



The Customs Authorities Introduced New Measures to Promote the Steady Growth of Foreign Trade

Regulations discussed in this issue:

Several Measures Introduced by the General Administration of Customs to Promote the Steady Growth of Foreign Trade, China Government Official Website www.gov.cn 2015-11-25

Overview

According to the import and export statistics released by the General Administration of Customs on 26 November 2015, imports fell by 15.7% YoY and exports by 2.5% YoY¹ from January to October 2015. In this background, the General Administration of Customs issued the *Several Measures Introduced by the General Administration of Customs to Promote the Steady Growth of Foreign Trade* (“the Measures”) in order to promote the steady growth of foreign trade, arrest the declining trend as soon as possible and lay a solid foundation for the growth of foreign trade in 2016. As far as the Measures are concerned, most of them reiterate and sort out the policies and measures taken in the past year by the customs authorities regarding the reform of the customs and the promotion of foreign trade. Some are an improvement on the policies already introduced while some are unveiled for the first time. They can serve as references for enterprises to acquire an understanding of future customs policies and can also provide sustained policy support for enterprises to adjust their operations. In view of the fact that there are many aspects involved in the measures, enterprises can conduct targeted assessment of the policies and take actions accordingly.

Background

China is still an export-oriented economy. The decline in both imports and exports highlighted the grim situation faced by exports, one of the three drivers of economic growth (exports, investment and consumption). At the same time, the continuous decline in imports and the continued downturn in the global commodity

¹ http://www.gansu.gov.cn/art/2015/11/26/art_4827_256689.html

market constitute a serious drain on customs revenue. This may bring unprecedented opportunities and challenges to enterprises. On the one hand, the customs authorities introduced measures to support the steady growth of foreign trade with great frequency. This provides an opportunity for enterprises to improve efficiency and control costs; on the other hand, the customs authorities may also enhance compliance and subsequent inspection and strengthen governance initiatives to increase customs revenue. In this background, we believe that it is necessary to interpret the measures.

Main contents and KPMG's interpretation

1. Further improve customs clearance supervisions services.

The main target of this policy is to further promote the construction of a single window for import and export trade and make full use of information technologies to transform the traditional customs operation process and the improve the management for import and export customs clearance.

The customs authorities further improved the customs supervision measures, thus requiring import and export enterprises to optimize existing enterprise management system and enterprise's customs information system. The single window mode may avoid repetitive reporting, but the requirements for making declarations at a single window will be more comprehensive and the requirements for quality are also higher. In addition, the inspection and control mechanism based on the information system will also make higher requirements to enterprises regarding internal control system and credit rating. Import and export enterprises should evaluate their own situations, strengthen internal control mechanism and improve enterprise credit rating; at the same time, enterprises should also evaluate whether their current document process and data management is able to adapt to the needs of a single window operation and then take improvement measures accordingly.

2. Further promote the innovative development of processing trade.

This policy covers innovating and replicating the customs supervision system of free trade zones, promoting the integration of special customs supervision areas, and improving the approach to the regulation of processing trade.

The innovative development of processing trade will bring opportunity for the development of bonded processing and bonded logistics. The Measures reiterated the policy of innovating and replicating the customs supervision system of free trade zones with emphasis on the domestic selective taxation, processing trade order verification and cancellation, the integration and optimization of special customs supervision areas and the improvement of processing trade mode. For information about the impact of the first three points, please

refer to the 32nd² issue and 27th³ issue of our China Tax Alert. The improvement of the regulatory model for processing trade, which involves bonded repair, service outsourcing and cross-border e-commerce business and many other new business models. Detailed operational policies are worth looking forward to. Bonded processing enterprises, bonded logistics enterprises, cross-border e-commerce, foreign maintenance enterprises and service outsourcing enterprises should pay close attention to the further development of this policy and can also engage in communications with competent customs authorities regarding targeted projects.

3. Further clean up and regulate import and export charges

This aspect of the policy includes granting access to the electronic port pre entry system and regulating the charges for supervising and inspecting the transmission of import and export manifests and customs transit vehicles.

Further measures adopted to clean up and regulate import and export charges brings the opportunity for import and export enterprises to save logistics costs. Related enterprises can assess and confirm whether it is necessary to negotiate and modify the service contract. In particular, free access to the electronic port pre entry system (QP system) offers the opportunity for enterprises to access the system and establish data exchanges. The work involves business processes, enterprise operations and enterprise information system. Enterprises that intend to adopt customs clearance information technologies are recommended to conduct comprehensive evaluation and consult professionals if necessary.

4. Crack down on smuggling and regulate import and export

This policy is a reaffirmation of the approach of the customs authorities to exercise its power according to law.

In this policy, the customs authorities did not relax the measures against the smuggling and tax evasion. Import and export enterprises shall not relax customs clearance internal controls and compliance management as the customs authorities adopt measures to promote the development of foreign trade, especially inbound passengers, luggage, goods and mails, and the import and export of express mails and key commodities, and export tax refund.

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<http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Newsletters/ChinaAlerts/Documents/China-tax-alert-1511-32-General-Administration-of-Customs-Work-Order-Write-off-Announcement.PDF>

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<http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Newsletters/ChinaAlerts/Documents/China-tax-alert-1509-27-Special-Customs-Supervision-integration-optimization-plan.pdf>

KPMG recommendations

The general guidance of the customs policies is to provide support for and promote the stable growth of foreign trade. It creates a loose macro environment for enterprises to optimize processes and introduce new projects and business models. Relevant enterprises, especially large import and export enterprises, can evaluate their major processes and projects related to import and export and seize the opportunity to engage in discussions with relevant departments of the customs authorities.

The interpretations above are only an outline of the measures. They indicate the direction for the customs policies and reform measures of the customs authorities in 2016. The timetable for the implementation of relevant measures, the regions to be covered and the rules for the implementation are yet to be released. Import and export enterprises and those enterprises engaged in bonded processing, bonded logistics, foreign maintenance services, cross-border e-commerce and service outsourcing enterprises can study the policies (refer to the China Tax Alerts issued by KPMG) released in the past year based on their actual circumstances and pay close attention to the detailed policies to be released. KPMG will also issue advisory opinions in this regard. You are welcome to keep in touch with us.

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