

Management of Special Customs Control Areas

SHAO Xiaoping, Director, Yangshan
Customs





I. Overview of Special Customs Control Areas

II. Major Types and Policy Functions

III. Important Role of Special Customs Control Areas in Shanghai' s Economic Development

IV. Innovations in Special Customs Control Areas Against the Backdrop of Integrated Customs Control



Overview

●Definition

“Special Customs Control Areas” include bonded areas, bonded port areas, bonded logistics parks, cross-border industrial parks, export processing zones, and integrated bonded areas. It refers to areas designated by the State where special policies are adopted, which are different from those for other places in the Customs territory, and where Customs takes special Customs control measures.

●Historical Background and Development Process

Adaptive to the needs of reform and opening. Learned from overseas experience in free trade zones. Gradually developed.

From 1970s to now, from the special economic zones (SEZs), to bonded areas, to export processing zones, to bonded logistics parks, to today's bonded port areas, the policies are more and more preferential, the functions are more and more comprehensive, and the management more and more advances, more like a free trade zones, more suited to the national conditions of China, and more of Chinese characteristics.



•Different types of special Customs control areas

Bonded Area

An area subject to Customs supervision and management, which is set up by or registered with and approved by a Customs administration, and can store commodities for a long period of time.

Export Processing Zone

A special customs control area approved by the State Council (the cabinet), which is set up in an existing economic and technological development area, and designed to attract foreign investors to invest or set up plants with favorable conditions. This type of zones are dedicated to manufacturing, processing and assembling export commodities.

Bonded Logistics Park

A special customs control area approved by the State Council in the planned area of a bonded area or in a port close to a bonded area. It is dedicated to develop modern international logistics business.



•Different types of special Customs control areas

Cross-border Industrial Park

A specific area subject to Customs control which is approved by the State Council and set up between the mainland of China and other countries or other Customs territories. It focuses on development of industries, while offering at the same time the functions of logistics, entrepot trade, product exhibition and sales, etc. It is managed by the respective countries' or regions' governments.

Bonded Port Area

A special Customs control area approved by the State Council which is set up in a port area opened to the outside world and the specific area adjacent to that port area. It offers the port functions, logistics function and processing function.

Integrated Bonded Area

A special Customs control area approved by the State Council which is set up in the inland area and equipped with the functions of a bonded port area. It implements the taxation and foreign exchange policies like those offered in a bonded port area, and is equipped with the functions of bonded areas, export processing zones, bonded logistics parks and ports. Business like international transit, distribution, procurement, entrepot trade and export processing can be developed here.



•Development Process of Bonded Port Areas

Importance of Setting Up Bonded Port Areas

- It is a strategic necessity to build an international shipping center.
- It is a good exploration in integrating different types of special Customs control areas.

Major Thoughts About Setting Up Bonded Port Areas

- To develop the bonded logistics industry and the value-added processing industry in areas adjacent to ports, attract more logistics to ports, adapt to the trend of integration of shipping, ports and modern logistics, and attract high added-value business such as international transit, international distribution and value-added services in areas adjacent to ports to shift to China, so as to increase the international competitiveness of the ports.
- To equip the port areas with comprehensive functions of bonded logistics and bonded processing to meet the needs of MNCs' modern production mode, management mode and marketing mode so that bonded processing and bonded logistics can have simultaneous and coordinated development in the port areas. In this way, the ports and the neighboring areas will become mutually promotive, which can also help with the upgradation of the processing trade and the transformation of the growth pattern of foreign trade.
- In terms of policies, the State equips the bonded port areas with multi-faced preferential policies, such as taxation, forex (foreign exchange), industrial and trade preferential policies.



——Development Process of Bonded Port Areas

In June 2005, the State Council approved the establishment of Yangshan Bonded Port Area, the 1st of its kind in China. The bonded port area, managed by Customs in a completely enclosed fashion, has integrated the policy advantages, functional advantages and geographical advantages of all special Customs control areas, such as those of the bonded areas, export processing zones, and bonded logistics parks.

With the “rejuvenation of old industrial bases in northeastern China” and the “development and opening of Tianjin Binhai New Area” incorporated into the nation’s “11th Five-Year Plan”, bonded port areas such as Dayaowan, Dalian and Dongjiang, Tianjin, were approved by the State Council one after another. Bonded port areas have become a new growth pillar of the export-oriented economy and a new highlight of the reform and opening programs. Their development will determine the orientation of integration of special Customs control areas in the future.



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I. Introduction to Special Customs Control Areas in Shanghai Region

5 types, totally 10 special Customs control areas, with a planned area of 43.52 sq km²

1 bonded area (Waigaoqiao)

6 export processing zones
(Songjiang, Jinqiao, Qingpu,
Caohejing, Minhang, Jiading)

1 bonded logistics park (Waigaoqiao)

1 bonded port area
(Yangshan)

1 integrated bonded area (Pudong
Airport)





I. Introduction to Special Customs Control Areas in Shanghai Region

2010年
Special Customs
Control Areas in
Shanghai

YoY increase 35%

1414.6

Import/export
value

Unit: hundred
million US\$

Shanghai

Foreign
Trade
Value

39.2%

Foreign
Trade
Value

38%

Among all
special
customs
control areas
in China

YoY increase 41%

509.7

Revenue
Unit: hundred
million RMB

Among all the
special customs
control areas in the
Yangtze River Delta
area

Foreign
Trade
Value

57.6%



II. Function Positioning and Policy Advantages of Special Customs Control Areas in Shanghai

1. Waigaoqiao Bonded Area

Waigaoqiang Bonded Area focuses on the development of an international trade demonstration area, the function of trade in goods and trade in services, the further improvement of trade facilitation environment, and the expansion of diversified trade models, so as to become an important platform of import/export trade of Shanghai, an important window for serving the Yangtze River Delta region and the whole country at large, and an important functional frontier for Shanghai to become an international trade center.



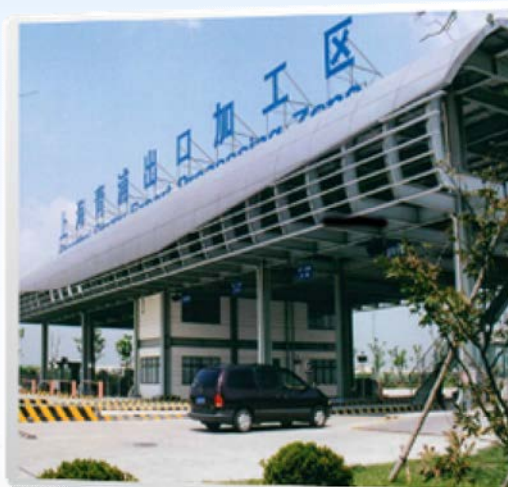


II. Function Positioning and Policy Advantages of Special Customs Control Areas in Shanghai

2. Export Processing Zones



The export processing zones focus on the development of the functions for processing trade to realize the concentrated management of bonded processing industries.





II. Function Positioning and Policy Advantages of Special Customs Control Areas in Shanghai

3. Waigaoqiao Bonded Logistics Park



Waigaoqiao Bonded Logistics Park focuses on the development of international transit, domestic distribution, international procurement and international entrepot trade, totally 4 functions.





II. Positioning and Policy Advantages of Special Customs Control Areas in Shanghai

4. Yangshan Bonded Port Area

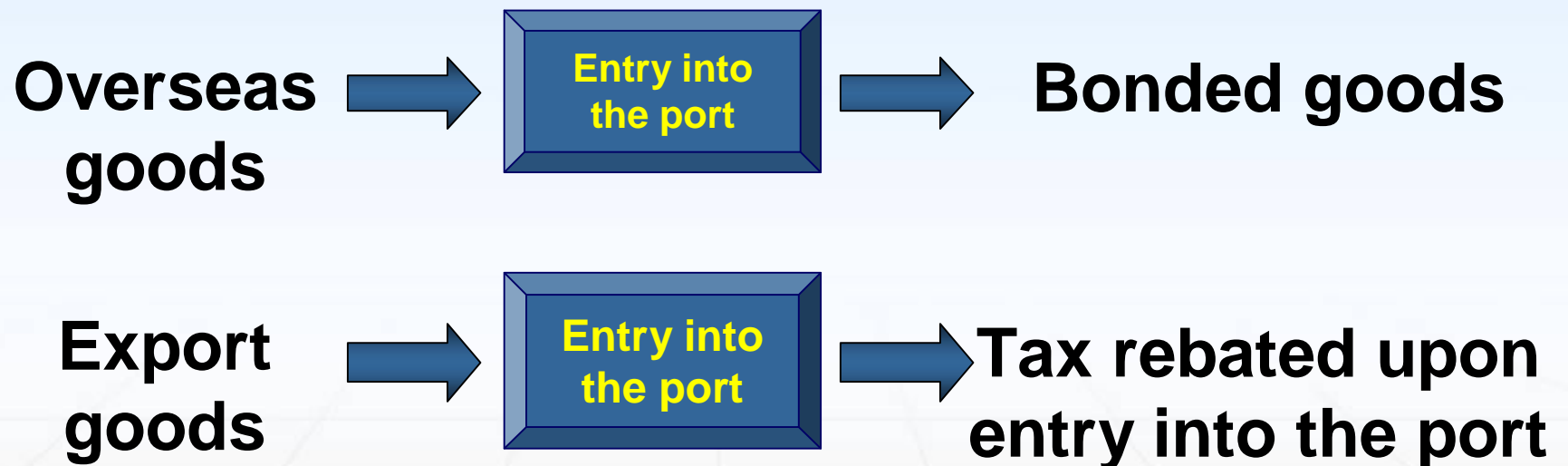
Yangshan Bonded Port Area focuses on the development of a comprehensive experimental area of international shipping development, and is making great efforts to develop multi-levels of business such as international transit, modern logistics, commodity exhibition, warehousing and leasing. It is aimed to be built into a Asia-Pacific hub for international transit of containers and domestic transshipment of imported and exported goods.





Policy Positioning of Yangshan Bonded Port Area

Enjoys the taxation and foreign exchange (forex) policies of bonded areas and export processing zones.



No VAT and consumption taxes levied for the trade in goods within the port area.



Major Taxation Policies of Yangshan Bonded Port Area

- Overseas goods' entry into the Port Area is bonded.
- Goods in the Port Area which are moving out of the territory are exempted from export duties.
- Entry of domestic goods into the Port Area is deemed as exportation, and can enjoy tax rebate.
- Trade in goods among enterprises within the Port Area is exempted from VAT and consumption tax.
- Imported machinery and equipment and office articles are duty-exempted.
- Goods moving to and fro the Port Area and another Customs territory are not subject to license management.
- No limits on storage.



Function Positioning of Yangshan Bonded Port Area

According to the letter of approval of the State Council, it was approved for Yangshan Bonded Port Area to give full play to its geographical advantages and policy advantages to develop the following business and expand related functions:

- ◆ **International transit**
- ◆ **International distribution**
- ◆ **International procurement**
- ◆ **International entrepot trade**
- ◆ **Export processing**



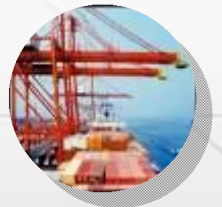
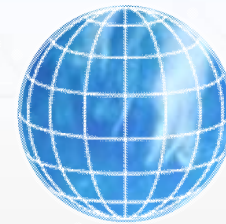


Business Approved for Yangshan Bonded Port Area to conduct

According to the Interim Rules on the Administration of Bonded Port Areas promulgated by GACC, within a bonded port area, the following business may be conducted:

Storage of import/export goods and other goods whose customs formalities are not completed yet.

- ◆ Foreign trade, including international entrepot trade
- ◆ International procurement, distribution and delivery
- ◆ International transit
- ◆ Testing and post-sale services and repair&maintenance
- ◆ Commodity exhibition
- ◆ R&D, processing and manufacturing
- ◆ port operations
- ◆ other business as approved by Customs





Characteristics of Yangshan Bonded Port Area

- **Policies:** enjoys the taxation and forex management policies of bonded areas and export processing zones.
- **Functions:** combines all the functions of bonded areas, export processing zones, bonded logistics parks and even the functions of clearance at port terminals.
- **Development orientation:** is an experimental area for China's future efforts for development of free trade zones, and offers essential support for the efforts to build Shanghai into an international shipping center.
- **Operational model:** has basically realized the substantive interaction between the bonded area and the port.





Comparison Between Bonded Port Areas and Other Special Customs Control Areas

- Compared with export processing zones, bonded port areas are authorized to conduct logistics and warehousing business.
- Compared with bonded areas, entry of domestic goods into bonded port areas is deemed as exportation and enjoys tax rebate.
- Compared with bonded logistics parks, in bonded port areas, production and processing business may be conducted.





Customs Control in Yangshan Bonded Port Area

Management philosophy: relaxed control for primary line, effective control for secondary line, and freedom within this area.

Management means: enclosed area; computerization.

Specific practices:

Different types of lanes at checkpoints

Divergence of goods

Zoning

Different procedures depending on the circumstances



Customs Control in Yangshan Bonded Port Area

Control over the Area

Control over Enterprises

Control over Goods



Customs Control in Yangshan Bonded Port Area

Control over the Area

■ Enclosed management

Checkpoints, fencing, CCTV monitoring system, and other facilities necessary for Customs control, which should meet the requirements of Customs control, to be separated from the outside.

■ Zoning

The bonded port area is, from the perspective of functions, divided into the Port Operations Area and the Bonded Operations Area.

■ No commercial living and consumption facilities are allowed within the bonded port area.

■ Office space for Customs and other administrative agencies.

Should be set up, within the planned area of the bonded port area, in the administrative office area of the bonded port area which is outside the fencing. Nobody is allowed to live in the bonded port area.

■ information platform

The administrative agencies of the bonded port area which is responsible for information network should establish a public computer information platform for information sharing, and through E-Port, realize the e-data exchange between Customs and the enterprises within the area and other relevant agencies.



Customs Control in Yangshan Bonded Port Area

Control over Enterprises

■ Qualifications requirement for enterprises

Enterprises within the bonded port area should be a legal person, and has the ability to pay duties and taxes to Customs and perform other statutory obligations. Under special circumstances, with the approval of the competent Customs house in the bonded port area, enterprises outside the area may, as prescribed by law, establish branches in the bonded port area and register with Customs.

■ Registration of enterprises

Enterprises within the area, before conducting any business, must register with Customs in accordance with the provisions of the Rules of GACC on Registration of Declaration Organizations, to obtain the Customs registration number.

■ Financial requirements for enterprises

Enterprises within the area must, in accordance with the provisions of the Accounting Law of the PRC and other relevant laws and administrative regulations, have standardized financial management, establish account books and reports that meet the requirements of Customs, record the financial status of their enterprises as well as the information on the stocks, transfer, movement, sale, processing and use of goods and articles entering/exiting the bonded port area, truthfully fill out relevant documents and account books, and conduct bookkeeping and accounting with legitimate and effective certificates and vouchers. They should, as from the date of starting business, regularly report to Customs the information on the entry, exit and storage of the goods.



Customs Control in Yangshan Bonded Port Area

Control over Enterprises

■ Management of Processing Trade

Enterprises within the area, to conduct processing trade, do not apply the management system of processing trade security bank account and the management system of contract verification and writing-off. Enterprises within the area are prohibited from conducting processing trade of heavily energy-consuming, heavily pollutant and resource products as well as commodities listed in the Catalog of Commodities Prohibited from Processing Trade. They are also prohibited from commercial retail business.

■ Networked management through electronic information

Customs manages enterprises within the area through networked computers. Enterprises within the area should use computer management systems which meet the requirements of Customs control, provide terminals and software interfaces for computer applications for Customs to inquire data, be connected with the Customs computers according to the certified ways and data standards prescribed by Customs, and ensure the truthfulness, accuracy and effectiveness of the data.

■ The bonded port area applies the Customs audit system.



Customs Control in Yangshan Bonded Port Area

Control over Goods

■ **Control over the machinery, equipment, office articles, means of transport for self-use within the area**

Unless otherwise provided for by laws and administrative regulations, the following goods which enter the bonded port area from outside the territory are exempted from import duties and import taxes to be collected by Customs on behalf of other authorities: machinery and equipment necessary for production-type infrastructure construction projects within the area and infrastructure construction materials necessary to build the production plants and warehousing facilities; machinery, equipment, molds and parts and components for repair and maintenance necessary for product for enterprises within the area; office articles for self-use and within reasonable quantity for enterprises and administrative agencies within the area.

Means of transport and consumer goods for daily living imported from outside the territory into the bonded port area for self-use by enterprises and administrative agencies within the area, should go through the declaration formalities of import goods as prescribed, and Customs should levy import duties and taxes in accordance with the relevant provisions. Goods moving out of the bonded port area into another territory are exempted from export duties, unless otherwise provided for by laws and administrative regulations.

■ **Goods which entered the port area will be issued a tax-rebate copy of the Customs declaration form**

For a export processing zone, this is not a new policy, but when it is applied to a port, it is quite significant. For other port terminals, only when the export formalities are completed for the goods, and the goods are loaded onto the vessel and have left the territory, can the tax rebate formalities be handled. Now, in this area, no matter what trade pattern, even for goods to be transited between different regional Customs, once they enter the bonded port area, the Customs will accept declaration and issue a tax-rebate copy of the declaration form once it has verified that the vehicle has arrived. In this way, the time it takes for enterprises to go through tax rebate formalities is shorted by 4 or 5 days compared with other ports.



Customs Control in Yangshan Bonded Port Area

Control over Goods

■ Control over inbound and outbound goods of the bonded port area

For goods moving to and from the bonded port area and another territory, Customs adopts a recordation-based declaration system, which requires the enterprises to fill out a Customs entry/exit recordation list.

- **Customs adopts the declaration management system for the following goods:**

- goods directly imported/exported through the bonded port area; goods which are moved out of the area into the domestic market;
- Goods enjoying duty and/or tax reliefs which entered the bonded port area from outside the territory and are for self-use within the area;
- Means of transport and consumer goods for daily necessity which entered the bonded port area for self-use of enterprises and administrative agencies within the area.

- **Control over means of transport and goods and articles carried by individuals, which are moving into or out of the bonded port area**

- Means of transport and individuals entering/exiting the bonded port area are subject to Customs supervision and checks;
- crews of inbound and outbound means of transport and inbound and outbound passengers carrying personal articles into the bonded port area, Customs will exercise control in accordance with the provisions on luggage of inbound and outbound passengers;
- Means of transport undertaking transportation of goods between the bonded port area and other special Customs control areas or among different bonded Customs control premises should meet the requirements of Customs control.



II. Function Positioning and Policy Advantages of Special Customs Control Areas in Shanghai

5. Pudong Airport Integrated Bonded Area

Pudong Airport Integrated Bonded Area focuses on the development of an innovation area adjacent to the airport offering innovative functions and services. It is making great efforts to development such functions as airport logistics, trade and financial services. This has made it an essential part of the efforts to build Shanghai into an Asia-Pacific international transit hub for air cargo and an international shipping center.





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**I. Special Customs Control Areas
are an important platform for
Shanghai' s export-oriented
economic development**



**An important platform for Shanghai to
development a modern service sector,
advanced manufacturing industry, and
build an international economic,
financial, shipping and trade center.**



II. The policy advantages of special Customs control areas have provided support for Shanghai to continuously attract cargo flow, technology flow, capital flow and talent flow.



Created an enabling investment environment with low costs and high efficiency, making these areas into a magnetic field of international goods, technologies, capital and talents.



III. Special Customs Control Areas are important places for experimentation of Shanghai' s reform and opening programs as well as innovations.



Bonded closing of futures transactions, financial lease, offshore trade. Such innovations in policies all started with pilots in the bonded port area, the integrated bonded area, and bonded areas.



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I. Promotion of Local Economic Growth

1 . Actively contributing to local economic growth



The Document entitled “ 2010 Key Priorities and Division of Labor on Developing Shanghai into an International Financial Center and an International Shipping Center touched upon 20 tasks related to Customs. According to the requirements of Shanghai Integrated Bonded Area Committee, Shanghai Customs has taken 15 specific measures to promote the interactive development of three areas and three ports.



2. Major Tasks and Progress

(1) Explorations in bonded closing of futures transactions

(3) Support for enterprises to have cross-area business

(5) Push forward the pilot of the policy of tax rebate at port of departure

(7) Support for the business of international transit of air cargo and container consolidation

(2) Support for the business of financial lease in special Customs control areas

(4) support for water-to-water transit business

(6) implementation of the various policies of Pudong Airport Integrated Bonded Area

(8) 完善中资“方便旗”船特案减免税



II. Enhancement of effective Customs control and facilitation for enterprises

In light of GACC' s requirement of building an " integrated Customs control" system, the concept of " one platform and two systems" was put forward



" One platform" : unified public platform for information management of special Customs control areas

" Two systems"

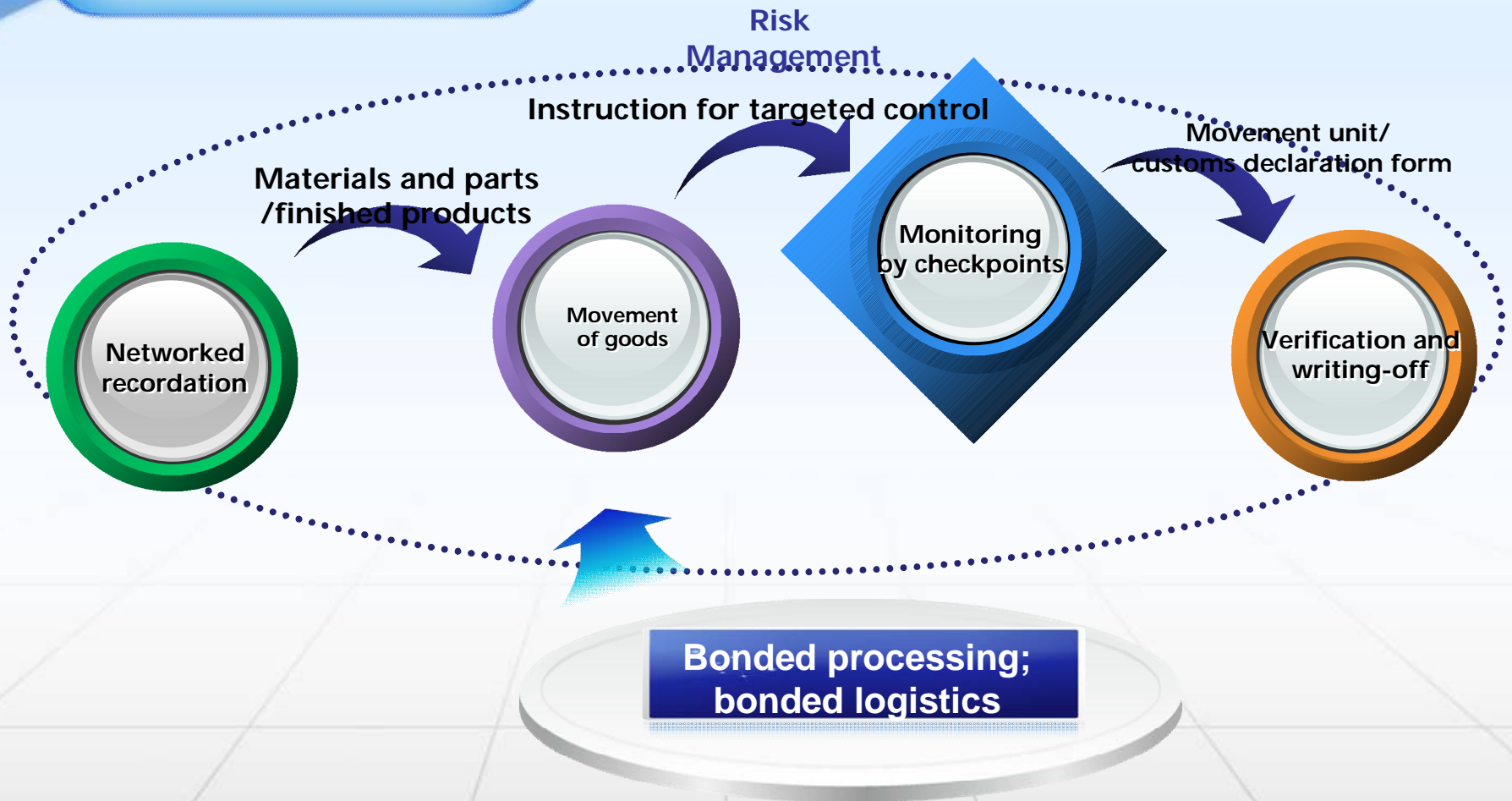
multi-level and multi-mode (sea, land, air) bonded logistics system in the special customs control areas

processing system, which helps cluster advanced manufacturing industries in the special customs control areas



1. Improvement of informatized management with the establishment of auxiliary systems

function modules and workflow





Benefits

Multi-recordation;
recordation and declaration
separated

one-off recordation; networked
(online) declaration

application and declaration
filed with Customs shipment
by shipment

Consolidated declaration (time
limit: 30 days)

Declaration first, then
delivery

delivery first; then declaration (only for
goods moving into/out of the area)

domestic transit
between different
customs districts

Networked interactions
among different customs
districts

Movement of goods : 2 days

around the clock; 2-3
hours

Large volume of customs
declaration forms

large decrease of
customs declaration
forms

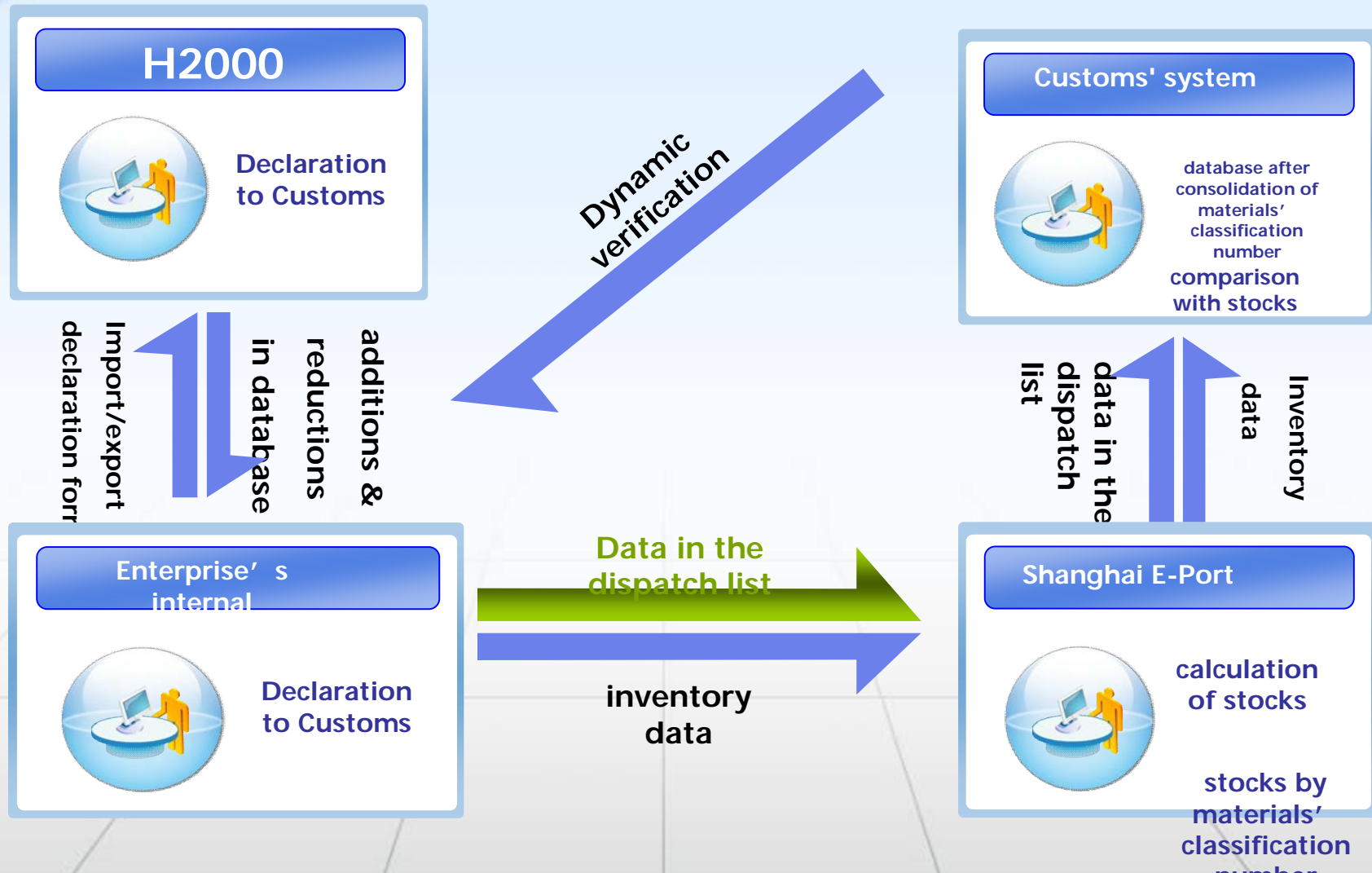
human intervention for
targeted controls and
examinations of goods

combination of human and
automatic targeted controls



2. Innovations in Customs management of bonded operation, starting with the writing-off based on dispatch lists

Dispatch-list-based writing-off flowchart





Benefits

Verification and writing-off based on theoretical unit consumption

verification based on the actual dispatch lists

Regular verification and writing-off: every 6 months, stop production and count stocks

real-time verification of stocks and analysis of materials consumed

Early warning of risks: once every 6 months

Dynamic comparison of stocks: once every 14 days

Monitoring of goods by item numbers

Monitoring of goods by materials' classification number



3. With the categorized clearance in special customs control areas) the movement of goods in the areas is more efficient.

Started pilot in reforming the categorized export clearance for secondary line

Rolled out such pilots in all special customs control areas in Shanghai

Started pilot in pilot in reforming the categorized exit clearance for primary line

Oct. 12, 2009

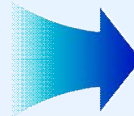
Jan. 12, 2010

Oct. 12, 2010



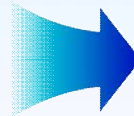
Benefits

Customs declaration forms
per day per officer: 200



Customs declaration forms
per day per officer: 60

Long clearance time



Clearance time
shortened 20% on
average

No priorities for Customs
control in terms of allocation
of resources



Key posts and critical nodes are prioritized for
allocation of Customs control resources



4. With the transformation of H account books in special Customs control areas, customs enforcement management is unified and standardized

Realized “ one-off recordation, one-off approval and dynamic verification” of commodity data

Have information on goods with the same description by materials’ classification number and by item number

Greatly reduced the classification numbers of enterprises’ goods through consolidation of those numbers to reduce Customs workload of recordation



5. With facilitation measures for domestic sale of goods processed in the special customs control areas, support is offered for enterprises to tap the potentials of the domestic market.

consolidated declaration for goods leviable moving into/out of special customs control areas

Integrated and simplified operational procedure for domestic sale so as to realize quick declaration.

Enhanced guidance for enterprises in regard to classification, valuation and declaration.

A panoramic view of the Shanghai skyline from the Bund. On the left is the historic clock tower of the Customs House. In the center is the Huangpu River with several boats. On the right is the Oriental Pearl Tower. The background shows a dense urban landscape with many skyscrapers under a clear blue sky with some light clouds.

谢谢!

Thank you!