

China Tax Alert

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China Customs Revises the Standards for Filling in Declaration Forms

Regulations discussed in this issue:

- Announcement of the Customs of the People's Republic of China ("PRC") on Revising the Standards for Filling in Declaration Forms for Imported and Exported Goods (Announcement No. [2016] 20 of the General Administration of Customs) effective on and from 30 March 2016

Background

In a recently released Announcement of PRC Customs on Revising the Standards for Filling in Declaration Forms for Imported and Exported Goods (hereinafter referred to as "Announcement No. 20"), the General Administration of Customs made amendments to the previous version of the Standards, in order to monitor importers' customs declaration and standardize the requirements for filling in declaration forms for imported and exported goods. This revision reflected that China Customs is having new requirement and monitoring mechanism for customs declaration.

Key revisions in the Standards for Filling in Declaration Forms

- Description of some declaration items adjusted

The following items are changed to be consistent with how they are expressed in relevant laws:

Old item names	New item names
Operating entity	Consignor/consignee
Consignee	Entity to consume or use
Consignor	Entity that produces or sells
Trade Method	Supervision Method

- Maximum number of line items increased

The maximum number of line items that can be included in a declaration form is increased from 20 to 50 to avoid the split of logistics documentation due to the limitation of declaration forms with regards to line items.

3. New filling-in requirements and standards added to some items
 - New requirements: “Trading Country (Region)”, “Country of Origin” (for exports) and “Country of Ultimate Destination” (for imports);
 - New standards added: “Confirmation of Special Relationship”, “Confirmation of Price Impact”, “Confirmation of Payment of Royalties”, etc., for “Other Issues to Be Explained”.

In addition, Announcement No. 20 made it clear that, a Customs Registration Form shall be prepared when an enterprise within a Special Customs Area (“Area”) declares to customs for goods that enter or exit the Area. In case of goods that are transported within the same Area or across different Areas, entry declaration shall be performed prior to exit declaration.

The Announcement also collected filling-in requirements for items as “Shipping Cost”, “Insurance Premiums” and “Certificates” that have been stated in other regulations ever since 2008, and deleted declaration items that have lost their legal or regulatory basis.

KPMG observations

The KPMG Trade and Customs team recommends that import and export enterprises pay close attention to the revisions of the Standards for Filling in Declaration Forms, obtain full information of goods before customs declaration and fill in declaration forms in accordance with the new standards. Enterprises should initiate timely communication with local customs on issues that are not fully understood, if any, to avoid delay of customs clearance due to declaration forms that are not filled in as required. In preparing declaration certificates for import and export purposes, enterprises should also consider and take advantage of the convenience brought by changes such as the increase in the line items that can be declared in a single form.

In addition, enterprises with related transactions and royalty payments should also stay focused on the newly added declaration items, which are “Confirmation of Special Relationship”, “Confirmation of Price Impact” and “Confirmation of Payment of Royalties”.

Confirmation of Special Relationship: Enterprises should make declaration in accordance with the standard set out in the Measures of the Customs of the People's Republic of China for the Determination of the Customs Value of Imported and Exported Goods (hereinafter referred to as “the Valuation Measures”).

Confirmation of Price Impact: Citing the terms related to test value in the Valuation Measures, Announcement No. 20 prescribes that an enterprise shall determine whether it has evidence to prove that the import price is close to any of the test value prescribed in the Valuation Measures (i.e. third party selling prices, price derived under deductive method or price derived under computed method) when determining whether the transaction price is affected by the related party relationship, before filling in this item in the form. In the absence of such evidence, it should report “yes” in the declaration.

Confirmation of Payment of Royalties: The Announcement requires an enterprise to comply with the provisions of the Measures under which an enterprise shall report “yes” if in its import and export activities, the buyer pays to the seller or a related party royalties as defined in the Measures (including but not limited to fees paid by the buyer for the license or transfer of patent rights, trademark rights, proprietary technologies, copyright, distribution rights or selling rights), directly or indirectly.

In filling in the above items of Price Impact and Payment of Royalties, an enterprise may face a customs valuation re-assessment if it reports “yes” without further study; if an enterprise reports “no” without sufficient judgment and analysis, and is found to have presented inaccurate information during a customs valuation inquiry, investigation or inspection, it may be adversely impacted and face increased risk of being determined as committing false declaration due to its erroneous declaration in relation to related transactions, royalty payments and other issues.

It is recommended that before declaring the above items, import and export enterprises should conduct full internal reviews, especially on cross-border transfer pricing arrangements, payments of fees in non-trade channels (including royalties defined in the Valuation Measures, as well as other types of fees, such as R&D expenses, design fees and technical support fees). Following such reviews, enterprises are advised to communicate with broker agents in a timely manner and consult professionals to avoid errors in declared information, to reduce customs related risks.

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