

## The General Administration Customs of the People's Republic of China Promulgates Announcement No. 191, Allowing Import and Export Operations by Branches

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On December 7, 2018, the General Administration of Customs of the People's Republic of China (hereinafter, "GACC") promulgated "the Announcement of Relevant Matters on Further Optimizing the Registration Management of Customs Declaration Entities" (2018, No. 191, hereinafter, the "Announcement"), allowing import and export operations by branches, effective from February 1, 2019.

### 1. Policy Background

Based on the State Council's Fang Guan Fu reform policy, GACC promulgated GACC Decree No. 240 "Decision of General Administration of Customs on the Revision of Certain Regulations" in May 2018 to streamline customs procedures and reduce the burden on corporate management. The Announcement was promulgated as a supplement to Decree No. 240 for the sake of further simplifying customs procedures and reducing corporate transaction costs as part of recent unification of country-wide customs declaration and overall merging of customs operations.

Currently, the trade friction between China and the United States is still unresolved, and in an effort to mitigate its impact, the Chinese government has implemented a series of trade stimulus measures (reduction of import duty, increase in refunds of export duty, streamlining of import/export customs procedures, shortening customs clearance time) beginning in August 2018.

A common understanding of the opening up of import and export operations by branches is that it is also a part of trade stimulus measures in response to the current trade friction between China and the United States. Since branches do not possess corporate status, up until now they have been unable to apply for customs registration, rendering import or export by branches essentially impossible. However, the promulgation of the Announcement will make branches play a more important role in the development of foreign trade, and is expected to contribute to an expansion in Chinese imports and exports and the vitalization of Chinese trade.

### 2. Policy Contents

The Announcement is the first of its kind to clearly state that after completion of customs registration procedures by the consignees/consignors of import/export cargo (the Head Office) at the local customs authorities of one of their branches, the branch will be allowed to conduct import and export customs operations country-wide.

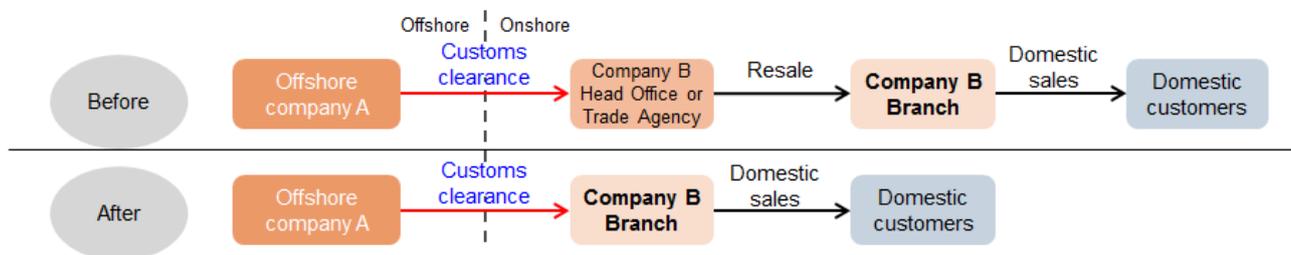
[Fig. 1] <Before and After Comparison>

Declaring Party	Before	After
Branches of the Shipper/Recipient of Import/Export Cargo (Head Office)	<ul style="list-style-type: none"> <li>➢ It was not possible to register branches as a customs declaration entity</li> <li>➢ Import/export customs operations could only be conducted by the Head Office</li> </ul>	<ul style="list-style-type: none"> <li>➢ Registration of branches as customs declaration entities is possible</li> <li>➢ After the Head Office completes registration procedures at the local customs authorities for the branch, the branch will be able to conduct import and export operations at customs locations country-wide</li> </ul>
Branches of Customs Declaration Entities	<ul style="list-style-type: none"> <li>➢ Customs operations were possible in the registered customs area</li> </ul>	<ul style="list-style-type: none"> <li>➢ Customs operations may be conducted country-wide</li> </ul>

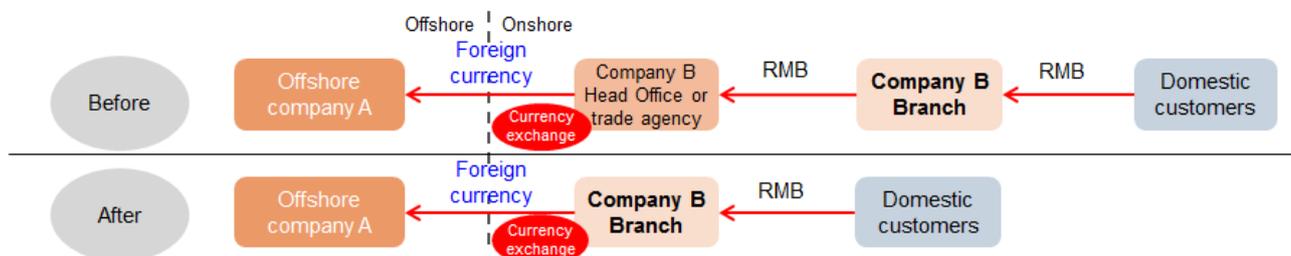
Since the Announcement makes it possible for branches to conduct imports and exports, it will also be possible to review logistics and cash flows for the existing import and export transactions of local subsidiaries.

[Fig. 2] <Example: Illustration of an Import Transaction>

**Logistics**



**Cash Flow (Example: Foreign Currency Settlement)**



**3. Impact on Enterprises**

After the implementation of the Announcement, branches can engage in import and export customs clearance country-wide, will greatly enhance the operation flexibility of branches, and is conducive to reducing the transaction circulation of import and export trade and the management cost of enterprises. Corporate groups with multiple trade companies will be able to reduce their management costs and strengthen corporate

governance by consolidating their local subsidiaries.

To conduct import or export operations, branches will be required to not only complete customs declaration procedures with the Customs bureau, but procedures with other bureaus as well. Examples include Foreign Trade Operator Filing Registration (Commerce bureau) and Registration of the List of Foreign Currency Balances for Cargo Trade (State Administration of Foreign Exchange).

On February 27, 2019, the Ministry of Commerce promulgated “the Notification Regarding Further Optimization of Foreign Trade Operator Filing Registration (Shang Mao Han [2019] No. 72)”, explicitly stating foreign trade operator filing registration procedures for branches as well. Currently, it is possible that other bureaus will release circulars regarding this matter as well, so we must pay attention to the trends of regulators regarding handling on an operations level. We will continue to follow up on relevant information and share it as appropriate.

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