

China Customs & Trade Alert

Supplementary Declaration



The General Administration of Customs (GAC) has released GAC Order [2009] No. 49, which will take effect on 1 October 2009, and aims to strengthen Customs enforcement of certain regulations and increase revenue collections.

Customs revenue target for 2009 increased despite a reduction in the volume of imports and exports due to the economic downturn. Customs, under significant revenue pressure, have implemented a new Supplementary Declaration to assist with the enforcement of customs rules and to ensure that the correct amount of revenue is collected.

During the first half of 2009, Customs placed emphasis on post-importation audit in relation to the dutiable value of imported goods, the HS classification of imported/exported goods, and Processing Trade. Post-importation audits in relation to dutiable value and HS classification contributed additional import taxes of RMB 520 million and RMB 3.3 billion respectively. This

was an increase of 73% and 6% respectively over the same period last year.

Highlights

Scope

GAC Order [2009] No.49 enables Customs to request for Supplementary Declarations in relation to the dutiable value, HS classification and country of origin of imported and exported goods. These three areas are dominating factors for determination of duty and VAT liabilities.

Requirements

A Supplementary Declaration can be completed in response to a written request made by Customs or voluntarily by the Declarant of the imported/exported goods.

Where Customs requests a Supplementary Declaration, the Declarant should respond within 5

working days. Otherwise, Customs can independently assess the dutiable value, HS classification and country of origin, as may be appropriate.

Various departments, such as the Verification Centre and Field Customs may request for a Supplementary Declaration. The goods can be cleared after the Supplementary Declaration is accepted. However, Customs can initiate further validation in respect of the area under question.

Inaccurate Answers

The Supplementary Declaration forms part of the declaration to Customs. A Declarant is obliged to submit a complete and accurate Supplementary Declaration. Submission of an inaccurate Supplementary Declaration would violate the rules and could result in a financial penalty and or a delay in the clearance of the goods.

Frequently Asked Questions (FAQ)

Based on discussions with Customs we have researched and prepared answers to some FAQ:

How soon will Customs give feedback to the Declarant after receiving the Supplementary Declaration?

Customs are not expected to give immediate feedback to the Supplementary Declaration.

Upon review of the Supplementary Declaration, Customs should release the goods immediately if they still accept the declared information in the original declaration form. If Customs no longer accept the original declaration form, they may re-value / re-classify the goods or reject the preferential duty rate applied.

Is the Supplementary Declaration required in the process of declaration verification or in the process of field verification?

All of the departments, such as the Verification Centre and Field Customs, which are involved in customs clearance process, can request a Supplementary Declaration from the Declarant.

Does the Supplementary Declaration relate to General Trade only?

No. A Supplementary Declaration may be made in respect of all Trade Modes.

Can the Declarant pay a guarantee (cash deposit) to obtain customs clearance and then complete the Supplementary Declaration?

This may be possible on a case-by-case basis.

Complex Areas

Most questions in the Supplementary Declarations can be readily answered with little effort, but one or two are complex. These complex areas are summarized as follows:

- Valuation (Annex 1): Reference to a so-called Test Value per use of the Transaction Value of Identical, Similar, Deductive or Computed goods should be stated. In practice, this may be very difficult to find due to the absence of such reference price information or an inability to obtain such reference price information as it is commercially sensitive.
- Classification (Annex 2): Detailed technical information is requested, e.g. the ingredients, manufacturing techniques, etc. The importer may not have all of this information so may need to collaborate with the overseas manufacturer in order to obtain this.
- Origin (Annex 3): When goods are originating from a country where a preferential duty rate exists then clarification about the method of qualification is required e.g. wholly obtained, HS Code change, specific manufacturing process completed etc. This information may be obtained from the Certificate of Origin and/or through collaboration with the overseas manufacturer, who is likely to hold more information about the Rule of Origin that was used.

Summary

The Supplementary Declaration requires the Declarant to provide additional and sometimes sensitive information so that Customs may verify the dutiable value, HS Code and country of origin that was stated on the original declaration. Compared with the past, this information would normally be requested during a post-importation audit. Now it may be requested at the time of importation or exportation.

Unexpected customs clearance delays may be experienced whilst the Supplementary Declaration is being completed. If so, clearance of the goods under cash deposit may be requested. This may reduce the impact of unexpected customs clearance delays.

Contacts

For further assistance about PwC's customs and international trade services please contact:

Colbert Lam

Partner

+852 2289 3323

colbert.ky.lam@hk.pwc.com

Susan Ju

Director

+86 (10) 6533 3319

susan.ju@cn.pwc.com

Damon Paling

Partner

+86 (21) 2323 2877

damon.ross.paling@cn.pwc.com

Michael Jiang

Director

+86 (21) 2323 2766

michael.h.jiang@cn.pwc.com

For more information, please also visit: www.pwccustoms.com

PricewaterhouseCoopers' Customs & International Trade Practice

Customs and international trade in China is complex, but with the right approach is manageable. A planned and structured approach results in cost savings, higher levels of compliance and fewer unwanted surprises during an audit. PricewaterhouseCoopers' specialists within our Greater China customs and international trade practice provide a wide range of advice and services related to creating value, ensuring compliance, and managing risk in relation to the movement of goods into and out of China.

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