



Managing Trade & Customs in China

TAX

kpmg.com/cn





Contents

A	Trade & customs environment in China	2
	<ul style="list-style-type: none"> • Structure of related government agencies • Common import and export models and customs supervision in China • Import and export licencing • Foreign exchange controls • Export controls • Enterprise credit management • Customs audit and voluntary disclosure regime • Anti-smuggling • Quality and quarantine controls 	
B	Strategic planning, savings and efficiencies	10
	<ul style="list-style-type: none"> • Processing trade arrangements • Special customs supervision areas • Pilot free trade zone • Cost unbundling of customs valuation • Free Trade Agreements • Tariff engineering and participation in the Tariff Adjustment Plan • Cross-border C-commerce 	
C	Common trade and customs management issues faced by enterprises.....	17
	<ul style="list-style-type: none"> • Customs valuation • Tariff classification • Processing trade and customs risk management • Accurate declaration 	
D	Why and how we can help	25
E	Our national trade & customs network.....	27
	Appendix.....	28
	Contact us	29

Unless otherwise stated, the factual information in this document is derived from publicly-available media or official sources.



Trade & customs environment in China

Customs rules can present complex challenges in any jurisdiction. However, if these rules are understood and managed, enterprises can use them to reduce operational risks, manage costs, improve their bottom line and gain favourable recognition in the market. In China, the size of the country can create further uncertainty due to variations in practices or interpretations at different ports of entry. Although these challenges can be met, they do require a commitment of time, resources and strategic planning.

This brochure introduces some of the intricacies of import, export and customs management in China. The starting point is a clear understanding of the regulatory environment, including the structure of related government authorities. From this position, enterprises can move towards strategic planning options that can significantly enhance their competitiveness.

Structure of related government agencies

The General Administration of Customs (“GAC” or “China Customs”), a ministry level organisation under the State Council, has authority over and bears responsibility for all customs districts and offices in the People’s Republic of China (“PRC” or “China”). All of the PRC’s imports and exports are subject to the supervision and control of the GAC. The organisational structure of the GAC can be found in the Appendix on page 28.

There are 47 customs districts, agencies and offices that report directly to the GAC. These consist of 42 customs districts, 2 customs educational institutions, 2 supervising offices in Tianjin and Shanghai, and the Guangdong sub-administration of Customs, which is in charge of the 7 customs districts located in Guangdong province. On the ground, the GAC administrates 742 customs houses or offices, and China Customs has around 60,000 personnel (including Customs anti-smuggling police).¹

¹ Source from GAC official website:
<http://www.customs.gov.cn/customs/zsgk93/302251/index.html>



On 1 July 2017, the GAC began reforming and integrating customs clearance procedures across the country and has established the following two centres:

- **The Risk Prevention and Control Centre (RPCC)**

Three nationwide centralised RPCCs have been established in Shanghai, Huangpu and Qingdao. These three centres are responsible for uniformly implementing safety access, risk prevention and control measures for all air goods, land goods and water goods imported at all ports in China (excluding small ships to and from Hong Kong SAR and Macau SAR).

- **The Tax Collection and Administration Centre (TCAC)**

Three nationwide centralised TCACs have been established in Beijing/Tianjin, Shanghai and Guangzhou. According to the division of goods or industries, these centres uniformly verify and deal with the accuracy of duty related elements for goods imported at all ports in the country. These centres focus on the prevention and control of tax risks for duty related elements such as customs classification, dutiable value and country of origin.

In March 2018, the Organizational Reform Scheme of the State Council was passed by the 13th National People's Congress. This Scheme scheduled CIQ, the organ responsible for entry-exit inspection and quarantine, for incorporation into the GAC. CIQ was previously under the General Administration of Quality Supervision, Inspection and Quarantine. On 20 April 2018, CIQ was officially consolidated as a sub-organ of customs. At present, the consolidation of CIQ and customs is officially complete, and detailed information such as the functions and organisational structure of each institution will be released after confirmation of Chinese government.

Cross-border trade with China is normally performed under either General Trade or Processing Trade. General Trade is the regular import channel whereby customs duties and import value-added tax (VAT) are levied upon importation. Processing Trade, on the other hand, is a special operating channel whereby materials to be used in production of exports are imported into China under bonded status (i.e. free from customs duty and import VAT).

Common import and export models and customs supervision in China

Customs supervision for general trade

Basic importation into China requires the payment of customs duties and taxes. Payment of the correct amount depends on an accurate declaration of a product's value, tariff classification and country of origin.

- **Types of duties and taxes**

China Customs levies duties and taxes in accordance with the Customs Law of the PRC and the import/export tariff schedule. Currently, the revenue collected by China Customs is comprised mainly of the following:

Import Taxes	Rate
Customs duties	Varies by type of product
Value Added Tax	16% or 10% (agricultural products) etc.)
Consumption Tax	1% to 56% depending on product
Vessel Tonnage Tax	RMB 1.5 to RMB 31.8 per ton

Following China's accession to the World Trade Organisation (WTO) in 2001, the overall average duty rate in China has been reduced from 15.6 percent in 2000 to 9.8 percent in 2010. After three batches of tariff reductions in 2018, the average tariff rate in China has been further reduced to 7.5%.

- **Customs valuation**

China's customs authorities follow the valuation principles set out in the WTO Agreement on Customs Valuation, which is also called the WTO Agreement on the Implementation of Article VII of the General Agreement on Tariffs and Trade (GATT).

The current regulation on customs valuation in China is the Measures of China Customs on Determination of Dutiable Value of Imports and Exports (i.e. GAC Decree No. 213), which was published on 25 December 2013. According to GAC Decree No. 213, the dutiable value of imported goods should be assessed based on the transaction value, which is defined as the complete actual price of the goods, including both direct and indirect payments made by the buyer to the seller.

In addition to the above, the GAC issued the Measures of China Customs on Determination of Dutiable Value of Bonded Goods for Domestic Sale (i.e. GAC Decree No. 211) at the same time. According to GAC Decree No. 211, the dutiable value of bonded goods for domestic sale should be assessed based on the different processing trade model, the status of the bonded goods and the transaction value.

Customs valuation is a common area of difficulty between customs authorities and importers. More details about issues in this area will be provided later in this brochure.

- **Tariff classification**

The determination of the correct Harmonised System (HS) Code is important since the applicable customs duty rates, consumption tax rate and import licences/certificates for specific imported goods are determined according to their HS Codes. In China, these HS Codes typically consist of eight to ten digits.

Sample HS Code

1234.56 . **7890** → National sub-headings assigned by China

→ Uniform across all WCO members

The first six digits of these codes are the same as those used by other members of the World Customs Organization (WCO). However, WCO member countries may have different interpretations of the first six digits and differentiate on the applicability of the final two to four digits. These potential inconsistencies, if left unchecked, may lead to disputes or non-compliance issues.

To gain more certainty regarding the tariff classification of a product that is to be imported into China, the importer may apply to China Customs for an advance ruling on the appropriate HS code. Such an application should be made to the in-charge customs authority 3 months before the actual importation of the goods.

It is important to note that HS codes are also relevant to export VAT refunds given that a product's tariff classification determines the refund rates of exports, and hence the amount of refundable VAT, which in our experience can be substantial.

- **Country of origin and rules of origin**

It is important for both importers and exporters in China to properly identify their products' country of origin due to the potential impact this information has on the customs duty rate that may be imposed on their product either in China or in country of destination.

China is involved in various preferential free trade agreements (FTA) that grant lower duty rates for products that originate in China. These FTAs also provide reciprocal treatment in China for goods that are imported from other countries that are members of the specific FTA. The FTAs available to enterprises in China will be discussed further in the strategic planning, and efficiencies savings section of this brochure.

A product's country of origin not only affects whether the product can enjoy a free trade agreement, but also determines whether it can enjoy most-favoured-nation-treatment (MFN) and whether it may incur anti-dumping duties. MFN treatment and anti-dumping duties are based on the non-preferential rules of origin, and companies must ensure that the rules of origin are known and applied correctly in certain instances (such as in applications and rulings) to avoid additional tariff risks.

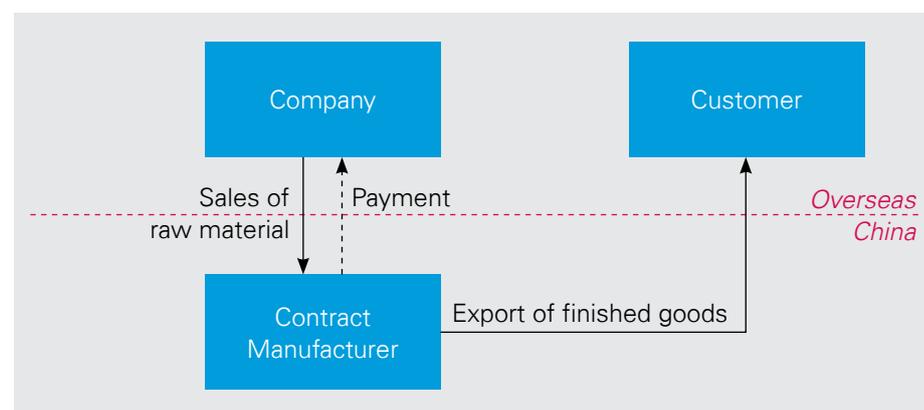
There is no unified rule for determining the country of origin among the different WTO member countries. Each country is free to determine its own rules of origin depending on their particular purpose. Rules of origin generally define the country of origin as the place where the "last substantial transformation" took place. The "substantial transformation" usually requires a minimum regional value content (RVC) or a change in tariff classification (e.g. a change in the first four digits of the HS code) from a raw/intermediate material to a finished product.

Customs environment for processing trade

Manufacturers involved in the production of goods for export may realise substantial savings upfront by importing their raw materials through a processing trade arrangement. Each processing trade application, however, requires a thorough evaluation by China Customs. In order to qualify for a processing trade arrangement, manufacturers must comply with requirements pertaining to the raw materials to be imported, the type of processes to be undertaken, and the sophistication of their inventory management system, among others.

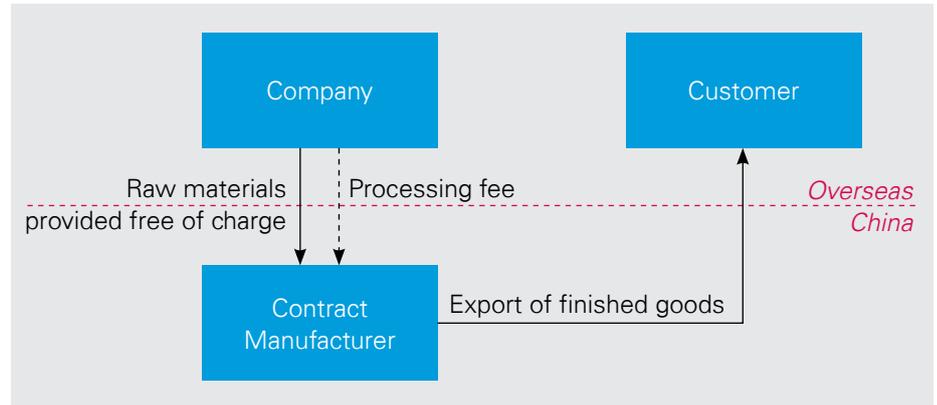
There are normally two types of processing trade models that can be adopted by Chinese manufacturers:

1. Import processing model



Under the import processing model, a Chinese manufacturer is allowed to purchase raw materials from overseas suppliers free of import duty and VAT. It then manufactures and exports the finished goods to an overseas party. In this model the title to the imported raw materials is transferred from the overseas supplier to the Chinese manufacturer.

2. Contract processing model



The contract processing model is an alternative method for importing raw materials with duties and VAT suspended. Under this model, the overseas supplier provides raw materials free of charge to the Chinese manufacturer for processing.

The finished goods are then exported to the overseas party. In contrast to the import processing model, there is no transfer of title to the raw materials. The manufacturer is only compensated by the overseas party with a processing fee.

Import and export licencing

A number of products are regulated by the Chinese government and require special licences prior to their import into or export from China. These include pharmaceuticals, solid waste, encryption technologies, gold and gold products, products containing endangered species, and products containing “homegrown” technologies.



These permits are normally issued by the Ministry of Commerce, while the actual policies are formulated and enacted by the State Council. Importers and exporters are required to make accurate declarations and submit the requisite import or export licences to Customs for examination. In the absence of necessary import or export licencing documents, goods subject to import or export restrictions will not be released.

If bonded materials subject to import licencing were imported under processing trade and are intended to be sold locally, such a sale is only allowed if the proper amount of customs duties and VAT have been collected and the appropriate import licences have been secured and presented to Customs.

Foreign exchange controls

Importers and exporters should remit and collect foreign currency in accordance with the provisions of the State Administration of Foreign Exchange (SAFE). In general, importers should remit foreign currency according to the actual value of the goods purchased from overseas, and exporters should collect foreign currency based on the value of goods sold to overseas parties. An inconsistency between the value of imported or exported goods and the amount of remitted or collected foreign currency can bring various risks, including foreign exchange investigations and customs audits. In addition, the relevant enterprise's credit rating in SAFE and customs may be downgraded, and it may not be able to get its export tax refunded.

In light of the rapid development of foreign trade, foreign exchange control in China has been gradually relaxed. More specifically, importers and exporters are no longer required to pay or collect foreign currency based on the value of each customs declaration. However, under the foreign exchange management system, enterprises still need to ensure that the total value of imported or exported goods is consistent with the total amount of foreign currency that was remitted or collected.

In addition, with the sharing of information between customs, tax authorities and the SAFE, enterprises need to properly classify their foreign currency payments under either goods trade or service trade, and they should also perform internal reviews in order to reduce compliance risks.

Export controls

In order to safeguard national security, protect development interests and fulfil international obligations, the Chinese government is gradually improving regulations related to export control. At present, dual-use items, military products, nuclear products, and other goods, technologies, and services related to national security are subject to export control.

Enterprises need to conduct a comprehensive review of their exported goods, technologies and services based on the Export Control List jointly issued by the Ministry of Commerce and other departments to determine whether their goods, technologies and services are subject to export control and require corresponding permits.

It should be noted that since some countries extend their export control to re-exportation, enterprises that use raw materials or parts purchased from these countries for further production should also check whether the products are subject to the export controls of these countries when they are re-exported from China.

Enterprise credit management

China Customs published the Administrative Measures of the Customs of the People's Republic of China on Enterprise Credit Management ("the Administrative Measures") in March 2018, and it was implemented on 1 May 2018. The Administrative Measures formally set the requirements for enterprise compliance management at the national administrative regulatory level, and it also laid the legal foundation for mutual recognition of Authorised Economic Operators (AEO) and C-TPAT.

China Customs classifies enterprises as Advanced Certified Enterprises, Generally Certified Enterprises, Regular Credit Enterprises or Discredited Enterprises; these classifications were introduced to bring China's credit management system in line with internationally accepted best practices. Enterprises with different credit ratings are subject to different management measures during importation and exportation. In addition, different treatments will be applied by other governmental authorities based on the enterprises' customs credit rating.

Since the enterprise credit management system affects all enterprises that import and export, it is very important for management to fully understand and cautiously consider the immediate implications that the customs credit rating could have on their operations (e.g. existing import/export qualification and the efficiency of their customs clearance process). Enterprises that want to upgrade their enterprise rating to avail themselves of AEO benefits should revisit their present situation.

Customs audit and voluntary disclosure regime

In 2016 China Customs released the revised version of Customs Audit Regulations of the People's Republic of China and the Implementation Measures of the Customs Audit Regulations, which updated China's customs audit system. In addition, the enterprise self-discipline system and voluntary disclosure regulations are further clarified.

The Customs Audit Regulations and its Implementation Measures indicate that enterprises that voluntarily disclose their violations of customs regulations may be entitled to a more lenient or reduced administrative penalty as well as reduced or exempted late payment surcharges.

Enterprises should enhance their self-discipline management and establish a comprehensive internal review system in order to identify incompliance issues and risk areas in a timely manner and make improvements. Moreover, enterprises are encouraged to adopt the voluntary disclosure regime to enjoy the lenient or reduced penalties.

Anti-smuggling

The customs anti-smuggling department is under the leadership of both the GAC and the police, and is specifically responsible for investigating smuggling crimes. The department is also responsible for investigating and dealing with smuggling violations and other administrative violations within its jurisdiction.

That is to say, the anti-smuggling department is responsible not only for the investigation of cases involving smuggling crimes or behaviour, but also for violations of customs regulations (e.g. incorrect reporting of customs value or tariff classification).

Enterprises should pay close attention to the compliance of their import and export businesses and avoid all violations of customs laws and regulations in China, especially those that constitute the crime of smuggling or smuggling behaviour.

Quality and quarantine controls

Inspection and quarantine of entry-exit goods is one of the important functions of China Customs. The safety and quality of foodstuff, cosmetics, pharmaceuticals, medical equipment and electrical equipment, and other products are the focus of inspection and quarantine.

Enterprises should, in accordance with the types of goods they import and export, pay attention to the product inspection and quarantine standards as well as the procedural requirements issued by the customs or market supervision and management departments. Enterprises should reserve sufficient time to obtain inspection and quarantine customs clearance documents before the import and export of goods to ensure that goods can be efficiently and smoothly cleared.





Strategic planning, savings and efficiencies

Amidst the complexities of the China Customs landscape, enterprises can explore a number of strategies to reduce their costs of importing and exporting in China. These include special processing trade arrangements, special customs supervision areas, FTAs, and other strategies.

Processing trade arrangements

With the growing prosperity of the domestic market, processing trade is constantly exploring new directions. In addition to the traditional customs trading model for processing trade as described earlier, the following innovative business models also provide enterprises with more possibilities for optimisation.

Export Processing Arrangement and Inward Processing Arrangement

Export Processing is a pilot program initiated by Hunchun Customs in 2012 that allows Chinese companies to engage a foreign enterprise to provide processing services. The Chinese companies are able to import the processed products into China after registering their contract with Customs, so that only the processing fee and material consumed are the dutiable basis for customs duty and import VAT. This arrangement significantly reduces the import tax costs levied under the traditional trading model, whereby the full value of the finished goods is subject to CD and import VAT.



Inward Processing is another pilot program that was launched by China Customs in 2014 in order to increase the utilisation rate of the processing capacity of processing companies inside special customs supervision areas. Under the Inward Processing arrangement, companies in special customs supervision areas can carry out processing activities using non-bonded materials provided by a PRC company outside the special customs areas. Similar to the Export Processing Arrangement, only the processing fee (including the cost of supplementary material consumed) to be charged serves as the dutiable basis for customs duty and import VAT purposes.

The development of Export Processing enables Chinese enterprises to utilise foreign resources to resolve production capacity difficulties they may face. Since duties and import taxes are paid for the overseas value-added parts, these companies can greatly reduce their tax burden.

Inward Processing enables enterprises in special customs supervision areas to gradually develop the domestic market, so that they can make full use of the remaining production capacity and reduce production costs. Since duties and import taxes are paid based on the processing fee charged by the enterprises in the special areas, tax burdens are significantly reduced.

These two innovative models have opened up a new era of processing trade, and bring new vitality to processing trade enterprises in and outside customs areas. In November 2016, the GAC introduced formal regulations for Export Processing and Inward Processing to standardise the two regimes' customs treatment.

Special customs supervision areas

As a complement to the processing trade arrangement, China has also established various special customs supervision areas to provide more permissible bonded operations for manufacturing and logistics companies.

Major customs special supervision areas and locations include bonded logistics centres (BLCs), bonded logistics parks (BLPs), bonded ports (BPs), bonded warehouses (BWs), export processing zones (EPZs), export supervisory warehouses (ESWs), free trade zones (FTZs) and comprehensive bonded zones (CBZs). The common denominator among these special areas (except ESWs) is that materials may be imported into these zones free from import duties and VAT. However, each of these areas has unique characteristics that afford different advantages and limitations to different types of businesses.

Type of customs supervision area	Limitations
Bonded logistics centre (BLC)	<ul style="list-style-type: none"> No bonded processing activities
Bonded logistics park (BLP)	<ul style="list-style-type: none"> No bonded processing activities
Bonded port (BP)	<ul style="list-style-type: none"> No limitations
Bonded warehouse (BW)	<ul style="list-style-type: none"> No bonded processing activities
Export processing zone (EPZ)	<ul style="list-style-type: none"> Generally not for logistics/warehousing activities
Export supervisory warehouse (ESW)	<ul style="list-style-type: none"> No bonded processing activities
Free trade zones (FTZ)	<ul style="list-style-type: none"> Goods must be physically exported out of China to claim export VAT refund
Comprehensive bonded zones (CBZ)	<ul style="list-style-type: none"> No limitations

Customs is also encouraging more high-value added activities to be performed inside these areas. To facilitate this aim, Customs has established special supervision centres and computerised networking systems, such as high-tech research and development centres, product inspection and maintenance centres, logistics centres and regional operation settlement centres, to provide support to enterprises producing high value-added commodities.

Since 2012, State Council decide that all newly established special customs supervision areas will be named “comprehensive bonded zone” (CBZ) and the existing special areas would be progressively converted to be CBZs under integration and optimisation plan. China Customs has not only introduced more policies to facilitate the operation of traditional bonded processing trade and bonded logistics enterprises, but has also provided more opportunities for enterprises engaged in cross-border leasing, cross-border e-commerce, maintenance, remanufacturing and testing.

In January 2019, China’s government announced plans to promote the “comprehensive bonded zone” (CBZ) regime. The plans include 21 measures, which aim to promote the development of CBZs into globally competitive processing and manufacturing centres, research, development and design centres, logistics and distribution centres, maintenance and repair centres, sales and service centres. It is expected that detailed guidance will be published on relevant measures after intra-governmental consensus is reached.

Enterprises that have business or considering plans to establish business in customs special supervision areas in China for the purpose of manufacturing, trade or R&D activities need to watch for official announcements about the CBZ regime, and are advised to assess the impact of the latest policies from the perspective of industry access, customs, taxation, inspection and quarantine, foreign exchange, marketing, supply chain, and logistics management to ensure that they fully enjoy the benefits brought by the policies while also maintaining compliance.

Case:

Client	A service provider of aircraft engine maintenance
Engagement	Customs supervision area advice
Services	<p>An aircraft engine maintenance service provider that was outside special customs supervision areas contemplated to be relocated to comprehensive bonded zone to enjoy the preferential tax and customs clearance models of the bonded zone, so as to bring benefit to the company itself as well as its clients.</p> <p>The company engaged KPMG China to provide advisory services for preliminary planning, customs operation during the relocation process, operation and compliance management after the relocation.</p>

VAT general taxpayer qualification for enterprises in special customs supervision areas

With the nationwide implementation of VAT reform, most enterprises in special customs supervision areas were facing problems related to the broken VAT deduction chain due to the lack of a general taxpayer qualification. To rectify this issue, the Chinese government has conducted a study and is carrying out a pilot project to grant general VAT taxpayer qualifications to enterprises in special customs supervision areas.

Pilot enterprises within the areas can issue special VAT invoices for the domestic sale of goods (including selling goods to other pilot enterprises in customs special

supervision areas). In addition, the pilot enterprises can request special VAT invoices when purchasing goods from enterprises outside customs special supervision areas to serve as the voucher for VAT input deduction and export VAT refund.

Pilot enterprises can continue to adopt the bonded policy when importing goods. If the domestically sold products are composed of bonded goods or the bonded goods were sold domestically without further processing, the bonded goods should be declared with Customs based on the status of the bonded goods entering the area. This pilot policy facilitates domestic sales and procurement of domestic materials for enterprises within the areas, and supports these enterprises' use of domestic and foreign resources and markets, while ensuring that they enjoy the benefits brought by VAT reform.

Pilot free trade zone

In 2013 the Chinese government introduced the FTZ concept and began setting up the first pilot FTZ in Shanghai, in an effort to support the development of new types of business such as finance leasing and bonded repairing in the special zones. As at the date of this brochure, there are 11 pilot FTZs in Shanghai, Guangdong, Fujian, Tianjin, Zhejiang, Henan, Liaoning, Hubei, Chongqing, Sichuan and Shaanxi. Pilot FTZs evolved to be comprehensive areas, which include not only the special customs supervision areas, as was initially the case, but also other functional areas for finance, high-tech innovation, and other sectors that are treated as domestic from a Customs perspective. The admittance of foreign investment into these 11 pilot FTZs is now managed according to the Overall Plan and Negative List released by the State Council.

Cost unbundling of customs valuation

Under the WTO Customs Valuation Agreement, the final price actually paid or payable for goods by an importer is the value that must be declared to Customs. This includes universal additions to the price such as royalties. However, certain cost elements included in the final price can be stripped out, thereby lowering duty costs and potentially other indirect tax costs.

Non-dutiable cost elements mainly include post-importation services such as training, assembly and maintenance. However, these elements can only be deducted if these expenses were separately listed in buy-sell contracts, and if supporting documents for quantitative review can be provided.

For goods imported under the financing lease model, interest costs can be excluded from dutiable value if relevant requirements can be met.

According to prevailing regulations, insurance premiums, storage charges, and freight and related expenses incurred in special customs supervision areas or bonded supervision areas which can be listed separately and inclusively in the domestic sale price can be excluded from the dutiable value of bonded goods for domestic sale.

Relevant enterprises should revisit their current cost structure and contract arrangements to explore the above mentioned saving opportunities.

Free Trade Agreements

Regional and bilateral FTAs are booming. They offer preferential duty rates for global trade. The question is whether the benefits of these preferential duty rates outweigh the internal administrative costs of complying with the country of origin and documentation requirements.

The Chinese government regards free trade agreements as a new platform for further opening up and accelerating domestic reform. They are also an

effective way to integrate into the international economy, strengthen economic cooperation with other economies and complement the multilateral trading system.

Currently China has FTAs with the following regional groupings:

Regional FTA	Member countries
Asia-Pacific Trade Agreement (APTA)	China, Bangladesh, India, Laos, Republic of Korea, Sri Lanka
ASEAN-China Free Trade Area	China, Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam

China also has bilateral FTAs with the following countries/regions:

- Australia
- Korea
- Switzerland
- Iceland
- Costa Rica
- Peru
- Maldives
- Georgia
- Singapore
- New Zealand
- Chile
- Pakistan
- Hong Kong SAR
- Macau SAR
- Taiwan region

Enterprises should pay close attention to the development and policies of FTAs. Enterprises can review their lists of import and export goods and related contracts to get familiar with the current trading status of enterprises. In addition, enterprises should train staff in their import/export departments or establish an internal team to study the abovementioned FTAs and analyse how they can derive benefits from them.

In general, the adoption of preferential tariff rates under FTAs is subject to the following two major criteria:

1. Products must have originated from the beneficiary country based on the preferential rules of origin of the FTA;
2. Products must be transported directly from the beneficiary country to the destination country.

Certificates of origin or declarations of origin must be submitted to Customs as proof of compliance with preferential rules of origin in order to enjoy the preferential duty rates. In addition, among the FTAs signed by China, self-declaration of origin can be accepted under the China-Australia and China-New Zealand FTAs, which means enterprises can apply to Customs for advanced ruling



on country of origin and then provide self-issued declarations of origin when necessary. Moreover, declarations of origin issued by authorised exporters are acceptable under the China-Switzerland and China-Iceland FTAs.

For enterprises that already enjoy preferential duty rates, further examination may reveal compliance issues that need to be improved in operations. The rules of origin of different FTAs are not the same. For example, some FTAs have provisions on de minimis, neutral components, fungible materials, cumulative rules and so on, while other FTAs do not. Enterprises should thoroughly study and understand the FTAs they have adopted, and pay attention to updates to the relevant rules of origin to ensure their continued compliance and enjoyment of preferential tariffs.

Case:

Client	A US based enterprise in the chemical industry
Engagement	Advisory services to improve FTA compliance
Services	<p>The company has adopted several FTAs in global trade, which include six FTAs related to China (i.e. China-ASEAN, China-Australia, China-Korea, China-Singapore, APTA and the Cross-strait Economic Cooperation Framework Agreement). The company wanted to improve its compliance management with regard to FTAs.</p> <p>KPMG recommended that the company implement a FTA management solution. KPMG provided regulatory requirement support and helped with the design of the company's customs process based on our FTA related knowledge and experience, as well as our system implementation expertise. KPMG was highly recognised for its support of the project and its assistance with regulatory and customs process questions.</p>

Tariff engineering and participation in the Tariff Adjustment Plan

Tariff classification, which decides the applicable duty rate and licence requirement, is determined based on the physical characteristics of the merchandises in its imported condition. Therefore, changing the state in which goods are imported offers the potential to change the tariff classification of declared goods and reduce the associated duty cost. For example, moving certain production processes into a special customs area could change the condition of the merchandise, thereby subjecting the merchandise to a different tariff classification number that confers more favourable tariff rates. There are certain restrictions on this type of tariff planning, so it is important to pay close attention to the rules pertaining to specific industries and tariff headings when considering these opportunities.

Furthermore, the Customs Tariff Commission of the State Council reviews and adjusts China's Tariff Schedule on an annual basis. The annual adjustments come from the proposals submitted by various national ministries and industry associations based on the trade situation and industrial development needs. Participating in the Tariff Adjustment Plan organised by Customs is the most important and most effective way for enterprises to propose adjustments to the Tariff Schedule. Enterprises that have reasonable needs for adjustments in import and export policy can put forward suggestions to Customs in the form of a proposal. The Tariff Schedule can then be adjusted, for example by adding new HS codes, deleting HS codes, reducing or increasing provisional tax rates, adjusting export VAT refund rates, and adjusting the list of commodities covered by certain HS codes.

Cross-border e-commerce

In recent years, huge market demand has brought unprecedented opportunities for cross-border e-commerce in China. According to the new cross-border e-commerce policy implemented in April 2016, commodities declared under the cross-border e-commerce model that comply with customs regulations can be exempted from customs duties, and VAT and consumption taxes are imposed with 30% reductions. Therefore, compared with the tax costs of goods imported under general trade, importation under cross-border e-commerce has certain advantages. In addition, based on logistics costs and customer experience requirements, two different modes (direct delivery from overseas and bonded storage) can be adopted under cross-border e-commerce. In this way enterprises have flexibility in choosing whether to store goods overseas or in bonded areas in China.

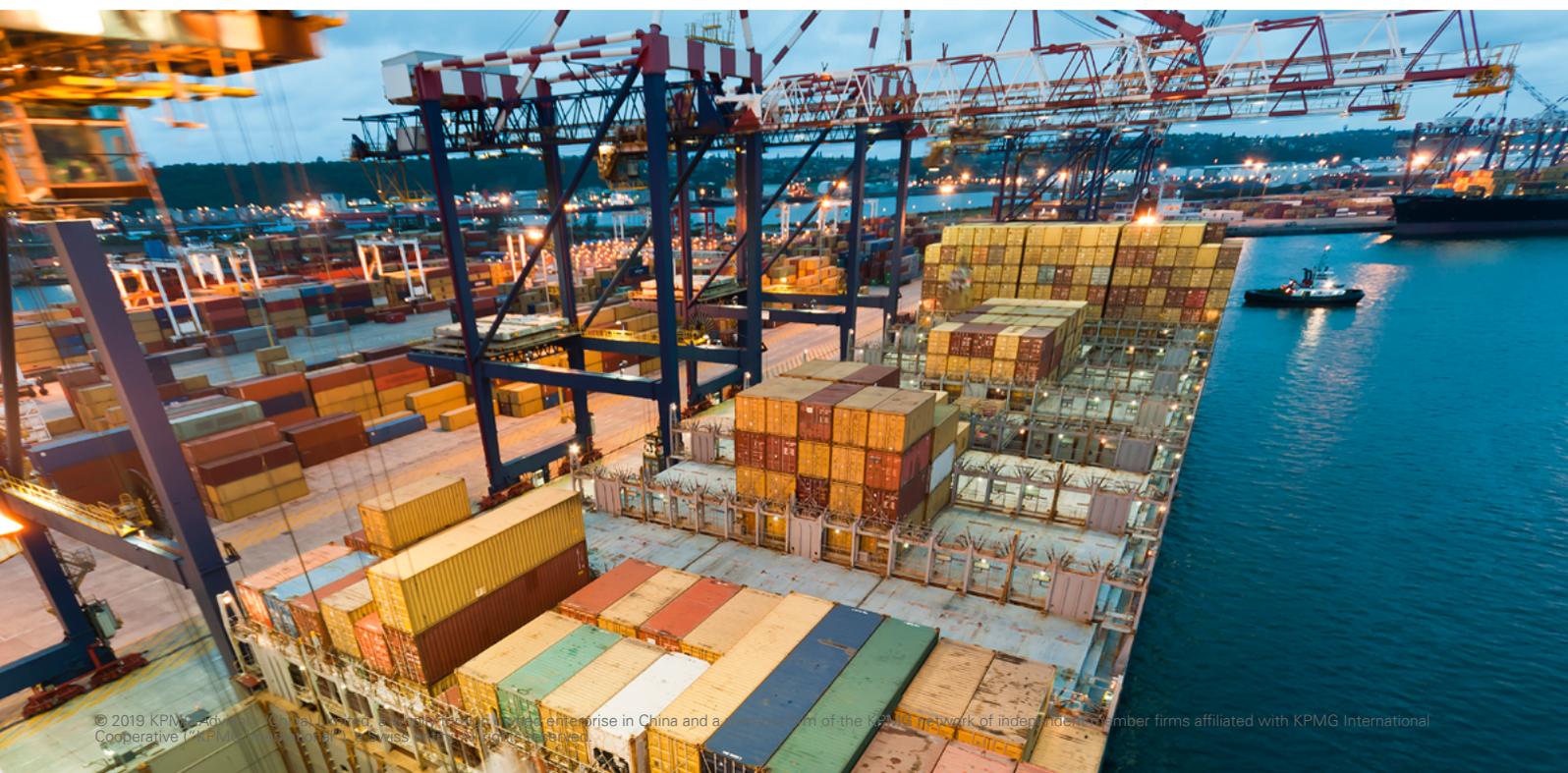
However, it should be noted that there are still some policy restrictions on the application of the cross-border e-commerce policy. These restrictions are mainly divided into two aspects, the consumer's personal transaction limit and commodity control list management:

- **Consumer's personal transaction limit**

According to the latest regulations, starting from 2019, the limit for a single cross-border e-commerce transaction is RMB 5,000, and the yearly limit for transactions for each individual is RMB 26,000. A single transaction exceeding the single limit value, the accumulated value exceeding the individual annual limit value, or a single indivisible commodity with a dutiable price exceeding the limit value of RMB 5,000 will be taxed in accordance with the general trade mode.

- **Commodity control list management**

The Ministry of Commerce and the GAC have released the control list (List of Imported Articles under Cross-Border e-Commerce for Retail) with regard to the type of goods imported under B2C cross-border e-commerce. The lists consist of 1,321 8-digit HS codes, including some food and beverages, clothing, shoes, hats, household appliances, some cosmetics, diapers, children's toys, vacuum bottles, etc.





Common trade & customs management issues faced by enterprises

The complexity of rules in China may lead to challenges in the management of a company's customs function. Based on our experience, issues most commonly arise in the areas of customs valuation, tariff classification, processing trade and correct declaration.

Customs valuation

Customs valuation is a hot topic for enterprises operating import and export businesses. Customs has dedicated departments that investigate customs valuation cases. In recent years, due to increased customs reviews on related party transactions, Customs has focused on validating transaction values between related parties and investigating potential duty liabilities on non-trade payments such as royalties and service fees.

Valuation in related-party transactions

Currently, most multinational enterprises (MNEs) sell goods to wholly foreign owned enterprises (WFOE) / joint ventures within the group or exclusive distributor in China. These transactions are regarded as related party transactions from a customs valuation perspective and have been scrutinised by China Customs. In practice, Customs mainly verifies whether these sales are at arm's length (i.e. the transaction value is reasonable and not influenced by the relationship between the parties).

Interaction between customs valuation and transfer pricing arrangements

In June 2015, the World Customs Organization released the Guide to Customs Valuation (CV) and Transfer Pricing (TP), and a revised version was issued in 2018. The Guide represents further enhanced co-operation between customs and tax authorities. The Guide sets out the methodology for both CV and TP regimes and provides guidelines for customs on how to use TP information to examine CV in related party transactions.

CV and TP are similar in that both are intended to ensure that the price is set as if the parties were not related and as if negotiations had taken place under normal business conditions. Customs focuses on whether or not a price has been impacted by the special relationship between the parties, while the tax authority aims to determine whether the price reflects an arm's length transaction, which ensures proper profit for different entities. For example, the WTO deductive value method is similar to the OECD resale price method, while the WTO computed value method is similar to the TP cost plus method.

Considering the above similarities, the Guide encourages customs to use TP documents when reviewing transaction prices between related parties, which could save time and business costs for MNEs with regard to the preparation of specific documents for submission to customs. However the main challenges for customs when referring to the TP documents will be single product versus company profitability range. In addition, customs and tax authorities focus differently in terms of date ranges and other aspects.

To meet requirements set out by both customs and tax authorities, interaction between customs valuation and transfer pricing regimes are advised to be focused by enterprises with significant cross-border intercompany transactions.

In light of the publication of the WCO Guide to Customs Valuation and Transfer Pricing, it could be easier to persuade China Customs officials to refer to TP documents (especially TP contemporaneous documentation for TP compliance purposes) for customs valuation purposes. This practice could help solve issues related to controversial valuations. Therefore, MNEs should carefully consider customs compliance requirements when preparing TP documents to achieve compliance in China from both a customs valuation and TP perspective, despite the fact that the TP documents are prepared for tax purposes.

Customs valuation method

For cases in which there is no transaction value (e.g. no-sale situations), or where the transaction value is deemed unacceptable (e.g. due to conditions attached to the sale of the product), China Customs employs, in hierarchical order, five methods of appraisal. The table below summarises the WTO appraisal hierarchy:

Method

1. Transaction value	Generally the invoice price with possible adjustments based on Article 8 of the WTO Customs Valuation Agreement.
2. Transaction value of identical goods	The identical goods should be manufactured in same country or region, at the same commercial level, at comparable volumes, with a similar time period (see note) and with only tiny apparent differences.
3. Transaction value of similar goods	The similar goods should be manufactured in same country or region, at the same commercial level, at comparable volumes, with a similar time period (see note) and should be interchangeable with the imported goods.
4. Deductive value	Similar to the OECD resale minus method, which may be interchanged with method five. The selling price should be at the same or similar time period (see note), based on the conditions of the goods at the time of importation, the first sale in China, at the largest volume and not stem from a special relationship. The items that can be deducted generally include profit, general expense, commission fee, freight and insurance cost for transportation in China, and import taxes.
5. Computed value	Similar to the OECD's cost-plus method, which may be interchanged with method four. The dutiable value is calculated based on the sum of the manufacturing cost, profit, general expenses, freight and insurance cost before arrival in China.
6. Fall-back value	Determine dutiable value based on objective and quantifiable data.

Note: Similar time period refers to 45 days prior to or after Customs' acceptance of the declaration.

China Customs uses a database of average benchmark values as a reference in assessing related-party prices and has the authority to question the acceptability of the declared value. Thus, it is important for the importer to take responsibility for collecting the relevant evidence to prove that their related party relationship does not influence the transaction value.

Disputes

When Customs raises a price enquiry regarding a related-party transaction, the importer should submit a written explanation letter and provide evidence to prove that the invoice price or contract price approximates the price of the same or similar product sold to a third party buyer that has been accepted by China Customs. During this period, Customs can detain imported goods whose transaction value is considered unreasonable, or request that the importer pay a guarantee deposit. If the importer cannot provide an explanation or the contents of the explanation letter submitted are deemed insufficient by Customs, Customs will determine a new import price based on the abovementioned methods, which will almost certainly result in higher duty and import tax liabilities.

Non-trade payments

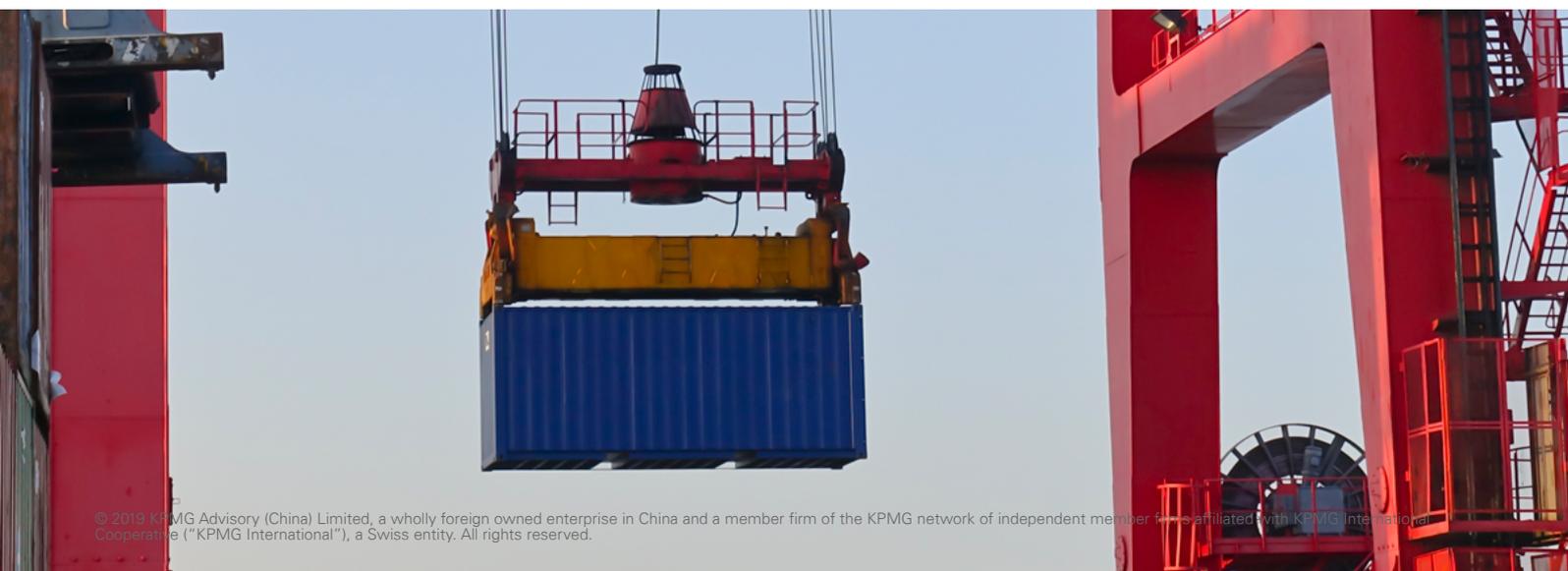
In recent years, Customs has also enforced strict review of non-trade payments such as royalties and service fees.

- **Royalties**

According to valuation regulations in China, “royalties” refer to the charges paid by the buyer of imported goods for obtaining permission to use or transfer the patents, trademarks, know-how, copyright, distribution rights or selling rights of the owner or valid agent of intellectual property. The royalties that the buyer needs to pay to the seller or the relevant party directly or indirectly should be included in the dutiable value, unless it is under either of the following circumstances:

1. The royalties are irrelevant to the imported goods (condition 1)
2. The payment of royalties does not constitute a condition that must be fulfilled in order for the imported goods to be sold within China (condition 2).

If royalties are paid, the buyer takes responsibility for proving to China Customs that Conditions 1 or 2 have been met, otherwise, the royalties will be dutiable. In practice, it is difficult for the buyer to prove to China Customs that Condition 2 has been met when the buyer and the seller are related companies. Thus, in order to persuade China Customs that the royalties are non-dutiable, the buyer should prioritise efforts to prove that Condition 1 has been met.



Case:

Client	A leading automobile tire manufacturing company
Engagement	Customs valuation – Royalties
Services	<p>The royalties paid by the company were determined to be related to imported goods (including raw materials, moulds and equipment) by Customs. Customs requested that the company repay the corresponding customs duty and other import taxes, amounted to around RMB 22 million.</p> <p>KPMG China conducted a detailed analysis on the nature of the royalties, the characteristics of the arrangement and the nature of the imported materials. This analysis was combined with in-depth research into China's customs laws and regulations, WTO valuation rules, and case rulings on royalties. Ultimately, Customs accepted the submitted explanation that the imported raw materials and equipment were not related to royalty payments. Customs determined that only royalties related to imported moulds were dutiable, and the corresponding customs duty and import VAT were repaid.</p>

- **Service fees**

There are no published rules regarding the dutiability of service fees, which are generally paid for various reasons. In determining the dutiability of service fees, China Customs mainly reviews whether the fees are relevant to the production, research and development, and sales of the imported goods. To make this determination, Customs conducts a review of the relevant service agreements and the actual nature of the services. If found to be relevant to the imported goods, Customs includes the service fees in the dutiable value of the imported goods; otherwise, no additional duties or import taxes are imposed. In practice, enterprises should pay attention to the service fees that may be dutiable, such as product design fees and logistics costs. Such service fees are likely to be dutiable if the services are related to imported goods.

- **Freight and insurance cost**

Freight and insurance costs incurred prior to cargo arrival in China are part of customs value, and should be correctly declared to Customs to ensure the completeness of dutiable value. In practice, due to commercial arrangements (e.g. under different trade methods, such as EXW, FOB, etc.), the cost of freight and insurance for imported goods may not have been clarified in the transaction documents. Underpayment of customs duties due to under-declaration of freight and insurance leads to severe compliance risk. In these cases, the Anti-Smuggling Department will perform an assessment and levy fines. Therefore, enterprises need to pay special attention to the calculation and declaration of relevant freight and insurance expenses according to the standards for completing customs declaration forms.

Valuation of commodities with no commercial value and customs risk management

Another common issue faced by MNEs pertains to the valuation of commodities with no commercial value. Often these commodities are provided free of charge and thus cannot be valued under the transaction value method. In these situations, enterprises need to explain and prove that their methodology for determining the dutiable value complies with customs valuation principles. Otherwise, Customs may value these commodities based on average market prices, which would then be used as the basis for import duties and VAT. Testing products and replacement parts for products that are covered by warranty are examples of commodities with no commercial value.

Three confirmations in customs declaration

According to GAC Announcement 2016 No. 20, China importers are required to make declarations on three additional items on customs declaration forms, which are “Confirmation of Special Relationship,” “Confirmation of Price Impact” and “Confirmation of Payment of Royalties.” These three items are required to be declared on each individual importation. With this declared information, Customs will be able to retrieve data efficiently, evaluate the risk level of different importers with respect to customs valuation, and choose importers on which to perform valuation audits. Enterprises should pay special attention to the accuracy of the above three confirmation items, because incorrect declarations may be regarded as a violation of customs regulations that may lead to penalties.

Tariff classification

In China, all commodities are classified into 22 Sections and 98 Chapters in the Tariff Schedule according to production categories, properties and functions. The first six-digit level HS code is determined based on chapter, heading and sub-heading. China adds a seven to eight-digit level called the “country’s sub-heading” based on the six-digit level of the HS code, and adds a nine to ten-digit level according to Customs supervision requirement and relevant policy.

Since the tariff classification may influence the applicable duty rate for imported goods, the export VAT refund rate of export goods, licence and certificate requirements, as well as country of origin for goods which have been processed in several countries, a company could face challenges from customs authorities, or even tax authorities, on the classification of its imports or exports.

Incorrect tariff classification may cause additional taxes, lead to huge penalties for incorrect declarations, and result in an enterprise’s customs credit rating being downgraded. Import and export enterprises should pay close attention to the risks related to tariff classification.

Case:

Client	Leading manufacturer of high-end consumer goods
Engagement	Tariff engineering
Services	<p>Customs determined that the client had improperly declared its imports under an HS Code with a duty rate of 10 percent instead of one with a duty rate of 20 percent. The 10 percent difference amounted to millions of dollars' worth of back duties and taxes.</p> <p>Following an analysis of the product's characteristics and its manufacturing process, KPMG China determined that the original classification was correct under the classification principles set forth under the HS Convention. Based on KPMG China's technical analysis and assistance, Customs agreed and withdrew the requirement for payment of additional duty and tax.</p>

Processing trade and customs risk management

The implementation of processing trade arrangements has caused various issues not only for enterprises but also for customs authorities. The basic logic for bonded treatment under processing trade is relatively simple, i.e. all imported raw materials must be re-exported after being processed into finished goods, otherwise they are subject to customs duties and import VAT. However, in practice it is very difficult to demonstrate or verify in exact terms whether the imported raw materials have been completely consumed in the production of the exported finished goods.

Customs normally quantifies the overall exposure of a processing trade company through inventory reconciliation. If there is a shortfall in the inventory of bonded materials that should have been used for the production of the exported goods, Customs often assumes that these have been diverted for domestic consumption and are subject to customs duties and import VAT. However, if there is a surplus of these bonded materials, Customs' treatment is more ambiguous. In the past, most enterprises could get Customs' approval to carry forward surpluses and avoid paying customs duties and import VAT. Now, however, customs authorities may subject these surpluses to additional probing for possible underlying non-compliance issues. It is no longer uncommon for large multinationals to pay back millions of RMB in back duties and VAT on surplus bonded materials. Sometimes Customs may even impose penalties and/or downgrade the company's customs rating. Therefore, enterprises should try their best to avoid any shortfall or surplus of bonded materials. If shortfalls or surpluses occur, enterprises should be able to identify the reasons with sufficient records and then provide clear explanations to Customs.

- **Bills of Materials**

The main reason that surpluses and shortages attract the attention of Customs can be traced to the Bill of Materials (BOM). The BOM is used by both the company and the customs authority to measure how much of the imported raw materials are consumed to produce the exported finished product. However, the information in the BOM held by Customs may be different than that contained in the company's internal BOM.

For Customs, it is a fundamental requirement to declare an accurate BOM according to actual data. However, this may not be that straightforward from the point of view of enterprises, which find it challenging to identify the "actual BOM" and ensure that this is accurate information. This is because many enterprises use engineering BOMs or standard BOMs with quantities that may vary from those that are actually consumed at the production line. Even if a company can provide

actual consumption amounts for Customs declaration purposes, it is still necessary to ensure the prompt conversion of units from the internal BOM to the Customs BOM whilst updating the Customs BOM in case of any engineering or design change.

The GAC Work Order Reconciliation model was formally launched in 2015, constituting a significant advancement from the traditional practice of using the Customs BOM. This model can help eliminate inventory discrepancies of bonded materials resulting from the difference between the actual BOM and the filed Customs BOM under traditional inventory reconciliation processes, and thus has the benefit of improving the compliance practices of processing trade enterprises and reducing their implicit compliance costs. The model, however, sets higher requirements for companies' Enterprise Resource Planning (ERP) systems, production procedures as well as internal control systems. Therefore, processing trade enterprises should evaluate the details and implications of this model, and stay informed of the implementation of the model in their customs jurisdictions.

- **Internal Controls**

Another important area to manage in a processing trade arrangement is the internal control of warehouse and inventory management. Without adequate control, enterprises will find it impossible to complete proper inventory reconciliation. Furthermore, the mismanagement of warehouses and raw material inventories will normally result in unjustifiable shortages and surpluses, which could cost enterprises significant back duties, VAT and penalties.

The importance of sound internal controls has been highlighted by China Customs' issuance of the revised Supervision Measures of Processing Trade Goods, GAC Decree No. 219. Under the revised Supervision Measures, China Customs clarified that bonded goods and non-bonded goods should be stored and recorded separately. If it is impossible to separate the goods, upon application by the company, China Customs will check the company's internal information management system to make sure that the company manages those goods separately. In practice, Customs has not yet clearly and stated how it will examine enterprises in different industries or with different ERP systems. However, it is clear that enterprises that cannot physically separate their bonded and non-bonded goods should perform a detailed study to determine a customs management solution in order to virtually separate bonded and non-bonded goods and raw materials. Otherwise, they will face significant customs risks.

Case:

Client	A EU based electronics manufacturer
Engagement	Internal controls on bonded materials
Services	<p>Due to internal control failure, preliminary reconciliation results showed a shortage of bonded materials amounting to more than USD 40 million and a surplus of bonded materials of USD 9 billion. The case was transferred to the anti-smuggling department for further investigation.</p> <p>The client sought KPMG's assistance in collecting documents and data in order to determine the causes of the huge shortage and surplus, as well as in calculating the actual amount of the shortage and surplus of bonded materials.</p> <p>After KPMG's analysis of tens of thousands of customs declaration forms and hundreds of thousands of bits of data from the ERP system, thousands of incorrect records were corrected. After our communication with China Customs, Customs accepted our re-declaration of reconciliation data on a work order basis. Ultimately, the value of the shortage and surplus bonded materials was significantly decreased.</p>

Accurate declaration

Enterprises are required to declare accurate information regarding imported and exported goods in accordance with relevant customs laws and regulations. In cases in which goods are incorrectly declared, Customs can impose administrative penalties according to the nature of the relevant violations.

After the implementation of nationwide customs clearance integration reform on 1 July 2017, Customs no longer reviews and examines the declared information and consistency of documents for all imports and exports before releasing them. Instead, most enterprises make self-declarations to have their goods released. Only a small number of declarations are screened through the customs system, and these goods may be released after customs reviews the declaration.

Under the new declaration model, most goods are released according to the information declared by the enterprises themselves. After the release of the goods, some of the declarations will be examined in batches by the Tax Collection and Administration Centre. Going forward, Customs will increase post-clearance examinations and inspections, especially on duty-related items such as dutiable value, tariff classification and country of origin; this increased scrutiny places higher requirements on the completeness and accuracy of import and export declarations.

The global trade environment is also changing, and customs offices around the world are increasingly using automated measures to analyse and identify compliance issues in customs declarations. A sound reporting mechanism, strong analytical ability, and active compliance management have become essential elements for enterprises' management and operation.

In order to meet the management requirements of customs inspection and customs audit, more and more import and export enterprises with complex businesses have begun to use system solutions and data analysis tools to improve the completeness and accuracy of their import and export declarations. Utilisation of system solutions and data analysis tools can help promote effectiveness and compliance in trade and customs affairs while also enhancing operational efficiency.





Why and how we can help

We offer holistic, regional customs solutions

KPMG's Trade & Customs practice is built upon a broad network of customs professionals in all key markets in China and throughout the region. We are able to deliver customs-related advice to our clients on a country, regional and global level. We coordinate closely with other key service lines within the KPMG network, such as TP, Corporate Tax and Advisory. As a result, we are able to offer comprehensive, relevant customs advice.

We understand your business

KPMG has a strong track record of delivering quality services to multinational corporations, governmental organisations and other entities that either directly or indirectly engage in the cross-border trade of physical goods. In short, any enterprise whose goods must clear customs at any point along a supply chain can benefit from our assistance.

We live and breathe the regulatory environment

Our experienced professionals come from a variety of backgrounds and include former customs officers, lawyers, accountants, economists and executive managers from private industry. In addition to having strong customs backgrounds, many staff members have years of experience in corporate and indirect taxation.

In China, we have specialised Trade & Customs teams in Beijing, Tianjin, Shenyang Qingdao, Shanghai, Guangzhou, Shenzhen and Hong Kong SAR, consisting of over 60 professionals and technical specialists with backgrounds in economics, finance, accounting and government.

Our professionals include highly experienced former senior customs officials who are able to effectively represent and articulate our clients' concerns to the customs authorities. We maintain a close working relationship and conduct frequent technical consultations with the GAC in Beijing and various local customs authorities.

Our services

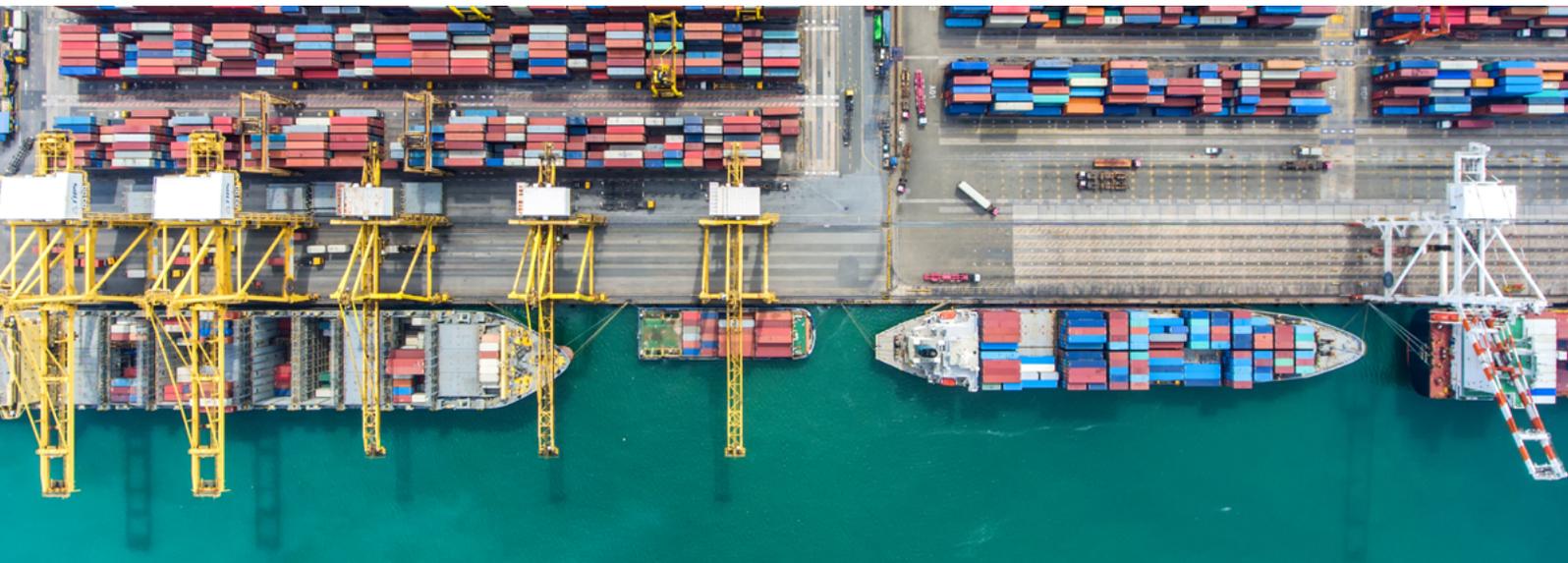
We help our clients reduce customs-related costs and expenses and enhance trade processes and strategies. We help clarify customs rules and regulations, develop strong working relationships with local customs authorities and provide guidance regarding the proactive management of customs compliance.

Our team in China is highly experienced and maintains a positive track record in assisting clients before, during and after customs audits. Our competencies are highlighted by comprehensive industry-specific knowledge and experience that allows us to provide relevant, practical and meaningful advice across various industry clusters. Our other fundamental service offerings include:

- qualification for and benefitting from FTAs
- duty reduction planning
- review of tariff classification and tariff engineering
- handling of transfer pricing and customs valuation
- assistance in communication and preparation of documents in customs inspection or audit
- analysis of tariff saving opportunities and compliance issues with utilisation of data analysis tools
- assistance in implementation of customs management system solutions
- assistance in application for AEOs
- anti-dumping duty reviews and assistance
- utilisation of customs special supervision areas
- implementation of customs policies, procedures and internal controls
- compliance reviews on international trade
- third-party cost analysis
- preparation of internal compliance programs to meet export control requirements

Call us if you or your company:

1. are interested in reducing your customs and cross-border costs through various strategic trade planning strategies.
2. would like to undertake a proactive assessment of potential customs risks concerning your operations.
3. encounter any of the following issues:
 - concerns regarding the accuracy of tariff classification
 - application for preferential treatment granted by the Chinese government
 - inability to adopt preferential duty rates for importation of goods manufactured in countries covered by FTAs
 - application for advanced customs credit rating
 - customs valuation concerns stemming from TP documentation, methodology or year-end adjustments
 - tax issues or management problems related to bonded operations
 - potential double taxation due to royalty payments
 - challenges by Customs regarding customs value, tariff classification and country of origin



E Our national trade & customs network



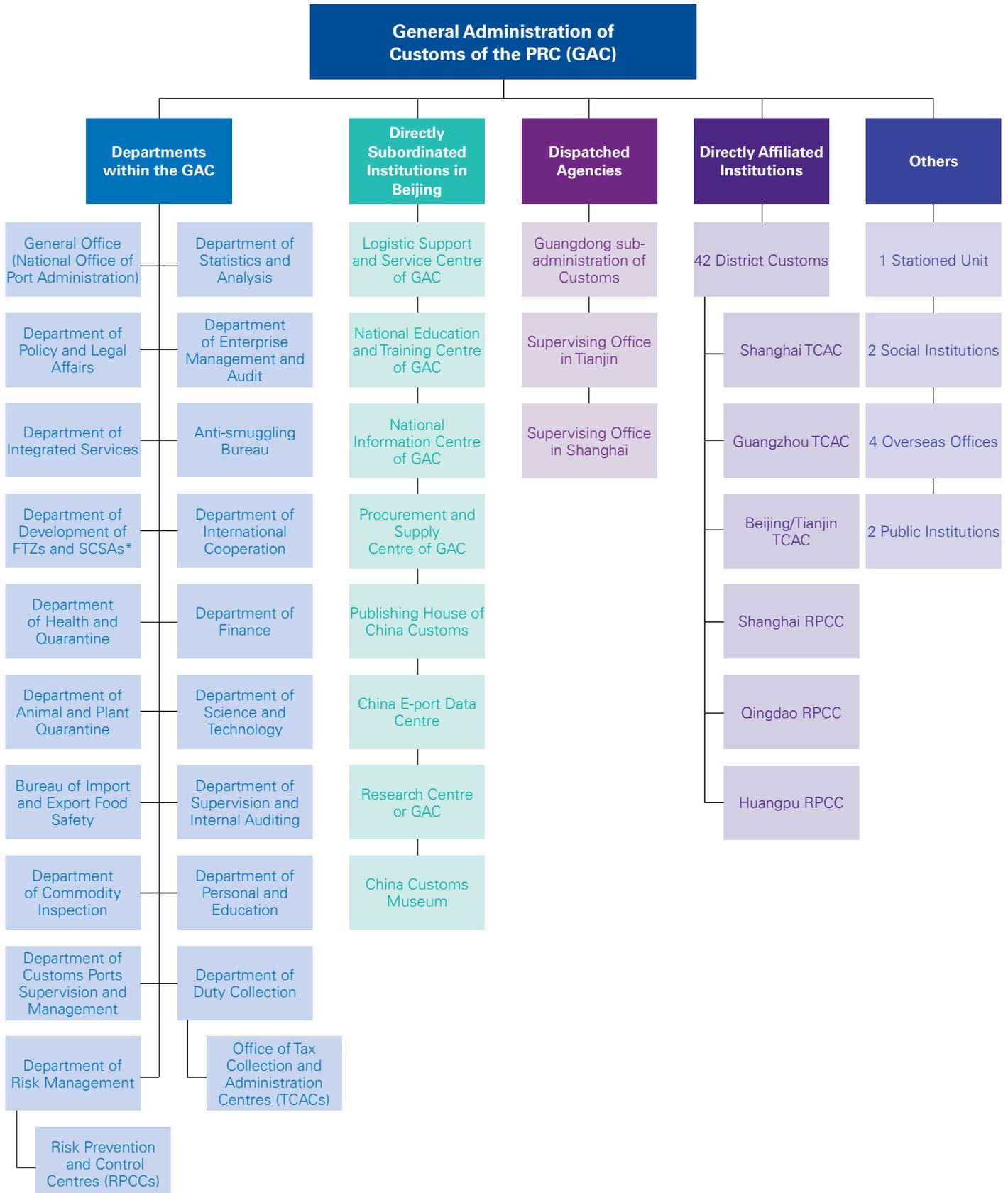
Broad coverage

Across 19 cities in China

Dedicated resources

More than 60 full-time, experienced staff members

Appendix



*SCSAs refers to special customs supervision areas.

Contact us

National



Lewis Lu
Partner in Charge, Tax
China
T +86 (21) 2212 3421
E lewis.lu@kpmg.com



Eric Zhou
Partner, Head of Trade & Customs
China
T +86 (10) 8508 7610
E ec.zhou@kpmg.com

North China



Eric Zhou
Partner, Head of Trade & Customs
China
T +86 (10) 8508 7610
E ec.zhou@kpmg.com



Helen Han
Tax Partner
China
T +86 (10) 8508 7627
E h.han@kpmg.com

Central China



Anthony Chau
Partner in Charge, Tax
Western and Eastern China
T +86 (21) 2212 3206
E anthony.chau@kpmg.com



Dong Cheng
Tax Partner
China
T +86 (21) 2212 3410
E cheng.dong@kpmg.com



Rachel Tao
Tax Director
China
T +86 (21) 2212 3473
E rachel.tao@kpmg.com

South China



Grace Luo
Tax Partner
China
T +86 (20) 3813 8609
E grace.luo@kpmg.com



Vivian Chen
Tax Partner
China
T +86 (755) 2547 1198
E vivian.w.chen@kpmg.com



Philip Xia
Tax Director
China
T +86 (20) 3813 8674
E philip.xia@kpmg.com

Hong Kong SAR



Daniel Hui
Tax Partner
China
T +852 2685 7815
E daniel.hui@kpmg.com

Notes

kpmg.com/cn/socialmedia



For a list of KPMG China offices, please scan the QR code or visit our website:
<https://home.kpmg.com/cn/en/home/about/offices.html>

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG Advisory (China) Limited, a wholly foreign owned enterprise in China and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in China.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.