China (Shanghai) Pilot Free Trade Zone

Implementing trade compliance improvements and attaining cost savings in your supply-chain

September 2014
Reform in action

Timeline

- September 2013: China (Shanghai) Pilot Free Trade Zone Launched
- By April 2014
- By May 2014
- Between May and June 2014
- By June 2014
- July 2014 onwards
- By December 2014

Trade Facilitation Solutions

- 1. CIQ 3rd party laboratory testing
- 1. Enter First, Declare Later
- 2. Self-transportation within SPFTZ
- 3. Work Order based Handbook verification
- 4. Bonded exhibitions and transactions
- 5. Global repair
- 6. Bonded futures transactions
- 7. Financial leasing
- 1. Delivery by Batch, Consolidated Declaration
- 2. Simplified supporting documents
- 3. Unification of the inbound/outbound Registration
- 4. Selective duty levy for domestic sales
- 5. Consolidated duty / VAT payment
- 6. Network supervision for bonded logistics
- 7. Intelligent gate verification and release
- 1. CIQ “three ones” (declaration / inspection / release)
- 1. New enterprise enrolment/registration
- 2. Authorized Economic Operator Mutual Recognition
- 3. Access Enterprise/Customs Coordinators
- 4. Announce Enterprise Credibility
- 5. Enterprise Self-Disciplinary Management
- 1. Automated Verification and Approval
- 2. Proactive Tax Declaration and Customs Auditing
- 3. One-time Registration System
- 4. Information Sharing Network
**Business benefits**

**Selected examples**

### Importing/Retailing

Forward deploy new season inventory to a bonded warehouse located in the SPFTZ. Reduce customs duty costs on end of season inventory that is destined for overseas return by only delivering inventory from the SPFTZ to retail stores on an as needed basis. Improve cash-flow by using “centralised tax payment”. Improve trade facilitation and warehouse management by using solutions such as “declaration-after-entry” and “collective declaration”. Retain Free Trade Agreement (FTA) benefits on Import Declarations using track-and-trace of Origin Certificates.

### Bonded Manufacturing

Deploy “work order based Handbook reconciliation” in order to reduce the discrepancies between the ERP record and Customs record therefore eliminating unnecessary assessments of customs duty and import VAT every twelve months. Processing Trade enterprises can establish an original account based on the material and item number in the information system as supervised by Customs. Deploy “declaration-after-entry” to reduce similar discrepancies at the material handling level.

### Regional Distribution Centre

Implement “declaration-after-entry” and “collective declaration” to improve trade facilitation and warehouse management therefore reducing assessments customs duty and import VAT. Implement Authorized Economic Operator Mutual Recognition in order to reduce inspection rates on documentation/goods therefore reducing routine import/export clearance times.

### e-Commerce

Forward deploy inventory to reduce the lead time to the Customers. For B2C cross-border declare as Personal Postal Exemption where qualifying to enjoy an exemption from customs duties or seek an “assess value approach” where the goods value does not exceed RMB 1,000. Manage CIQ and Customs under the “three-ones-policy”.
**Implementation**

*What actions should you take?*

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**Managing stakeholders**

Identifying a “win-win” outcome for all parties including Customs/CIQ, 3PL, Customs Broker, Forwarder etc.

**Partnering with Customs and CIQ**

1. Informally “test-with-water” with Customs and CIQ about the desired trade facilitation solutions.

2. Complete gap assessment, feasibility study, transition costs, and quantify the net benefits.

3. Formally align with Customs & CIQ on the implementation (including possible pilot)

4. Proceed with implementation including possible self-audit and validation review 12 months after implementation

**Leveraging Technology**

Integrate your new SPFTZ trade facilitation solutions into your Global Trade Management (GTM) program particularly in the areas of master data files, interface with external service providers, generating customs declaration sheets, and other deploying automated reporting requirements to Customs and CIQ.
Let’s Talk

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PwC Customs & International Trade Practice

Customs and international trade in China is complex, but with the right approach is manageable. A planned and structured approach results in cost savings, higher levels of compliance and fewer unwanted surprises during an audit. PricewaterhouseCoopers’ specialists within our Greater China customs and international trade practice provide a wide range of advice and services related to creating value, ensuring compliance, and managing risk in relation to the movement of goods into and out of China.