



# Bond Operations of Customs for Goods under Processing Trade



Introduction to Customs Management of Goods Under Processing Trade

Electronic handbook Management by Customs for Goods Under Processing Trade

Electronic Account Book Management by Customs for Goods Under Processing Trade



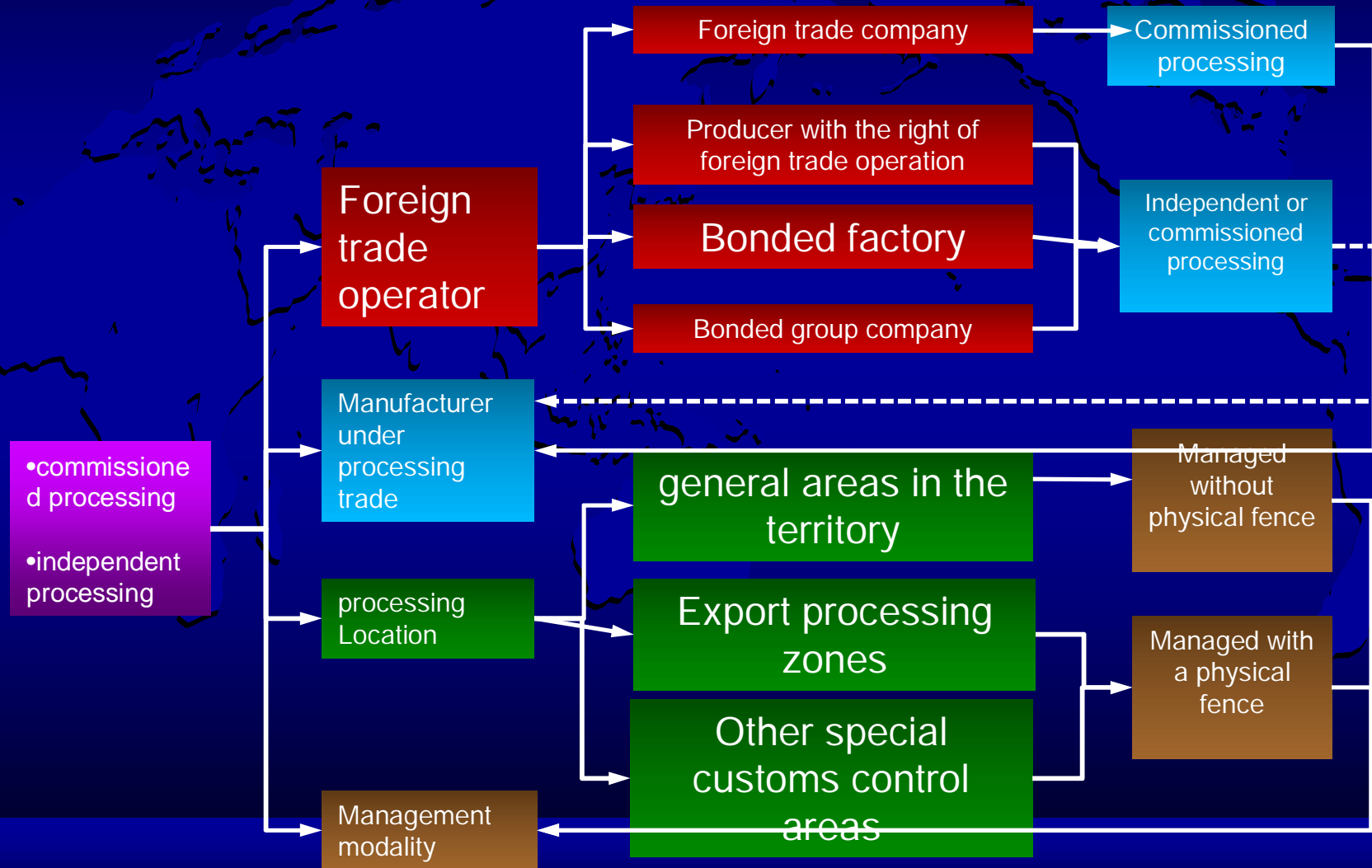
## Introduction to Customs Management of Goods Under Processing Trade

Electronic handbook Management by Customs for Goods Under Processing Trade

Electronic Account Book Management by Customs for Goods Under Processing Trade



# I. Status of Bond Operations of Customs for Goods under Processing Trade





## II. Basic Procedure of Bond Operations of Customs for Goods under Processing Trade

### 1. Approval by Commerce authority

Competent commerce authority examines and approves processing trade contract

Scope of approval

Contract, which is to be recorded, managed by electronicized handbook

Certificates issued

Certificate of business approved

Certificate of the operational status and production capacity of the enterprise

Competent commerce authority examines and approves business scope of processing trade

Scope of approval

Application for networked supervision

Application for having an electronic account book or electronicized handbook

Certificates issued

Certificate of business scope approved

Certificate of the operational status and production capacity of the enterprise



## 2. Recordation to be underbond

What does it mean

Only after recordation with Customs can the goods be underbond

Go through bonded entry and exit declaration formalities with Customs with the handbook

Principles Of Recordation

Compliance

Have an operation license and legitimate import and export certificates

Final destination of the materials and parts processed into finished goods must be the place where they are from.

Supervisable

Customs has the capacity and conditions available for supervision



### 3. Duty payment deferred

#### Basic rules

Duty payment formalities for import of materials and parts are deferred

The materials and parts are processed into products and re-exported. Then, the case is verified, written-off and closed.

If the materials and parts or the finished products are not re-exported, import duty payment formalities should be gone through, after which, the case will be verified, written-off and closed.

#### Associated rules

If the materials and parts or the finished products are not re-exported, enterprises are required to pay the deferred duty interest.

Formula:  
$$\text{Deferred duty interest payable} = \text{deferred duty payable} \times \text{interest bearing period} \times \text{deferred duty interest rate} / 360$$

Entry of the materials and parts are eligible for a security for Customs matters



## 4. Extended Customs Control

What does it mean

The materials and parts are released by Customs, but formalities for duty payment, trade control, etc. are not gone through yet, so they are still subject to Customs control after import. This has extended the time and space of Customs control.

The space of Customs control is extended to premises for processing and assemblage.

The period of Customs control is extended until the verification and writing-off, when the case will be closed.

Bond Period

Handbook management

1 year, and, upon approval, can be extended for another year

Account book management

From the first time of accounting on the book till the book is written-off.

Verification and Writing-off Period

Handbook management

within 30 days as from the date of expiration of the handbook after the last batch of finished products are shipped

Account book management

180 days for each cycle of submission for verification and writing-off





## 5. Verification, Writing-off and Case Closed

What does "verification and writing-off mean?

A processing trade operator should, after going through customs formalities for re-exportation or domestic sale of finished products, apply to Customs for verification and writing-off upon the strength of documents so required, so that the case can be closed. Customs will terminate the bonded control after review.

applicant

It is up to the operator to apply to Customs for verification and writing-off within the prescribed time limit.

Contents of verification and writing-off

status of the materials and parts imported and the finished products re-exported

Reasonability of unit consumption

status of remaining materials, scraps, defected products, etc. and the formalities gone through

Time Limit of Verification and Writing-off

Handbook management

within 30 days as from the date of expiration of the handbook or after the last batch of finished products are shipped

Account book management

180 days for each cycle of submission for verification and writing-off



### III. Modalities of Bond Operations of Customs for Goods under Processing Trade

Physical restrictions

Technical means

Direct supervised target

Modality of Security

Without physical fence

paper handbook

contracts

Managed through a Security deposit Account

electronic handbook

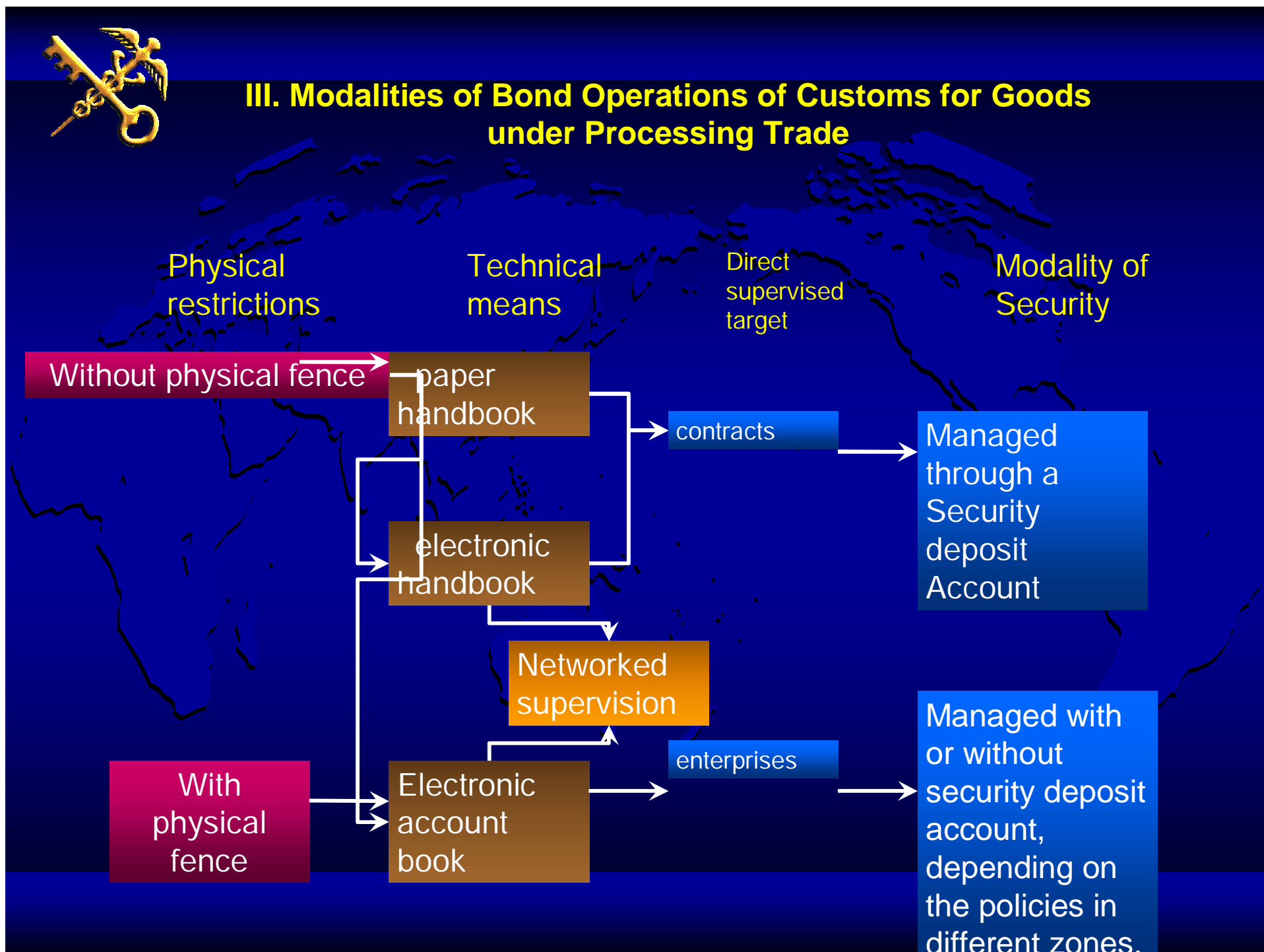
Networked supervision

With physical fence

Electronic account book

enterprises

Managed with or without security deposit account, depending on the policies in different zones.





Introduction to Customs Management of Goods Under Processing Trade

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# 1. Operational Procedure of Electronic handbo Management by Customs for Goods Under Processing Trade

## Operational Procedure of Declaration

## Operational Procedure of Customs Management

Before entry/exit  
( Customs formalities  
required before entry/exit )

Apply for recordation  
( paper or electronic )

Examine and Approve recordation  
( paper or electronic )

During entry/exit  
(Customs formalities  
required during entry/exit)

Go through import  
declaration formalities  
for materials and parts

Examine and approve  
bonded clearance of  
the materials and parts

Offer assistance for  
verification work by Customs  
during processing stage

Conduct verification  
during the  
processing stage

After entry-exit  
(Customs formalities  
required after entry/exit )

Go through declaration formalities  
based on the destination  
of the finished products

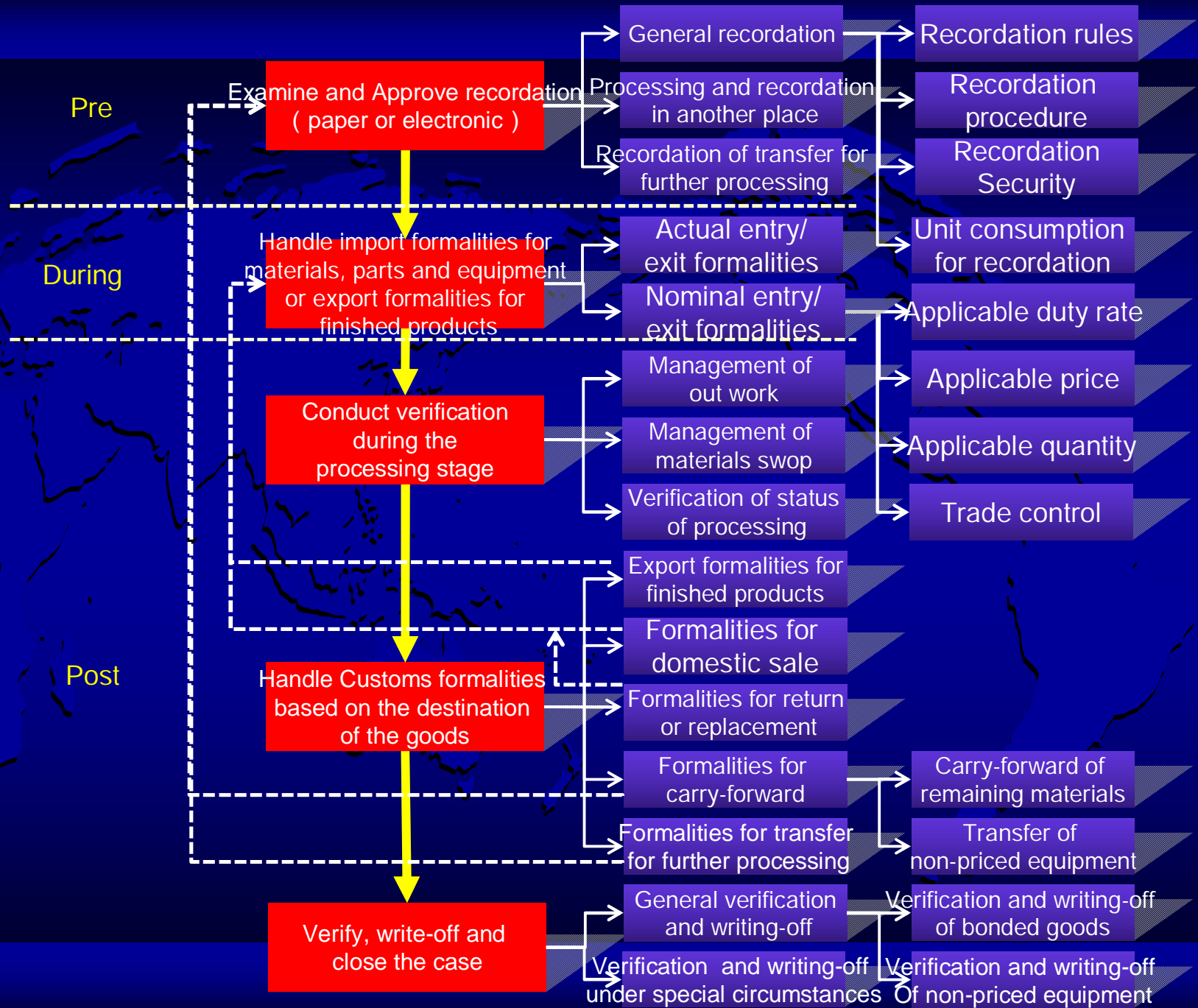
Handle Customs formalities  
based on the destination  
of the goods

Apply for verification and  
writing-off so that the  
case will be closed

Verify, write-off and  
close the case.



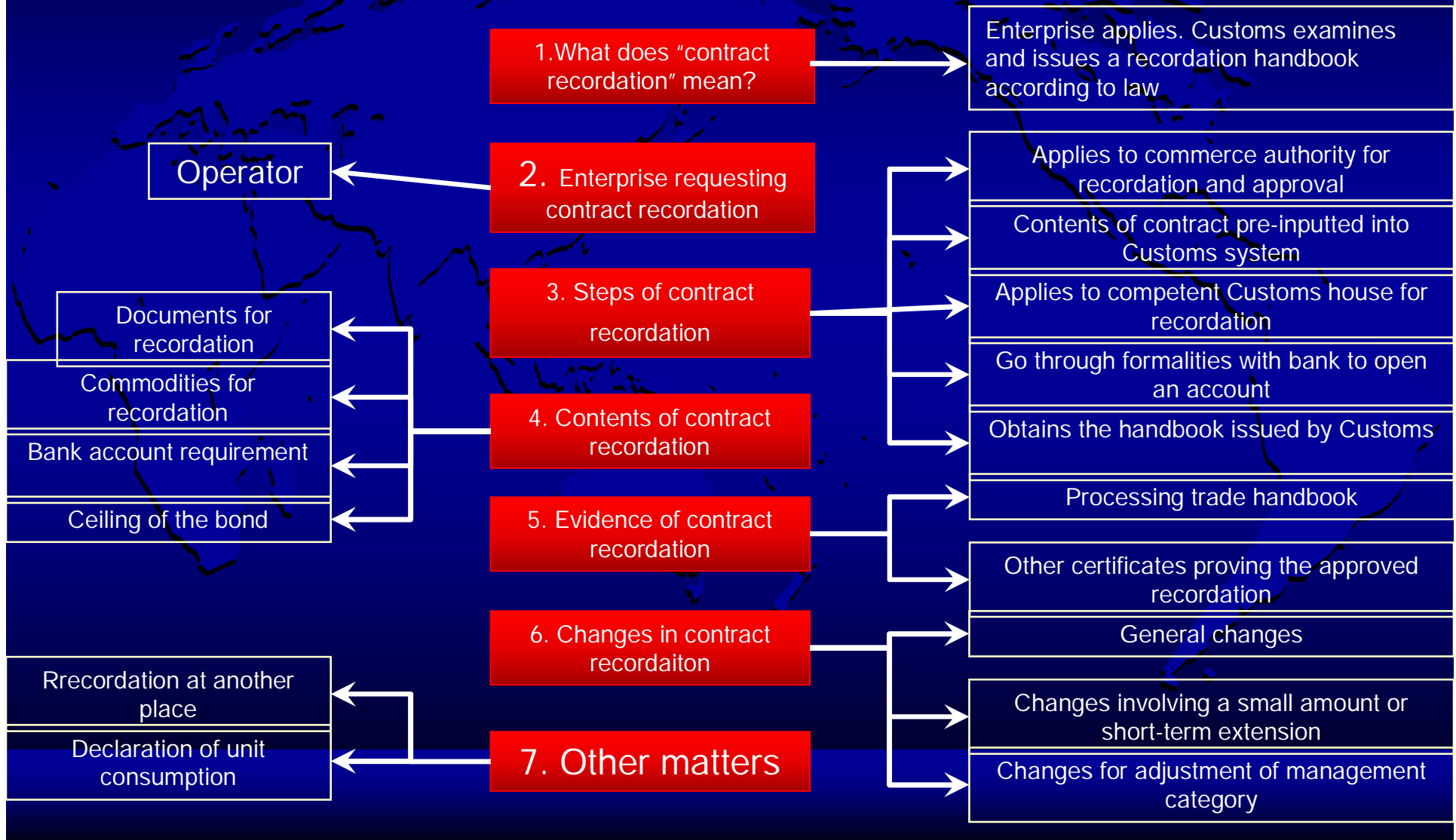
## 2. Contents of Electronic handbook Management by Customs for Goods Under Processing Trade





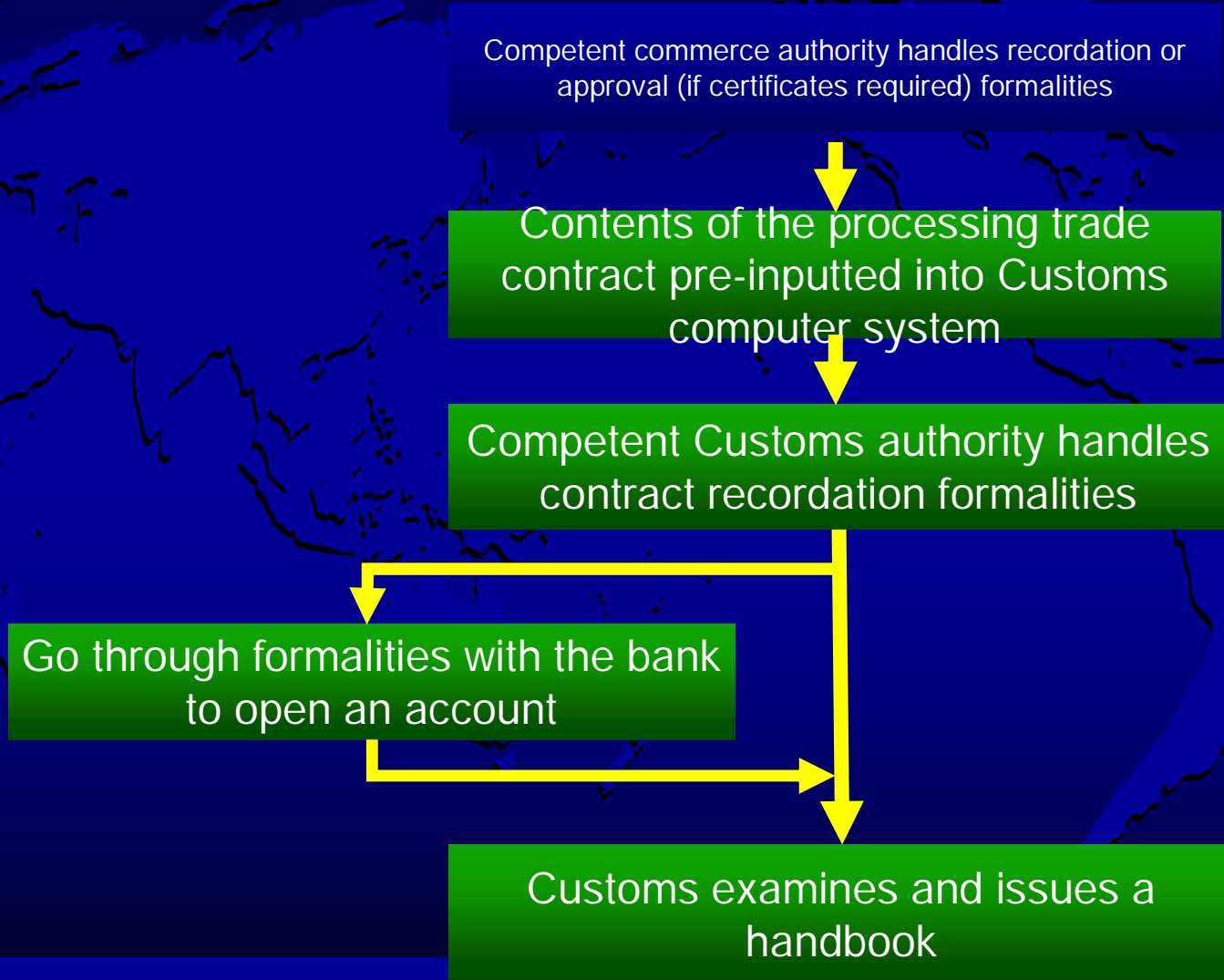
### 3. Recordation for Management by Electronic Handbooks

#### (1) Scope of Recordation Work for Processing Trade Contracts (Handbooks)



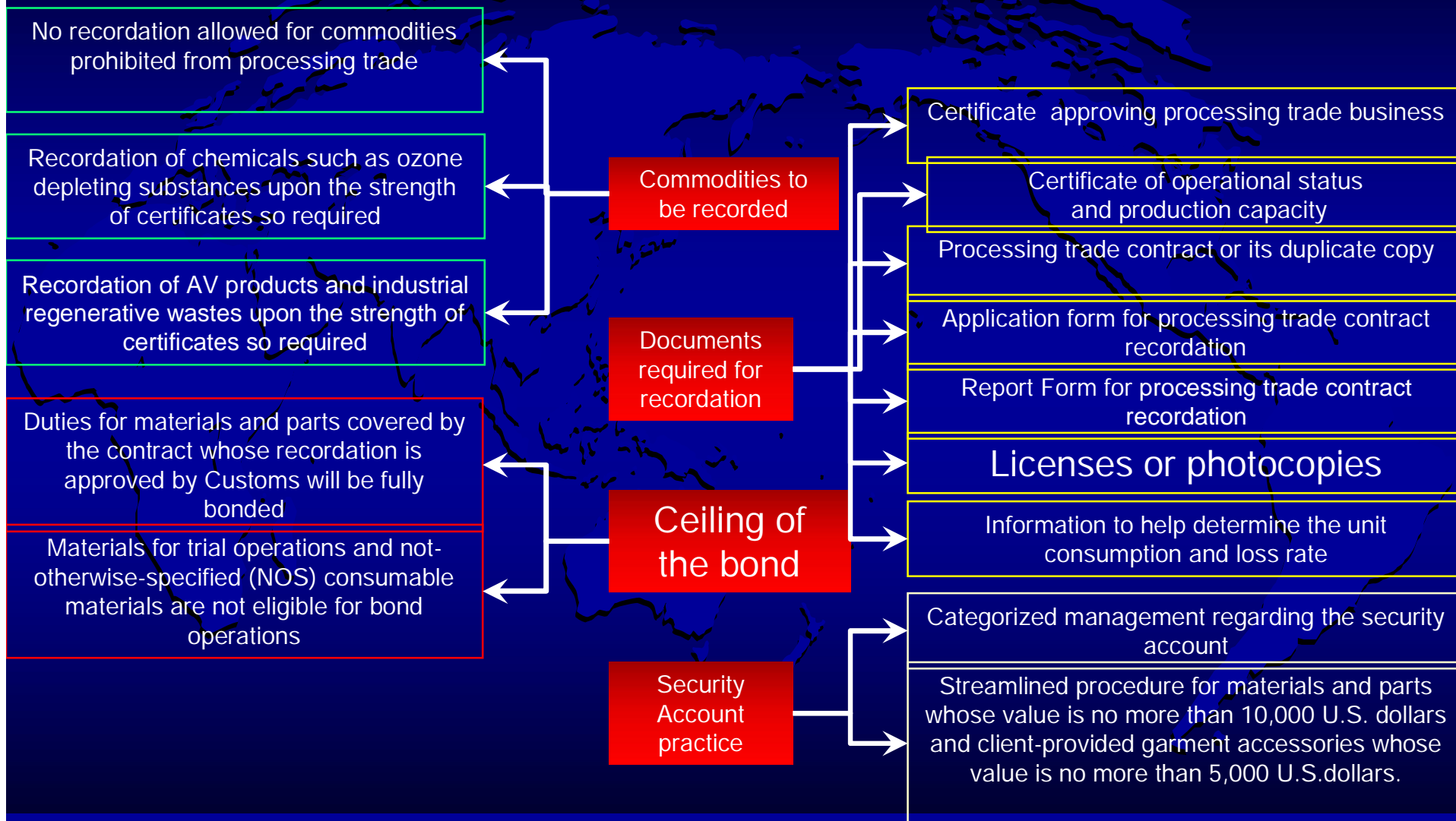


## (2) Recordation Procedure for Management by Handbooks





### (3) Contents of Recordation Work of Processing Trade Contracts







## (4) Categorized Management Regarding the Security Account

Contents of the Categorized management regarding the security account	Prohibited commodities	Restricted commodities	Permitted commodities
	East Mid-West	East Mid-West	East Mid-West
Category AA	Not allowed for processing trade	Don't have to deposit money in the account	Don't have to open an account
Category A			Don't have to deposit money in the account
Category B		Deposit 50% of the amount required	Don't have to deposit money in the account
Category C		100% of the amount required must be deposited	
Category D	Not allowed to do processing trade		
Enterprises in special Customs control areas	Not allowed to do processing trade	Don't have to open an account	



## (5) Management of Unit Consumption for Processing Trade

- ( 1 ) Meaning of Unit Consumption : unit consumption, net consumption and process loss.
- ( 2 ) Standards for unit consumption: national standards, and standards in different Customs districts.
- ( 3 ) Unit consumption management : unit consumption declaration, unit consumption examination, and unit consumption remedies.
- (4)Formula for calculating unit consumption

$$\text{Unit Consumption} = \frac{\text{Net Consumption}}{( 1 - \text{Process loss rate} )}$$



## IV. Follow-up Management in the Case of Electronic Handbooks

### 1. Out Work of Processing Trade

( 1 ) What does "out work" mean?

Due to its own limitations, an operator may, upon Customs' approval and after going through relevant formalities, entrust others to process the goods under processing trade, and the finished products will be transported to the operator and re-exported within the prescribed time limit.

( 2 ) Documents to be submitted during recordation. (omitted)



## 2. Application for "materials swop" under processing trade

( 1 ) Forms and conditions of "materials swop"

( 2 ) Disposal of the materials swapped

Materials swapped will continue to be managed in a bonded manner.

The enterprise can dispose of the swapped materials by itself.

Form 1 : Bonded materials and parts swop with other bonded materials and parts

Form 2 : Bonded materials and parts swop with duty-paid imported materials and parts

Form 3 : Bonded materials and parts swop with homemade materials and parts

Same type, same size, same quantity

Zero-tariff; not subject to import license



### **3. Transfer for further processing under processing trade**

**( 1 ) Definition (omitted)**

**( 2 ) Procedure**

**A. Plan recordation:** Transferring and receiving enterprises record their transfer plan with their respective competent Customs houses.

**B. Recordation of transfer and receipt of the goods:** Transferring and receiving enterprises, according to the plan recorded and approved by Customs, transfer or receive the goods.

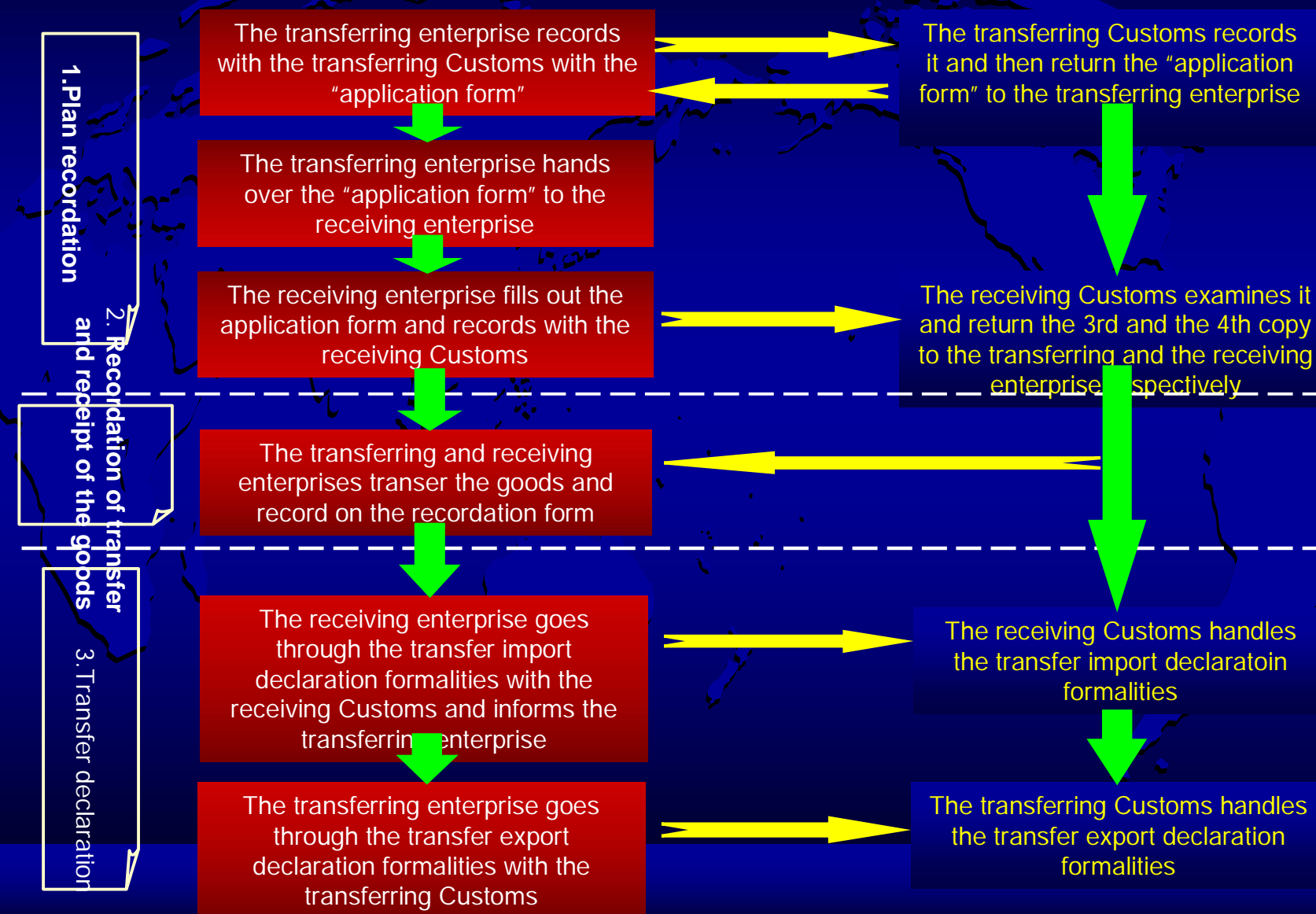
**C. transfer declaration:** Transferring and receiving enterprises go through declaration formalities for the transfer in accordance with relevant provisions.



# Procedure of Transfer for Further Processing

Transferring and Receiving Enterprises

Customs





## Comparison of the Different Modalities of Processing Trade

Processing in another place	The operator entrusts a processing enterprise in another Customs district to do the processing, and records with the Customs at the location of the processing enterprise, with the finished products shipped back to the operator and re-exported.
Out work	The operator entrusts another enterprise to finish a process of manufacturing using the materials and parts covered in a recorded contract with the products shipped back (or, upon Customs approval, not shipped back) and re-exported.
Transfer for further processing	The operator transfers products (semi-finished products) of processing trade to an enterprise in another Customs district, and the receiving enterprise will re-record with the receiving Customs, go through nominal import formalities, and conduct further processing, with the finished products re-exported.
Carry-forward of remaining materials and parts	Where relevant requirements are met, the operator may carry forward the remaining materials of a contract already completed to another contract of its own for bonded processing.



## 4. Declaration of Goods Processed Underbond But Sold on the Domestic Market

### ( 1 ) Provisions on Domestic Sale and Declaration

——Competent commerce authority examines and approves “Letter or Approval of Domestic Sale”.

——Declaration formalities are gone through for domestic sale and duty payment upon the strength of the “Letter or Approval of Domestic Sale”.

——Where, at the time of importation, the import license has not been submitted, it should be submitted at this time.

——Where the materials and parts for domestic sale only account for no more than 3% of the total imported materials and parts or their value is less than 10,000 yuan, there is no need to apply for approval and certificates.





## ( 2 ) Basis of the applicability of duty levying on domestic sales

### A. quantity leviable

For remaining materials and parts, and scraps, directly levied in light of the quantity declared

For finished products and defected products, duties will be levied based on the calculation of the quantity of materials and parts converted.

For by-products, duties will be levied in light of the quantity of the by-products as they are presented for verification.

### B. Dutiable value

The dutiable value of materials and parts imported for independent processing, or finished products and defected products, will be determined based on the transaction value when they are imported. If unable to be determined this way, then the following methods:

The dutiable value of materials and parts imported for commissioned processing, or finished products and defected products, will be determined based on the transaction value of identical or similar goods imported at or around the same time when the declaration of those materials, parts and products was accepted.

The dutiable value of by-products and scraps will be determined based on the domestic sale price.



### C. Duty rate

General domestic sale applies the duty rate of the day when Customs accepted the declaration of the goods.

Domestic sale of goods subject to tariff quota management but **without quota certificate** applies the **non-quota duty rate**.

### D. Deferred duty payment interest

For remaining materials and parts, finished products, defected goods and by-products, the deferred duty payment interest should be paid.

Scraps are exempted from such interest.

Information on applicability (omitted)

Interest bearing period (omitted)



## 5. Declaration for Carried-forward Remaining Materials and Parts of Processing Trade

**( 1 ) Conditions for declaration of carried-forward remaining materials and parts**

**Precondition of "4 Sames":**

**i.e.: same operator, same processing plant, same imported materials and parts, same modality of processing trade.**

**( 2 ) Procedure of declaration of carried-forward remaining materials and parts**

A. When an enterprise applies for carry-forward, it should submit documents to Customs (omitted).

B. Customs examines and decides.

C. The enterprise declares for import/export



The enterprise  
applies for carry-  
forward

Customs  
examines and  
decides.

Approved

Collects a security deposit or asks for a letter of guarantee

Issues a contact sheet for the carry-forward

The enterprise  
declares for  
import/export.

Export declaration to the competent customs house which transfers the handb

向转出手册的主管海关办出口报关

向转入手册的主管海关办进口报关

Import declaration to the competent customs house which receives the handb



## 6. Declaration for Abandoned Goods of Processing Trade

( 1 ) Written applicaiton

( 2 ) Customs examines  
and decides.

Abandonment approved

Customs issues a transfer sheet for abandoned goods

The enterprise hands over the goods to a designated warehouse upon the strengthe of the transfer sheet.

The enterprise goes through declaration formalities for the goods, and keeps the declaration documents for future verification.

Not approved

The goods are prohibited or restricted from importation

The goods are pollutant to the environment

Laws, regulations and rules provide that the goods are not allowed to be abandoned.

Formalities for return of goods

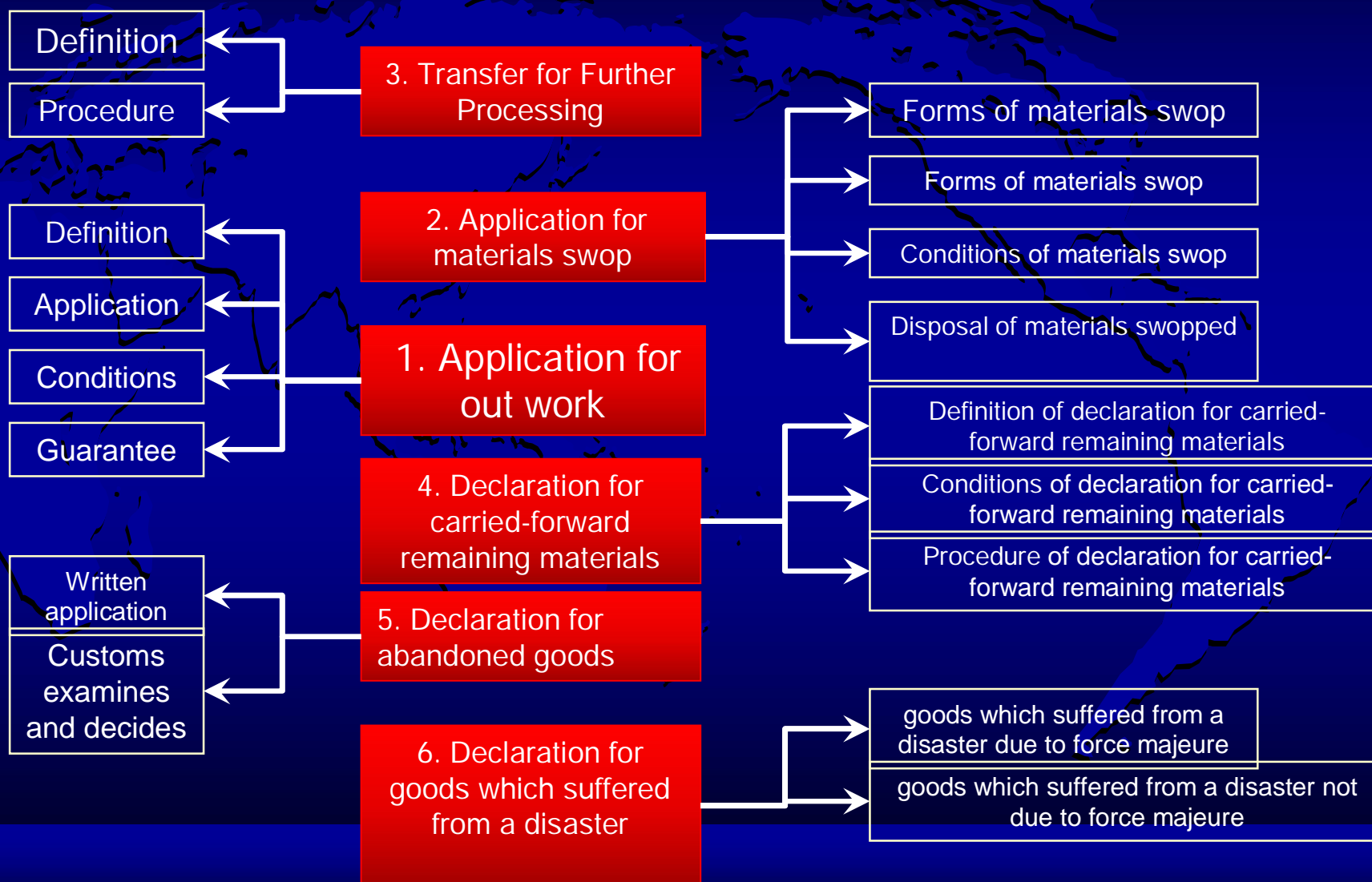
Notify the enterprise to proceed according to relevant provisions.

Formalities for domestic sale and duty payment

Destroyed or otherwise disposed of under the supervision of Customs



# Contents of Follow-up Management of Processing Trade (Handbooks)





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Electronic Account Book Management by Customs for Goods Under Processing Trade



# I. Declaration Procedure in the Case of Management by E-Handbooks

Recordation  
Declaration

1. Recordation of the business cope in E-handbook
2. Recordation for facilitated clearance in E-handbook



1. Checklist of declaration generated
2. Declaration form generated
3. Declaration form modified



1. Declaration for goods to be transferred for further processing
2. Declaration for goods for domestic sale
3. Declaration of goods to be disposed of otherwise.



Verification and writing-off

1. The enterprise applies for verification and writing-off: pre-application; formal application
2. Customs verifies and writes off.





## II. Procedure of Applying for an E-Account Book

### Application for networked supervision

1. Requirements should be met
2. Completes the formalities of applying to competent commerce authority for business scope of processing trade
3. Applies to the regional Customs which is in charge of the place where the enterprise is located
4. Customs examines, and issues a letter of notice on networked supervision



### Application for engaging in processing trade

1. Competent commerce authority examines the applicant's qualifications, business scope and production capacity for processing trade.
2. Competent authority issues a letter of approval of processing trade subject to networked supervision

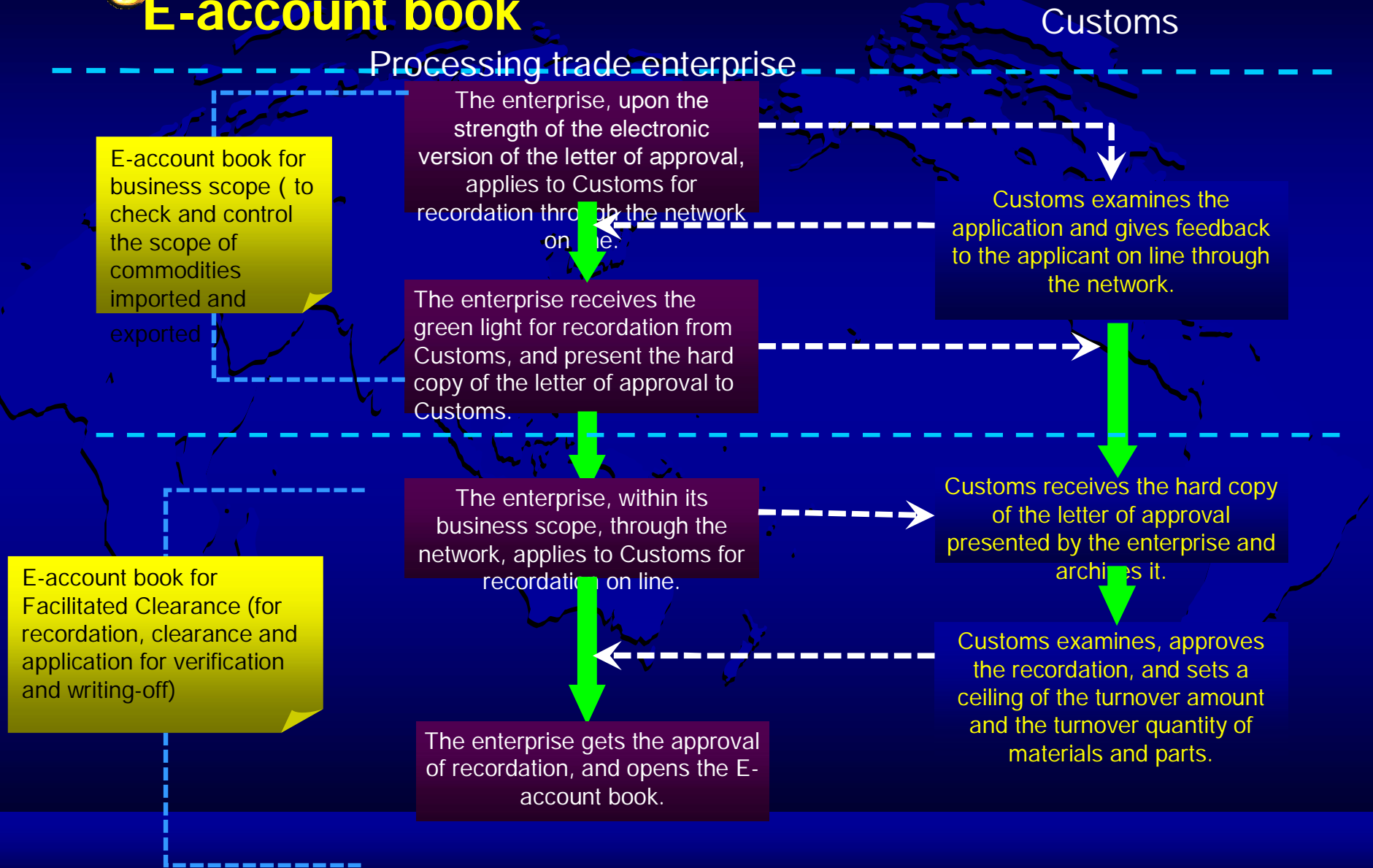


### Establish the corresponding relationship between different levels of commodity numbers and open the E-account book

1. With the letter of approval issued by commerce authority, the applicant applies to the competent Customs house where it is located to open an E-account book.
2. Establish the corresponding relationship between different levels of commodity numbers
3. Open the E-account book



## III. Operational Procedure for the Recordation of E-account book





## IV. Operational Procedure of Application for Verification and Writing-off of E-account Books

Processing Trade Enterprise

Customs

The enterprise sends the electronic application to Customs for verification and approval (pre-application)

Customs compares the information in the application and the data in the E-account book and gives feedback to the enterprise "Application approved".

The enterprise presents the hard copies of the application and relevant documents to Customs to apply for verification and approval formally.

Customs examines, and approves the writing-off of the quantity of bonded materials and parts covered by this cycle.

The enterprise gets the approval of writing off the verified volume and amount in the E-account book

