

China to Expand FTZ Measures Nationwide

21 NOV 2016

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On 10 November 2016, the State Council promulgated the "Circular on Replication and Promotion of the New Pilot Experiences of the Free Trade Zones (FTZs)" (Guofa [2016] No.63, hereinafter the "Circular")¹. The Circular specifies that some of the pilot measures of the FTZs (hereinafter the "FTZ Measures") in relation to investment and trade will be expanded nationwide while the others will be applicable in the special customs supervision areas² (hereinafter the "SCSAs") on or before 30 November 2016.

BACKGROUND

Since establishment of the Shanghai, Guangdong, Tianjin and Fujian FTZs, pilot measures which are worth promoting have been accumulated in investment, trade, finance and supervision. In 2014, one year after Shanghai FTZ's set up, 34 items of FTZ Measures had been expanded to the whole country³. Later in November 2015, 8 best practice cases provided by the 4 FTZs were introduced⁴.

FTZ Measures to be expanded this time have been proven successful in the FTZs. For example, administration procedures of investment have been simplified substantially and the processing time has been shortened significantly. Moreover, clearance efficiency has been obviously improved.

Based on assessment of the feasibility and risk control level, the FTZ Measures are ready to be replicated and further promoted.

HIGHLIGHTS

The FTZ Measures to be expanded include 19 items in total. Among which, 12 items will be expanded nationwide in the field of investment management, trade facilitation as well as interim and post-event supervision. The remaining 7 items will be expanded to the SCSAs. All the expansion of items shall be finished on or before 30 November 2016.

¹ The State Council (2 Nov 2016). Retrieved from: http://www.gov.cn/zhengce/content/2016-11/10/content_5130918.htm

² Include bonded zones, export processing zones, bonded logistics parks, cross-border industrial zones, bonded port areas and comprehensive bonded areas. All the SCSAs will be gradually integrated into comprehensive bonded areas.

³ The State Council (21 Dec 2014). Circular on Promotion of the Replicable Pilot Experiences of the Shanghai FTZ (Guofa [2014] No.65). Retrieved from: http://www.gov.cn/zhengce/content/2015-01/29/content_9437.htm

⁴ Ministry of Commerce of the People's Republic of China (30 Nov 2015). Circular on Distribution of the "Best Practice Cases" of the FTZs (Shangzihan [2015] No.945). Retrieved from: <http://www.mofcom.gov.cn/article/b/f/201512/20151201210390.shtml>

FTZ Measures to be Expanded Nationwide

Investment Management

- 1) Reform on the Establishment and Changes of Foreign-invested Enterprises⁵
 - For foreign-invested enterprises not subject to the negative list of foreign investment, corporate establishment and changes can be conducted by completing the record-filing procedure instead of obtaining prior approvals from the authorities.
- 2) Online Application of the Tax Invoice
 - Tax invoice can be applied via the online system of the local municipal office of the State Administration of Taxation, and the paper-based invoice will be mailed to the taxpayers.
- 3) Simplified Procedures for Cancellation of Business Registration
 - For eligible entities' cancellation of business registration, procedures have been simplified and the required materials have been lessened. Record-filing for the enterprise's liquidation team is no longer required.

Trade Facilitation

- 4) Single Window System for International Trade
 - Through the online single window system, the import/export information submitted by the enterprises will be sent to different authorities at the same time for verification so that the enterprises do not have to repeatedly made declarations as before. Enterprises can also check the status and results online.
- 5) AEO (Authorised Economic Operator) System⁶
 - A certified enterprise⁷ is an AEO recognized by the China Customs, which carry out mutual recognition of AEOs with the customs administrations of other countries or regions and grant corresponding clearance facilitation to mutually recognised AEOs.
- 6) Overseas Processing
 - Domestic enterprises are allowed to provide all or part of the raw materials, components, etc. to the overseas manufacturing enterprises, and re-import the finished goods after processing or assembling.
- 7) Enterprise Coordinator Regime
 - Each enterprise will be assigned a customs officer as its enterprise coordinator. The coordinator will visit the enterprise regularly to assist in corporate standardisation management and customs clearance.
- 8) Negative List Regime for Certificate of Origin
 - A negative list recording the sensitive products is introduced for administration of certificate of origin. In principle, investigation will not be carried out for products not on the list.
- 9) New Regulatory Model for Quarantine on Ships of International Sails
 - In case the health condition of the sailors and the sanitation condition of the ship are declared as qualified, the entry ship can conduct loading/unloading without being inspected.

⁵ Details could be referred to New Focus No.13 2016 published by BTMU, Hong Kong Branch.
http://rmb.bk.mufg.jp/files/topics/385_ext_02_en_0.pdf

⁶ The AEO system is advocated in the WCO (World Customs Organisation) framework to secure and facilitate global trade.

⁷ China Customs will determine the status of an enterprise as a certified enterprise, a general-credit enterprise or a discredited enterprise depending on the enterprise's credit standing and will take relevant administrative measures accordingly.

10) Positive List Regime for Animal and Plant Quarantine

- A positive list recording the low-risk imported animals and plants and products thereof is introduced. For products on the list, provision of quarantine verification certificate is exempted.

Interim and Post-event Supervision

11) Intermediaries to Carry Out Bonded Checks, Write-offs and Corporate Audits

- Qualified intermediaries can be entrusted by the enterprises as well as the customs to carry out bonded checks, write-offs and corporate audits.

12) Import and Export Credit Information Publicity System

- Corporate information, credit rating and the historical non-compliance records are published on the China Customs' credit publicity platform and can be checked through the link: <http://credit.customs.gov.cn/>.

FTZ Measures to be Expanded to the SCSAs

13) New Regulatory Model for Maintenance of Imported Product

- For imported products that are maintained, repaired or upgraded in the SCSAs, different inspection and quarantine supervision measures will be implemented based on assessment of the products and the enterprises.

14) Single Record-filing for Multiple Use

- After record-filing is completed via the local customs' monitoring system, centralised declaration, bonded products for exhibition and trading, financial leasing and other businesses can be carried out without refiling.

15) Domestic Processing

- Processing trade enterprises located in the SCSAs are allowed to process the goods provided by the domestic enterprises outside the SCSAs. Processed goods must be transported outside the SCSAs.

16) Supervision on the Warehoused Goods

- Warehoused goods will be classified based on their status and be supervised accordingly. Non-bonded goods are allowed to be stored or distributed together with the bonded goods.

17) Transactions of Spot Bonded Commodities

- Spot commodities are allowed to be traded and delivered under bonded status.

18) Differential Supervision on Bonded Goods for Trading and Leasing

- Differential supervision are applied on bonded goods for trading and leasing respectively. For bonded goods for exhibition and trading, pre-inspection will be conducted in batches when the goods are delivered outside the SCSAs. For bonded goods for leasing, inspection will be conducted at the first time when they leave the SCSAs. Write-off is only required afterwards.

19) Supervision on the Bonded Goods Transported Between the SCSAs
(Solely for SCSAs Implementing Customs Clearance Integration⁸)

- For bonded goods transported between the specific SCSAs, information in relation to approval, logistics, customs clearance, etc. will be recorded on the online system. Enterprises are allowed to conduct centralised declaration and use the enterprises' own vehicles for transportation.

⁸ Under the customs clearance integration model, enterprises are allowed to submit declarations to any customs regardless the port of entry for imports or departure for exports.

COMMENTS

The 19 items are considered to be important achievements in creating a convenient business environment with solid legal foundation and international scope. With some of the measures already implemented nationwide, the Circular has listed out the reformed items explicitly and set the time limit for promotion, which shows the intensity of reform from the central government. Expansion of the FTZ Measures will not only deepen reform and expand openness, but also facilitate structural reform of the supply side. It is expected that nationwide implementation guidelines will be released very soon to integrate and standardise the various regional measures.

Meanwhile, on the basis of success of the 4 FTZs, additional 7 new FTZs⁹ covering east, middle and west regions of China are under construction in order to explore new fields and accumulate new experiences. Specific areas of the new FTZs are under consideration lately, and each FTZ will have a tailor-made plan based on its own distinctive features.

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⁹ The new FTZs will be located in Liaoning Province, Zhejiang Province, Henan Province, Hubei Province, Chongqing City, Sichuan Province and Shaanxi Province.