

China Customs & Trade News

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Updated Company Grading System

In the Company Management Section, the following changes are expected:

The present regulation about the “grade of company”, which was promulgated in 1999, will be replaced by a new regulation (currently being reviewed by the Legal Division of GAC). It is expected that the regulation will be issued in early 2008. The main points to note are:

- There will be 5 grades, i.e. AA, A, B, C & D to replace the existing 4 grades.
- All companies engaged in import/export will be covered in the grading system.

- A new company will be graded as “B”.

The updated grading system may also connect with the new Framework of Standards to Secure and Facilitate Global Trade. An “AA” company will be deemed as an Authorised Economic Operator (AEO).

New Prohibition and Restriction Lists

In the Processing Trade Division, the following changes are expected:

- A new Prohibition List and Restriction List will be issued in early 2008 – the respective lists will be mainly determined by MOFCOM.

- A new regulation for the management of Processing Trade will be issued to replace GAC Order No.113 <<Measures of the People’s Republic of China on Customs Supervision and Control of Processing Trade Good>> in early 2008.
- A new regulation for the <<Method for Customs to Review and Check the Processing Trade Companies>> will be issued in early 2008. In this regulation, the function of third parties will be highlighted.

Expanded EPZ Functions

The Shanghai Development and Reform Committee issued Notice No.21 [2007] regarding the publication of the <<Opinions to Enforce the Trial Administrative Measures for Expanding Logistic Function and Launching Research, Testing and Repair Services in Export Processing Zones>>.

In December 2006, the State Council previously approved trial administrative measures for expanding logistic functions and launching research, testing and repair services in 7 Export Processing Zones (“EPZ”). In April 2007, GAC issued Order [2007] No.133, <<Measures Regarding Trial Administrative Measures for Expanding Logistic Function and Launching Research, Testing and Repair Services in Export Processing Zones>>.

Notice No.21 was issued so as to ensure the smooth implementation of the expanded EPZ functions. The main points are summarized as follows:

• Overview

Companies wishing to participate should have strong demand for the expansion and a sound highly information-based management system. Companies should obtain the approval of the EPZ management committee, Shanghai Foreign Investment Committee, and register with the Industrial and Commercial Bureau as well as Customs and CIQ. The trial manufacturing company can ship the goods that have not been substantially processed to related company located overseas or outside EPZ in China, per the operation/after-sales service needs. Trial repair companies can conduct after-sales repair for exported goods (domestically manufactured). Disassembling and repair operations for used goods are not allowed. Companies cannot conduct trial operations without approval of the EPZ management committee.

• Customs Supervision

EPZ companies can enjoy simplified Customs procedures “pre-declaration, paperless clearance” for goods imported/exported between the EPZ and overseas; “delivery in batches, periodic declaration” for imported/exported goods for testing and inspection between EPZ and overseas.

Goods should enter and exit the EPZ for companies engaging in trial bonded logistics. Trial testing companies cannot repair domestically sold goods under the name of “testing” services. Trial companies should implement network supervision and provide sufficient goods information to Customs.

- Inspection and Quarantine

CIQ will inspect and supervise used machinery, electronic products and equipment imported from overseas for research, testing and repair, as well as solid waste that can be used as a raw material. Goods that have been shipped into EPZ from overseas for testing, repair, research and logistics warehousing should be exempt from inspection. Goods that are sold or transferred between EPZ and other special supervised zone should be exempt from inspection. Goods that are shipped from places outside the EPZ into the EPZ should be exempt from inspection. Companies should register the information of trial operation with the EPZ CIQ.

- Foreign Exchange

Foreign exchange management falls under the <<Measures of Foreign Exchange in Bonded Supervision Zone>> issued by SAFE on August 15, 2007.

Foreign Investment Catalogue

NDRC and GAC Announcement [2007] No. 57 <<Catalogue Guiding Foreign Investment in Industries>> (2007 Amended Version) took effect on 1 December 2007. A notice regarding some questions on the implementation of <<Catalogue Guiding Foreign Investment in Industries>> (2007 Amended Version)

Issued by GAC] was been issued. The main points are summarised as follows:

Customs will exempt customs duty and import VAT on capital equipment on the condition that:

- The project has been properly approved and listed on the 2007 Amended Catalogue
- The value of imported self-use equipment is within the investment quota
- The equipment is not listed on the Prohibition Catalogue for duty-emption

To maintain the continuity of the policy, Customs will exempt customs duty and import VAT on capital equipment under projects that were approved before 1 April 2002 per the <<Catalogue Guiding Foreign Investment in Industries>> (1997) and projects that were approved from 1 April 2002 to 30 November 2007 per the <<Catalogue Guiding Foreign Investment in Industries>> (2002) and <<Catalogue Guiding Foreign Investment in Industries>> (2004). For projects approved from 1 April 2002 to 30 November 30 2007, the company should apply to Customs for duty-exemption with the Project Confirmation Certificate and other related documents before 31 December 2008, otherwise Customs will not accept the application.

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