



China Tax Alert

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China Customs Issues Important Announcement on Trade Facilitation, Getting Through the Last Mile of Customs Declaration for Various Customs Business

Regulations discussed in this issue:

- Notice of the General Administration of Customs on the opening of the Client Software and Business Data Exchange Interface for the Customs Pre-Input System (GAC Order [2016] No. 16), issued on and effective from 17 March 2016

Background

In order to improve customs clearance efficiency and reduce cost, China Customs has been committed to promoting reform and innovation empowered by information technologies. In 2015, China Customs has continuously promoted the nationwide reform of paperless customs clearance. In addition, paperless customs clearance is reinforced by other reform and innovation initiatives, such as measures to facilitate regional clearance integration, Customs and China Inspection and Quarantine (CIQ) integration, and domestic and international trade integration.

The Notice of the General Administration of Customs on Further Promoting the Steady Growth of Foreign Trade issued in 2015 has already been implemented. With the recent release of GAC Order [2016] No.16 (hereinafter referred to as Order No. 16), the GAC will loosen the nationwide restriction on direct filing from company side to Customs authority side. This is the latest action of China Customs to promote the steady growth of foreign trade and improve customs clearance efficiency for enterprises.

Pursuant to Order No. 16, the GAC released a client software and the data exchange interface for said direct filing, and released the Function List of the Customs direct filing system as well as the List of the Data Exchange Interface specification.

KPMG observations

[Why do we need an IT system to manage trade compliance and customs operation?](#)

While the import and export business has reached a certain scale, an enterprise's priority is to avoid manually inputting data and filling in documents, improve efficiency and control man-made errors, and put limited resources into the optimization of logistics and supply chain processes, as well as control over trade compliance risk.

Then an enterprise needs to set the goal of linking the entire internal system process, eliminating information silos, and ultimately enhancing the transparency of trade data and using data analytics to optimize customs management and drive its rapid development. The improvement and optimization of those management processes can never be possible without IT system solutions.

[Why do we need to connect the IT system to the customs system?](#)

Paperless customs clearance is a universal form under the global trend of trade facilitation. Customs of most of the world's major economies allow an enterprise or a third party to directly submit customs clearance data to the customs system.

Over the past years, key solution providers of global trade management have gained a deep understanding of the Chinese market to provide many manufacturing and trade enterprises with management software and system solutions for the entire process of trade compliance and customs operation. Similar services are also provided by some of China's small to medium-sized system solution providers.

However, before the release of Order No.16, no matter what kind of customs system an enterprise uses, final submission of data to customs generally needs to be completed by professional declaration companies (e.g. for the import and export declaration business) or system interface providers of certain types (e.g. for processing trade e-books).

Therefore, direct connection to the customs system for data submission is often seen as the last mile prohibiting an enterprise or a solution provider's best utilization of the customs system, which greatly limits the capabilities of system solutions. However, with the release of Order No.16, this last mile is expected to be overcome now. In addition, KPMG believes that the extent to which the system interface is opened under Order No. 16, if unchanged following tests, may push the openness of China's paperless customs clearance to match that of the Automatic Commercial Environment (ACE) Platform Project which has long been a pilot project of U.S Customs and Border Protection (CBP) (ACE is analogous to China E-Port).

[Technical details to be clarified](#)

We can learn functional modules of the customs filing system and general field names from the attachments of Order No.16. However, if we want to develop the corresponding data interface, we still need to confirm data exchange details with relevant authorities. Such details include the format of request and response data, data carriers (such as XML) and data sequence in transmission.

Market impacts

Professional declaration agencies with a good standing have long-term investments and market deployment in relation to systematic and automatic clearance processes. The implementation of this Order will not cause great impacts on them; on the contrary, it will improve their competitiveness in the market.

Domestic and international providers of customs-related IT system solutions will have a new competitive opportunity. Professionals who are not only familiar with the customs operation process within an enterprise, but also understand customs and international trade compliance, as well as IT system solutions in a technical sense will be favoured by the market. This will certainly set a higher standard for professionals in this field.

KPMG assistance

The KPMG Trade and Customs Team is committed to helping clients with the investigation, experiment, implementation and management of paperless customs clearance processes and their derivative customs administration processes. Our professionals are involved in almost all non-duty-related and non-OGA certificate-related, as well as duty-related and OGA certificate-related pilot work, whether under integrated customs clearance processes or paperless customs clearance processes.

In addition, KPMG maintains a good relationship with various well-known domestic and international solution providers of trade compliance and customs operation. We hosted or co-participated in tendering and bidding events to provide clients with IT system solutions and services. KPMG services are mainly focused on the analysis and establishment of an enterprise's business models other than system development (current As-is Process and future To-be Process following the application of system solutions), the analysis and establishment of an enterprise's system models, the elimination of cognitive bias between an enterprise's business models and system solutions, and the execution of system plans and user training programs.

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