

China Tax Alert

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China Customs Authority Conducts Pilot of Independent Customs Declaration and Tax Payment for Imported Goods

Regulations discussed in this issue:

- Circular by the General Administration of Customs on Carrying out Pilot Reform of Tax Collection and Administration Procedure (GAC Circular No. 62 [2016]) effective as of 1 November 2016.

Background

The General Administration of Customs (GAC) will reform the existing customs clearance procedure for imported goods, according to a GAC Circular on Carrying out Pilot Reform of Tax Collection and Administration Procedure issued on 29 October 2016. Under the current procedure, review of customs declaration is required before goods are released. This reform is designed to further guide import and export enterprises to be self-disciplined and law-abiding, with the principle stated as “honesty and observance of the law brings convenience; dishonesty and irregularity leads to punishment” to improve customs clearance efficiency.

Content of pilot reform

- Independent customs declaration and tax payment

When importing goods, enterprises should submit customs declarations truthfully and accurately in advance, calculate tax payable and surcharges and handle payment-related procedures on their own.

- Review of elements relating to tax calculation after release of goods

Review of customs declaration after release of goods

Generally, goods will be released after enterprises complete the customs declarations and tax payment procedures on their own. Afterwards, the customs authority will spot-check and review the valuation, classification and origin of the imported goods of the enterprises. In special cases, the authority will inspect the customs declaration in advance.

Proactive disclosure scheme

After release of goods, enterprises are encouraged to report to the authorities in writing if they are aware of any of their own violations against customs regulations. Enterprises which the customs authority believes to be voluntary disclosers of their own irregularities will be less punished or free from punishment. For enterprises which have disclosed their irregularities and paid back taxes proactively, late fees can be reduced or eliminated.

Pilot reform areas

Port of import	Goods in PRC Tariff	Transportation	Effective date
All ports nationwide	Goods listed in Chapter 80, 81 and 82 (Some base metals and base metal products)	Shipping Land Air	1 November, 2016
Shanghai	Goods listed in Chapter 84, 85 and 90 (Machines and instruments)	Shipping Air (Only enterprises in Shanghai, excluding express mail)	1 December, 2016
Beijing, Ningbo	Goods listed in Chapter 84, 85 and 90 (Machines and instruments)	Included into the pilot reform by batches	

KPMG observations

As a new customs clearance procedure, independent customs declaration, tax payment and review of customs declarations after release of goods will bring a range of convenience to import and export enterprises. As demurrage caused by disputes on valuation, classification and origin of goods decreases, customs clearance efficiency will be improved significantly, reducing enterprises' logistics costs.

The review of elements relating to tax calculation after release of goods requires enterprises to have stronger capabilities in dealing with tariff issues. Enterprises need to further optimise import and export processes so as to cope with challenges during the reform. In the meantime, the review of elements relating to tax calculation after release of goods exposes enterprises to more risks despite the convenience it brings, making it necessary for them to establish a self-examination scheme on a regular basis in order to find their irregularities and disclose them before spot-checking by the customs authority.

KPMG assistance

In responding to changing environment of customs supervision, KPMG provides the following:

- Assistance to enterprises in strengthening customs compliance management, including import and export tariff management, bonded goods management, management of duty-exempted equipment and internal control management of imports and exports, etc.;
- Assistance to enterprises in conducting self-examinations on customs compliance, identifying violations against customs regulations, drafting voluntary disclosure reports, accompanying enterprises to proactively disclose irregularities and giving suggestions for improvement in order to mitigate compliance risks.

