

CHINA TAX ALERT

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Consolidated Duty Collection Is Being Promoted Nationwide

Regulation discussed in this issue:

- Announcement of the General Administration of Customs No.33 [2015] on Promoting Consolidated Duty Collection Nationwide

On July 24th 2015, the General Administration of Customs published the Announcement on Promoting Consolidated Duty Collection Nationwide (hereinafter referred to as "Announcement No. 33"). Announcement No. 33 stated that effective from July 27th 2015, consolidated duty collection reform would be vigorously promoted nationwide on the basis of prior pilot programs. For import and export enterprise fulfilling the conditions, customs can calculate and collect taxes on a consolidated basis on the import and export goods of a period. This method will benefit import and export enterprises by improving their trade facilitation and decreasing costs of customs clearance. Announcement No. 33 also specified the conditions for applying consolidated duty collection, application and operation methods and disciplinary measures for violation.

Background

Consolidated duty collection is an important attempt of the reform on the system of duty collection and administration. It is also required by the reform of risk-categorized filing and paperless filing. On August 2013, the General Administration of Customs carried out the pilot program of consolidated duty collection, with nine regional customs being the earliest adopters: Beijing, Tianjin, Dalian, Shenyang, Harbin, Shanghai, Qingdao, Guangzhou and Xi'an. Based on the success of pilot program, consolidated duty collection method is gradually expanded to other regions and ultimately to the whole country.

Introduction of Consolidated Duty Collection

Under the method of consolidated duty collection, on the premise that an enterprise can provide an effective guarantee, the clearance of its goods will be allowed once the declaration is accepted by the

customs before settlement of taxes. Corresponding taxes will be levied later on a consolidated basis within time limit.

According to Announcement No.33, an enterprise fulfilling the application conditions can apply to its regional customs office in charge by submitting a special evaluation form for consolidated duty collection and listing all the regional customs to which it intends to adopt this method. The enterprise shall act as the Operation Unit when conducting customs declaration and meet the following conditions:

1. The enterprise shall be a user of Customs Electronic Payment System
2. The enterprise shall be a General Certified Enterprise or above
3. During the previous calendar year, the enterprise shall have made at least four duty payments in monthly average
4. The enterprise shall also:
 - (1) Make customs declarations according to the requirements on normalized declaration;
 - (2) Provide essential supporting materials document to facilitate customs' review on its declaration;
 - (3) Comply with customs laws and regulations on duty collection and administration; and
 - (4) Settle duty payments in a timely manner.
5. There is no other situation that disqualifies the enterprise from consolidated duty collection.

After obtain the qualification of enjoying consolidated duty collection, the enterprise is required to submit a blanket guarantee to the regional customs in the form of a deposit or a letter of indemnity. The beneficiary of the letter shall include the regional customs to which it intends to adopt consolidated duty collection method.

If risk of tax owing appears to the enterprise, the department in charge of duty collection from its in-charge regional customs is empowered to freeze its blanket guarantee and suspend its consolidated duty collection qualification. If the enterprise no longer fulfils the conditions of applying consolidated duty collection method, or it has more than two late duty payments within a calendar year, or risk arises regarding collection of taxes (e.g., tax evasion, insufficient tax payment), the department in charge of duty collection from its in-charge regional customs will disqualify the enterprise and issue a Notification on Cancellation of Qualification for Consolidated Duty Collection Method.

KPMG Observation

Consolidated duty collection is a new operation method of customs duty collection in China. Based on this method, the customs can accomplish consolidated administration on creditworthy enterprises by extending the space for duty collection. For law-abiding enterprises, consolidated duty collection method will bring

convenience to them, improve customs clearance efficiency, and reduce their pressure on cash flow.

KPMG recommends that those enterprises meeting the application conditions can apply to customs in order to qualify for consolidated duty collection and enjoy the benefits of this method.

KPMG's Trade and Customs team has rich knowledge and experience on customs operations and can assist enterprises from the aspects of application for consolidated duty collection, assistance on blanket bank guarantees, establishing communication channels with customs authorities, etc.

