

THE CLASSIFICATION MANAGEMENT & COMPLIANCE FACILITATION OF ENTERPRISES



1. THE BACKGROUND AND SIGNIFICANCE OF THE CHINA CUSTOMS CLASSIFICATION MANAGEMENT SYSTEM

- 1. 1. The evolution process of China Customs Classification Management System can be divided into the following 5 stages :
- 1. 1. 1. Practice & Accumulation Stage — *The Customs Administrative Regulations on Trustworthy Enterprises*
- 1. 1. 2. Theoretical Exploration Stage — The Overall Enforcement of *The Customs Inspection System*
- 1. 1. 3. Initial Stage of System Formulation — The Implementation of *The Customs Classification Measures of Enterprises As AEO*、*安智贸* (*The Secure And Intelligent Trade Route Between China And Europe*)、*C-TPAT*、*3M*
- 1. 1. 4. Thorough Exploration Stage
- 1. 1. 5. Synthesis & Completion Stage — *The Customs Classification Measures of Enterprises*
- The General Administration of China Customs issued an executive order (number 197) publicly in November 15th 2010; the order has been in effect since January 1st 2011.

2. THE MAIN CHARACTERISTICS OF THE CUSTOMS CLASSIFICATION MANAGEMENT OF ENTERPRISES

- **2. 1.** A Legislation margin is reserved for further development.
- *The Customs Classification Measures of enterprises covers all the enterprises engaged in imports and exports businesses; at the meantime, a corresponding Legislation margin has also been reserved for the other enterprises not yet registered by the customs from the supply chains of the international trade.*



2. THE MAIN CHARACTERISTICS OF THE CUSTOMS CLASSIFICATION MANAGEMENT OF ENTERPRISES

- **2. 2.** The enterprises are classified into 5 management categories.
- According to *the Customs Classification Measures of enterprises*, the enterprises can be classified into 5 management categories, ie. *AA, A, B, C and D* level. The enterprise in category *AA* is the *AEO* (Authorized Economic Operation) for China Customs.



2. THE MAIN CHARACTERISTICS OF THE CUSTOMS CLASSIFICATION MANAGEMENT OF ENTERPRISES

- **2. 3.** The system of AEO (Authorized Economic Operation) advocated by WCO was converted into a Chinese domestic system.
- **2. 3. 1.** The Inspection and Verification for AEO in China
- Inspection and verification refer to the new management measures specifically set for the enterprises of AA category in China.
- ---The main content of the China Customs inspection regulations and our operation standard for inspection and verification :
- ---For the enterprises applying for AA management category ;



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- ---The major purport of inspection and verification is to see if the enterprises meet the requirements of the Customs Administration, the business operation and the trade security in terms of the relevant criteria and procedures;
- ---Inspection and verification are usually completed within 45 days;
- ---The management mode of “verification is handled before supervision and management” is adopted;
- ---*An assessment report on the management and operation status of the enterprise* is to be submitted after inspection and verification.



2. THE MAIN CHARACTERISTICS OF THE CUSTOMS CLASSIFICATION MANAGEMENT OF ENTERPRISES

- **2.4.** The Partnership between the Customs and the Business Community is defined clearly.
- It is laid down in *the Customs Classification Measures* that cooperation between the customs and enterprises should be strengthened, the activities of information exchange and business liaison should be carried out frequently, etc. The idea of building solid cooperation and partnership is clearly propounded.
- The law basis is provided for subsequent operations, as is shown in the 4th item of *the Customs Classification Measures*



2. THE MAIN CHARACTERISTICS OF THE CUSTOMS CLASSIFICATION MANAGEMENT OF ENTERPRISES

- **2. 5. Discriminative Administration for Different Kinds of Enterprises**
- In order to encourage the enterprises to observe the law and maintain self-discipline, *the Customs Classification Measures* stipulates that in adherence to the principle of facilitation with compliance, the corresponding discriminative administration measures would be devised for those enterprises in different management categories. The enterprises in AA and A category fit for the measures of convenient customs clearance. The enterprises in category B fit for normal supervision measures and category C and D for the intensive supervision measures.



2. THE MAIN CHARACTERISTICS OF THE CUSTOMS CLASSIFICATION MANAGEMENT OF ENTERPRISES

- **2. 6. The Integration of All the “Facilitation with Compliance” Measures**
- In terms of the principle of “unity, norm and matching”, the “facilitation with compliance” measures from all fields were incorporated into *the Customs Classification Measures*. A set of uniform and standard measures of “facilitation with compliance” has been devised for all the customs agencies nationwide through the formulation of *the catalogue of Enterprises Classification measures*.



2. THE MAIN CHARACTERISTICS OF THE CUSTOMS CLASSIFICATION MANAGEMENT OF ENTERPRISES

- 2.7. Its Correlation with the Development of the Chinese Social Credit Rating System
- The requirement for the enterprises in AA or A category not to have any unfavorable records with their relevant administration authorities was clearly specified in *the Customs Classification Measures*, and these regulations would be brought into effect and kept steady in line with the development of *the Chinese Social Credit Rating System*.



3. THE EFFECT OF THE CHINA CUSTOMS CLASSIFICATION MANAGEMENT SYSTEM OF ENTERPRISES

- **3. 1.** To Keep Abreast of The Times and Promote Business Facilitation.
- **3. 1.1.** Adapted to the Acceleration of Global Business Development
- **3. 1. 2.** Adapted to the Transformation of the Ideology and Mode of Customs Supervision
- **3. 1. 3.** To Meet the Requirements of Uniform Law Enforcement and Trade Facilitation



3. THE EFFECT OF THE CHINA CUSTOMS CLASSIFICATION MANAGEMENT SYSTEM OF ENTERPRISES

- **3. 2. A Survey of the China Customs Classification Management System of Enterprises**
- **3. 2. 1. The Framework of the System**
- *The Customs Classification Measures* consists of 5 chapters as general provisions, the settings of management categories, the adjustment and application of management categories, the implementation of management categories and Supplementary Provisions, and 33 articles as well.
- **3. 2. 2. The Category Requirements in the System**
- Based on *The Customs Classification Measures*, different requirements were set up for the 5 management categories like AA、 A、 B、 C、 D in terms of the following elements as law-abiding status, compliance with administrative decrees, customs regulations and other relevant code of ethics, and in reference to the requirements for the operation state, the customs supervision and statistics, etc. The enterprises applying for different categories would be evaluated according to the relevant requirements. The evaluation result would be publicized.

3. THE EFFECT OF THE CHINA CUSTOMS CLASSIFICATION MANAGEMENT SYSTEM OF ENTERPRISES

- 3. 2. A Survey of the China Customs Classification Management System of Enterprises
- 3. 2. 3. Fundamental Principles

● --- Facilitation with
Compliance



3. THE EFFECT OF THE CHINA CUSTOMS CLASSIFICATION MANAGEMENT SYSTEM OF ENTERPRISES

- **3. 3. Promote the Enterprises Awareness of “Facilitation with Compliance”**
- **3. 3. 1 The Consignee or Consignor of Category AA Will Be Granted Such Facilitation Treatment As:**
 - Enjoying credit guarantee.
 - Swift release for low risk
 - No cash deposit account
 - Enjoying convenient mode of customs clearance
 - Handling customs transactions with priority



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