625  
[jessie.j.zhang@kpmg.com](mailto:jessie.j.zhang@kpmg.com)

#### Sheila Zhang

Tel. +86 (10) 8508 7507  
[sheila.zhang@kpmg.com](mailto:sheila.zhang@kpmg.com)

#### Tiansheng Zhang

Tel. +86 (10) 8508 7526  
[tiansheng.zhang@kpmg.com](mailto:tiansheng.zhang@kpmg.com)

#### Tracy Zhang

Tel. +86 (10) 8508 7509  
[tracy.h.zhang@kpmg.com](mailto:tracy.h.zhang@kpmg.com)

#### Eric Zhou

Tel. +86 (10) 8508 7610  
[ec.zhou@kpmg.com](mailto:ec.zhou@kpmg.com)

#### Central China

##### Lewis Lu

Head of Tax,  
Eastern & Western Region  
Tel. +86 (21) 2212 3421  
[lewis.lu@kpmg.com](mailto:lewis.lu@kpmg.com)

##### Alan Garcia

Tel. +86 (21) 2212 3509  
[alan.garcia@kpmg.com](mailto:alan.garcia@kpmg.com)

##### Cheng Chi

Tel. +86 (21) 2212 3433  
[cheng.chi@kpmg.com](mailto:cheng.chi@kpmg.com)

##### Yasuhiko Otani

Tel. +86 (21) 2212 3360  
[yasuhiko.otani@kpmg.com](mailto:yasuhiko.otani@kpmg.com)

##### Johnny Deng

Tel. +86 (21) 2212 3457  
[johnny.deng@kpmg.com](mailto:johnny.deng@kpmg.com)

##### Cheng Dong

Tel. +86 (21) 2212 3410  
[cheng.dong@kpmg.com](mailto:cheng.dong@kpmg.com)

##### Marianne Dong

Tel. +86 (21) 2212 3436  
[marianne.dong@kpmg.com](mailto:marianne.dong@kpmg.com)

##### Chris Ge

Tel. +86 (21) 2212 3083  
[chris.ge@kpmg.com](mailto:chris.ge@kpmg.com)

##### Chris Ho

Tel. +86 (21) 2212 3406  
[chris.ho@kpmg.com](mailto:chris.ho@kpmg.com)

##### Henry Wong

Tel. +86 (21) 2212 3380  
[henry.wong@kpmg.com](mailto:henry.wong@kpmg.com)

##### Jason Jiang

Tel. +86 (21) 2212 3527  
[jason.jt.jiang@kpmg.com](mailto:jason.jt.jiang@kpmg.com)

##### Flame Jin

Tel. +86 (21) 2212 3420  
[flame.jin@kpmg.com](mailto:flame.jin@kpmg.com)

##### Sunny Leung

Tel. +86 (21) 2212 3488  
[sunny.leung@kpmg.com](mailto:sunny.leung@kpmg.com)

##### Michael Li

Tel. +86 (21) 2212 3463  
[michael.y.li@kpmg.com](mailto:michael.y.li@kpmg.com)

##### Karen Lin

Tel. +86 (21) 2212 4169  
[karen.w.lin@kpmg.com](mailto:karen.w.lin@kpmg.com)

##### Christopher Mak

Tel. +86 (21) 2212 3409  
[christopher.mak@kpmg.com](mailto:christopher.mak@kpmg.com)

##### Henry Ngai

Tel. +86 (21) 2212 3411  
[henry.ngai@kpmg.com](mailto:henry.ngai@kpmg.com)

##### Ruqiang Pan

Tel. +86 (21) 2212 3118  
[ruqiang.pan@kpmg.com](mailto:ruqiang.pan@kpmg.com)

##### Amy Rao

Tel. +86 (21) 2212 3208  
[amy.rao@kpmg.com](mailto:amy.rao@kpmg.com)

#### Wayne Tan

Tel. +86 (28) 8673 3915  
[wayne.tan@kpmg.com](mailto:wayne.tan@kpmg.com)

#### Tanya Tang

Tel. +86 (25) 8691 2850  
[tanya.tang@kpmg.com](mailto:tanya.tang@kpmg.com)

#### Rachel Tao

Tel. +86 (21) 2212 3473  
[rachel.tao@kpmg.com](mailto:rachel.tao@kpmg.com)

#### Janet Wang

Tel. +86 (21) 2212 3302  
[janet.z.wang@kpmg.com](mailto:janet.z.wang@kpmg.com)

#### John Wang

Tel. +86 (21) 2212 3438  
[john.wang@kpmg.com](mailto:john.wang@kpmg.com)

#### Mimi Wang

Tel. +86 (21) 2212 3250  
[mimi.wang@kpmg.com](mailto:mimi.wang@kpmg.com)

#### Jennifer Weng

Tel. +86 (21) 2212 3431  
[jennifer.weng@kpmg.com](mailto:jennifer.weng@kpmg.com)

#### Grace Xie

Tel. +86 (21) 2212 3422  
[grace.xie@kpmg.com](mailto:grace.xie@kpmg.com)

#### Bruce Xu

Tel. +86 (21) 2212 3396  
[bruce.xu@kpmg.com](mailto:bruce.xu@kpmg.com)

#### Jie Xu

Tel. +86 (21) 2212 3678  
[jie.xu@kpmg.com](mailto:jie.xu@kpmg.com)

#### Robert Xu

Tel. +86 (21) 2212 3124  
[robert.xu@kpmg.com](mailto:robert.xu@kpmg.com)

#### Yang Yang

Tel. +86 (21) 2212 3372  
[yang.yang@kpmg.com](mailto:yang.yang@kpmg.com)

#### William Zhang

Tel. +86 (21) 2212 3415  
[william.zhang@kpmg.com](mailto:william.zhang@kpmg.com)

#### Dylan Jeng

Tel. +86 (21) 2212 3080  
[dylan.jeng@kpmg.com](mailto:dylan.jeng@kpmg.com)

#### Hanson Zhou

Tel. +86 (21) 2212 3318  
[hanson.zhou@kpmg.com](mailto:hanson.zhou@kpmg.com)

#### Anthony Chau

Tel. +86 (21) 2212 3206  
[anthony.chau@kpmg.com](mailto:anthony.chau@kpmg.com)

#### Michelle Zhou

Tel. +86 (21) 2212 3458  
[michelle.b.zhou@kpmg.com](mailto:michelle.b.zhou@kpmg.com)

#### Southern China

##### Lilly Li

Head of Tax,  
Southern Region  
Tel. +86 (20) 3813 8999  
[lilly.li@kpmg.com](mailto:lilly.li@kpmg.com)

##### Penny Chen

Tel. +1 (408) 367 6086  
[penny.chen@kpmg.com](mailto:penny.chen@kpmg.com)

##### Vivian Chen

Tel. +86 (755) 2547 1198  
[vivian.w.chen@kpmg.com](mailto:vivian.w.chen@kpmg.com)

##### Sam Fan

Tel. +86 (755) 2547 1071  
[sam.kh.fan@kpmg.com](mailto:sam.kh.fan@kpmg.com)

##### Joe Fu

Tel. +86 (755) 2547 1138  
[joe.fu@kpmg.com](mailto:joe.fu@kpmg.com)

##### Ricky Gu

Tel. +86 (20) 3813 8620  
[ricky.gu@kpmg.com](mailto:ricky.gu@kpmg.com)

##### Fiona He

Tel. +86 (20) 3813 8623  
[fiona.he@kpmg.com](mailto:fiona.he@kpmg.com)

##### Angie Ho

Tel. +86 (755) 2547 1276  
[angie.ho@kpmg.com](mailto:angie.ho@kpmg.com)

#### Aileen Jiang

Tel. +86 (755) 2547 1163  
[aileen.jiang@kpmg.com](mailto:aileen.jiang@kpmg.com)

#### Cloris Li

Tel. +86 (20) 3813 8829  
[cloris.li@kpmg.com](mailto:cloris.li@kpmg.com)

#### Jean Li

Tel. +86 (755) 2547 1128  
[jean.j.li@kpmg.com](mailto:jean.j.li@kpmg.com)

#### Sisi Li

Tel. +86 (20) 3813 8887  
[sisi.li@kpmg.com](mailto:sisi.li@kpmg.com)

#### Mabel Li

Tel. +86 (755) 2547 1164  
[mabel.li@kpmg.com](mailto:mabel.li@kpmg.com)

#### Kelly Liao

Tel. +86 (20) 3813 8668  
[kelly.liao@kpmg.com](mailto:kelly.liao@kpmg.com)

#### Patrick Lu

Tel. +86 (755) 2547 1187  
[patrick.c.lu@kpmg.com](mailto:patrick.c.lu@kpmg.com)

#### Grace Luo

Tel. +86 (20) 3813 8609  
[grace.lu@kpmg.com](mailto:grace.lu@kpmg.com)