



## China Customs to carry out paperless customs filing pilot reform

### Regulation discussed in this issue:

- General Administration of Customs [2012] No.38, Announcement on the Implementation of Paperless Customs Filing Pilot Reform, released on July 31, 2012

### Background

*General Administration of Customs Announcement [2012] No. 38* was released on 31 July, 2012 (hereafter referred to as 'Announcement No. 38'), announcing the decision to carry out a paperless customs filing pilot reform across the country to further improve trade facilitation based on the comprehensive promotion of the reform of classified filing of customs. The paperless customs filing reform is a breakthrough in pushing the process further based on the digitisation of declaration forms and the classification-based customs system, and achieving paperless filing during the entire clearance process.

Paperless customs filing helps enterprises simplify the procedures of clearance in relation to submitting paper documents and obtaining customs' signature, and therefore, reduce labor and time costs. Enterprises should consider both relevant regulations and their own circumstances to judge whether they are qualified for application, and comprehensively analyse the advantages and disadvantages of applying for paperless filing to take actions.

### Main regulations

#### 1 Basic concepts of paperless customs filing

'Paperless customs filing' refers to the use of risk analysis and a classification-based management system to separate import/export enterprises into risk classifications on the basis of the goods they import/export. It also encompasses the application of information technology to reform practices related to the examination and approval of paper declaration forms and attached documents submitted by import/export enterprises as part of the customs process. Enterprises included in the reforms will be able to, as part of the direct customs filing process, receive approval, inspection, and release through the submission of an electronic declaration form and attached documents entered for declaration at a 'China Electronic Port'.

## 2 Coverage of paperless customs filing pilot reform

- **Beijing Customs:** air transport of imported goods
- **Tianjin Customs:** ocean transport of imported goods
- **Shanghai Customs:** ocean transport of imported and exported goods
- **Nanjing Customs:** imported and exported goods in special customs supervision zones
- **Hangzhou and Ningbo Customs:** imported and exported goods transmitted between these two regions
- **Fuzhou Customs:** imported and exported goods traded between the Mainland and Taiwan
- **Qingdao Customs:** ocean transport of exported goods
- **Guangzhou Customs:** air transport of exported goods
- **Shenzhen Customs:** land transport of exported goods at ports
- **Gongbei Customs:** land transport of imported goods at ports
- **Huangpu Customs:** imported and exported goods transmitted between customs by land transport.

## 3 Scope of pilot enterprises

Import/export enterprises and customs declaration enterprises classified by customs for management purposes as Classes A or AA..

## 4 Approval procedure for paperless customs filing

- 1) Pilot enterprises obtain approval for paperless customs filing from customs houses directly under the General Administration of Customs at the place where the declaration is made.
- 2) Pilot enterprises sign an electronic application agreement with a customs house directly under the General Administration of Customs and a third-party certification body at the place where the declaration is made (China Electronic Port Data Centre).
- 3) Pilot enterprises may adopt 'paperless customs filing' within the customs area.

Customs-approved pilot enterprises may choose paper-based customs filing or paperless customs filing.

Customs-approved pilot enterprises that choose to declare via paperless customs filing shall, at the same time, transmit the electronic declaration form and attached documents to customs when making declarations.

## 5 Situations not applicable to paperless customs filing

- Currently, paperless customs filing does not apply to imported or exported goods that require licenses (this does not include the 'Certificates of Inspection for Goods Inward/Outward').
- Paperless customs filing does not apply to imported or exported goods that involve taxes, but for which electronic payment has not been selected.

## KPMG observations

The paperless customs filing reform is a significant breakthrough in customs operation. Although previous reforms have made the digitisation of declaration forms, the submission of paper documents was still required. Classification-based customs system has adopted a paperless filing process, but enterprises were still required to submit and retain paper documents. However, this latest round of paperless customs filing reforms pushes the process further based on previous reforms, and achieves paperless filing during the entire clearance process.

The new process is convenient for the enterprises because they do not have to print out paper declaration forms and attached documents. Instead, they can submit declarations to customs electronically. After customs provides clearance and enterprises have received their clearance receipt, enterprises can go directly to storage/collect their goods. This reduces procedures related to submitting paper documents and obtaining customs' signature, and therefore also reduces labor and time.

From customs' point of view, the transition from paper to electronic examination further increases efficiency. By sharing electronic data, risk analysis can be simultaneously carried out by many departments within customs, making the supervisory process more focused. Moreover, the transition from paper to electronic filing makes accessing and retrieving data more convenient and less costly.

These customs filing reforms are still in the pilot phase and apply exclusively to Class A or the above enterprises. However, given that customs continuously improves the ability to facilitate trade, the reforms will continue to expand in scope, and are highly likely to extend to Class B enterprises in the near future.

In addition, the following issues should be noted by enterprises during implementations:

- For low-risk goods, customs will automatically release goods after an electronic examination. However, for high-risk goods, customs will still switch to manual examination. Enterprises will be asked by customs to hand in paper documents to obtain approval.
- While enjoying the convenience of the paperless filing, enterprises must also undertake corresponding obligations. First of all, to become paperless, customs filing companies and enterprises must undergo a customs qualification examination. Secondly, companies using paperless filing must be able to transmit data electronically. Thirdly, companies must establish document storage systems that match the requirements for the retention of customs documents. Fourthly, enterprises will be exposed to customs' inspections, including verification inspections prior to clearance, increased inspections during the clearance process, and sampling and inspections after clearance.
- Only Class A or above enterprises can apply for paperless customs filing. As a result, more stringent customs compliance requirements should be considered before applying for this policy.

### **How KPMG can assist you**

Services we can provide related to paperless customs filing reform include:

- Providing case studies to assist enterprises in analysing the advantages and disadvantages of applying for paperless filing;
- Assisting enterprises in applying with the customs for paperless filing, including submitting information, handling procedures, communicating with relevant officials, etc.;
- Providing advice on adjustments to enterprises' ERP systems, ensuring that enterprises' ERP system meets customs' regulatory requirements, providing the documents and information that customs requires, simplifying reporting procedures and improving the efficiency of customs filing. Specific consulting services include:
  - Analysing the gap between the information contained in the existing ERP systems and the reporting information that customs requires;
  - Evaluating and summarising ERP system configuration requirements

and other customs' filing systems-related procedures;

- Providing recommendations for optimising ERP systems configuration and processes;
  - Assisting ERP system implementer with system development;
  - Providing systematic acceptance checks for ERP system optimisation.
- Assist enterprises with customs verification inspections, routine inspection, and other issue.

If you have any questions, please feel free to contact KPMG's Customs Team.

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