Interim Measures for the Customs Supervision and Administration of Export Processing Zones of China (the PRC)

Dan Young Business Consultancy — www.danyoungcpa.com

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Chapter I — General Provisions

Article 1 — For the purpose of strengthening and improving the administration of processing trade, regulating the supervision by customs of export processing zones, promoting the sound development of export processing zones and encouraging the expansion of foreign trade export, these Measures are formulated in accordance with the Customs Law of the People's Republic of China and the relevant state laws and regulations.

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Article 2 — In order to prevent duplicate construction, export processing zones (hereinafter referred to as processing zones) established within the territory of the People's Republic of China may only be located within existing economic and technological development zones already approved by the State Council, and shall be submitted by the people's governments of the provinces (autonomous regions and municipalities directly under the Central Government) to the State Council for approval.

Article 3 — A processing zone is a specific area under customs supervision. Customs shall establish offices within the processing zone and, in accordance with these Measures, exercise round-the-clock (24-hour) supervision over goods entering and leaving the processing zone and over the relevant premises within the zone.

Article 4 — Isolation facilities conforming to customs supervision requirements and closed-circuit television monitoring systems must be installed between a processing zone and other areas within the territory of the People's Republic of China (hereinafter referred to as areas outside the zone). Relevant business in a processing zone may be carried out only after the isolation facilities of the processing zone have passed the acceptance inspection of the General Administration of Customs.

Article 5 — A processing zone administration committee shall be established within the zone, together with export processing enterprises, warehousing enterprises providing services exclusively for the production of export processing enterprises, and transport enterprises approved by customs to engage specifically in the transport of goods entering and leaving the processing zone.

Except for security personnel and enterprise duty personnel, no other persons may reside within the processing zone. No commercial living and consumption facilities may be established.

Article 6 — Commercial retail, general trade, entrepôt trade and other business unrelated to the processing zone may not be conducted within the zone.

Article 7 — Enterprises established within a processing zone (hereinafter referred to as enterprises within the zone) shall complete registration procedures with customs.

Article 8 — Enterprises within the zone shall, in accordance with the Accounting Law of the People's Republic of China and the relevant state laws and regulations, keep account books and statements conforming to customs supervision requirements. They shall keep accounts and conduct accounting on the basis of lawful and valid vouchers, and record the storage, transfer, movement, sale, processing, use and wastage of goods and articles entering and leaving the processing zone of the enterprise concerned.

Article 9 — A processing zone shall adopt computer network administration and the customs audit system.

Enterprises within the zone shall establish electronic computer management databases conforming to customs supervision requirements, be connected with customs by electronic computer networks, and carry out electronic data interchange.

Article 10 — Enterprises within the zone conducting processing trade business shall not be subject to the processing trade bank guarantee account system, and customs shall not administer them by means of the Processing Trade Registration Handbook.

Article 11 — Customs shall have the right to inspect and examine goods, articles, means of transport and personnel entering and leaving a processing zone and the relevant premises within the zone in accordance with the Customs Law of the People's Republic of China.

Article 12 — The State shall not levy value-added tax on products processed within the zone.

Article 13 — Goods and articles whose import or export is prohibited by the State may not enter or leave the processing zone.

Chapter II — Supervision of Goods Between the Processing Zone and Abroad

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Article 14 — For goods entering or leaving between a processing zone and abroad, the owner of the goods or its agent shall, on the basis of the approval document of the processing zone administration committee, complete the entry/exit goods record list and file it with the competent customs. The record list shall be uniformly produced and issued by the General Administration of Customs.

Article 15 — Customs shall supervise goods entering or leaving between a processing zone and abroad by means of direct passage or customs transfer.

Article 16 — Except for goods subject to passive export quota administration, goods entering or leaving between a processing zone and abroad shall not be subject to import/export quota or licence administration.

Article 17 — For goods entering a processing zone from abroad, their import customs duties and import-stage taxes shall, except where laws and regulations provide otherwise, be handled in accordance with the following provisions:

(1) machinery and equipment required for productive infrastructure construction projects within the zone, and capital construction materials required for building production plants and warehousing facilities, shall be exempted from tax;

(2) machinery, equipment and moulds required by enterprises within the zone for production, and spare parts for their maintenance, shall be exempted from tax;

(3) raw materials, components, parts, packaging materials and consumable materials required by enterprises within the zone for processing export products shall be bonded;

(4) office supplies in reasonable quantities for the self-use of enterprises within the zone and administrative bodies shall be exempted from tax;

(5) means of transport and daily-consumption articles for the self-use of enterprises within the zone and administrative bodies shall complete customs declaration procedures in accordance with the relevant provisions on imported goods, and customs shall levy tax in accordance with the rules.

Article 18 — Except where laws and regulations provide otherwise, finished products processed by enterprises within the zone, and leftover materials, surplus materials, defective products and waste products generated in the course of processing and production and sold abroad, shall be exempted from export duties.

Chapter III — Supervision of Goods Between the Processing Zone and Areas Outside the Zone

Article 19 — For goods transported from a processing zone to areas outside the zone, customs shall handle the declaration procedures in accordance with the relevant provisions on imported goods and levy tax on the basis of the finished products. Where the goods are commodities subject to licence administration, valid import licences shall also be presented to customs.

Article 20 — The processed products of enterprises within the zone, and leftover materials, defective products and waste products generated in the course of processing and production, shall be transported out of the country. Where they need to be transported to areas outside the zone under special circumstances, the enterprise shall apply, and, upon approval by the competent customs, the classification shall be determined and tax levied according to their state at the time of domestic sale. Where they are commodities subject to import licence administration, import licences shall be exempted. Where they are commodities listed in the Catalogue of Restricted Import Wastes Usable as Raw Materials, import licences shall be applied for from the environmental protection department in accordance with current provisions. Where leftover materials and waste products without commercial value need to be transported to areas outside the zone for destruction, the procedures for leaving the zone shall be completed with the competent customs on the strength of the approval documents of the processing zone administration committee and the

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environmental protection department, and customs shall exempt them from import licences and tax.

Article 21 — Where an enterprise within the zone genuinely needs to transport relevant moulds, semi-finished products, etc., to areas outside the zone for processing, it may, upon approval by the director of the competent customs of the processing zone, have the outside-zone enterprise entrusted with the processing pay a guarantee or a letter of guarantee equivalent to the customs duties and import-stage value-added tax payable on the goods to the competent customs of the processing zone before completing the procedures for leaving the zone. The period for processing by the outside-zone enterprise shall be determined by the competent customs of the processing zone with reference to the contract period. After processing, the goods shall be transported back to the zone on schedule. Enterprises within the zone shall complete the inspection, release and verification procedures with the competent customs of the processing zone on the strength of the outside-zone processing application and relevant documents completed when leaving the zone. After completing the inspection, release and verification procedures, the competent customs of the processing zone shall promptly refund the guarantee or letter of guarantee.

Article 22 — Machinery, equipment and moulds sold by enterprises within the zone to areas outside the zone shall be handled in accordance with the current state import policies and relevant provisions.

Article 23 — Enterprises within the zone may, upon approval by the competent customs, conduct testing, inspection and display activities of products in areas outside the zone. Products for testing, inspection and display shall complete the procedures for leaving the zone in accordance with the provisions of customs on temporarily imported goods.

Article 24 — Where machinery, equipment, moulds and office supplies used within the zone need to be transported to areas outside the zone for repair, testing or inspection, enterprises within the zone or administrative bodies shall fill in the Contact Form for Inspection of Goods Transported from the Export Processing Zone to Areas Outside the Zone for Repair, apply to the competent customs, and may transport the machinery, equipment, moulds and office supplies to areas outside the zone for repair, testing or inspection only after approval, registration and inspection by the competent customs. Where an enterprise within the zone transports moulds to areas outside the zone for repair, testing or inspection, it shall retain samples of the products produced by the moulds for customs to verify the moulds transported back into the zone. Machinery, equipment, moulds and office supplies transported to areas outside the zone for repair, testing or inspection may not be used for processing production and use in areas outside the zone.

Article 25 — Machinery, equipment, moulds and office supplies transported to areas outside the zone for repair, testing or inspection shall be transported back to the processing zone within 2 months from the date of transport out. Where they cannot be transported back on schedule due to special circumstances, enterprises within the zone shall explain the situation to the competent customs and apply for an extension within 7 days before the expiry of the period. Only one application for extension is permitted, and the extension period shall not exceed 1 month.

Article 26 — Where machinery, equipment, moulds and office supplies transported to areas outside the zone for repair are transported back to the zone, this shall be limited to those that customs can identify as the original items or new parts, fittings or accessories of the same specifications; however, where new parts, fittings or accessories are replaced, the original parts, fittings or accessories shall be transported back to the zone together.

Article 27 — Goods entering a processing zone from areas outside the zone shall be deemed as exports and shall complete export declaration procedures. Their export tax rebates shall, except where laws and regulations provide otherwise, be handled in accordance with the following provisions:

(1) For domestically produced machinery, equipment, raw materials, components, parts, and packaging materials entering the processing zone from areas outside the zone for use by enterprises within the zone, and capital construction materials in reasonable quantities required for building infrastructure, processing

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enterprises and production and office premises of administrative departments, customs shall complete the declaration procedures in accordance with the relevant provisions on exported goods and issue export tax rebate declaration forms. Enterprises outside the zone shall apply to the tax department for export tax rebate (exemption) procedures on the strength of the export tax rebate copy of the declaration form, and the specific administration measures for tax rebates (exemptions) shall be separately issued by the State Taxation Administration.

(2) For daily-consumption articles and means of transport entering the processing zone from areas outside the zone for use by enterprises within the zone and administrative bodies, customs shall not issue export tax rebate declaration forms.

(3) For imported machinery, equipment, raw materials, components, parts, packaging materials and capital construction materials entering the processing zone from areas outside the zone, enterprises outside the zone shall provide customs with a list of the aforesaid goods or articles, complete export declaration procedures, and be released after customs inspection. Import-stage tax already paid on the aforesaid goods or articles shall not be refunded.

(4) Where goods whose export is prohibited by the State or under unified state operation need to be transported into a processing zone for a certain processing procedure because domestic technology cannot meet product requirements, this shall be reported to the Ministry of Commerce for approval, and customs shall supervise them by analogy with the administration measures for outward processing. No export tax rebate declaration form shall be issued for the goods transported into the processing zone.

Article 28 — Goods and articles entering a processing zone from areas outside the zone shall be transported into warehouses or places designated by customs within the processing zone. Enterprises outside the zone shall fill in export declaration forms and complete declaration procedures with the competent customs of the processing zone on the strength of domestic purchase invoices and packing lists.

Article 29 — Goods entering a processing zone from areas outside the zone may be transported out of the country only after substantive processing by enterprises within the zone.

Chapter IV — Supervision of Goods Within the Processing Zone

Article 30 — Enterprises within the zone shall truthfully declare to their competent customs the goods entering and leaving the processing zone, and customs shall inspect, release and verify the goods entering and leaving the processing zone of enterprises within the zone on the basis of the record lists and relevant documents.

The recording, declaration, inspection, release and verification procedures for goods entering and leaving the processing zone shall be completed within the zone.

Article 31 — Goods within a processing zone may be transferred or moved between enterprises within the zone, and both parties shall first record with customs the specific name, quantity, amount and other relevant matters of the goods to be transferred or moved.

Article 32 — Processing enterprises within the zone may not sell imported raw materials and components that have not undergone substantive processing to areas outside the zone. Warehousing service enterprises within the zone may not provide the warehoused raw materials and components to enterprises outside the zone.

Article 33 — Enterprises within the zone shall, from the date of commencing export processing business or warehousing business, complete verification procedures with their competent customs once every half year on the strength of their account books and relevant vouchers.

Article 34 — Where goods entering a processing zone are lost or damaged due to force majeure during processing or storage, the processing enterprise or warehousing enterprise within the zone shall report to

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the competent customs within 10 days from the date of discovery and explain the reasons. Upon verification and confirmation by customs, the loss or damage may be deducted from the account books.

Chapter V — Supervision of Goods Transported Between Processing Zones

Article 35 — For the movement of goods between processing zones, the consignor and consignee of the goods shall jointly apply to the competent customs of the zone from which the goods are transferred. Upon approval by customs, the procedures shall be completed in accordance with the relevant provisions on customs transfer.

Article 36 — Where goods are transferred by customs transfer to other processing zones, the competent customs of the zone into which the goods are transferred shall, after verifying that the seals are intact and the documents conform to the goods, release the goods into the factory or warehouse.

Article 37 — Where goods transported between processing zones cannot be handled as customs transfer, the competent customs of the zone into which the goods are transferred shall collect a guarantee equivalent to the value of the goods from the receiving enterprise. After the goods arrive in the zone into which they are transferred and are verified by customs to be in order, the competent customs shall refund the guarantee to the enterprise within 10 working days.

Chapter VI — Supervision of Means of Transport and Articles Carried by Individuals

Article 38 — Means of transport and personnel shall enter and leave a processing zone through the special channels designated by customs.

Article 39 — Processed products transported from a processing zone abroad, and goods transported from a processing zone to areas outside the zone, shall, after inspection and release by customs, be delivered for carriage by dedicated transport enterprises approved by customs and established within the zone. The following goods may, after inspection by the competent customs, be carried or transported by personnel specially assigned by enterprises:

(1) small-value articles of USD 10,000 or less;

(2) articles returned or exchanged outside the zone due to substandard quality;

(3) articles for which import tax payment procedures have been completed;

(4) other articles approved by customs.

Article 40 — The persons in charge of means of transport carrying goods entering and leaving a processing zone shall complete registration and filing procedures with customs on the strength of the enterprise legal person business licence and a list of the name, quantity, licence plate numbers and drivers' names of the means of transport. Operators of all transport enterprises carrying goods of the processing zone into or out of the processing zone or by customs transfer shall abide by the customs provisions on means of transport and the goods carried thereon, and shall bear the relevant legal liabilities.

Article 41 — Without approval by customs, means of transport and personnel moving from a processing zone to areas outside the zone may not transport or carry goods of the processing zone out of the zone.

Chapter VII — Supplementary Provisions

Article 42 — Goods transported into a processing zone from abroad and goods transported out of a processing zone abroad shall be included in import and export statistics. Goods transported into a processing zone from areas outside the zone and goods transported out of a processing zone to areas outside the zone shall be subject to separate statistics. The statistical measures shall be separately

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formulated by the General Administration of Customs.

Article 43 — Violations of these Measures shall be handled by customs in accordance with the relevant provisions of the Customs Law of the People's Republic of China and the Implementation Rules for Administrative Penalties under the Customs Law of the People's Republic of China.

Article 44 — These Measures shall enter into force as of May 24, 2000.

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