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PwC Intermediate Agency Qualification on Customs Enterprise Audit and Bonded Investigation

Leading a hand to help you



pwc

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Background

PwC was approved by Shanghai Customs in January 2015 as a “social agency” with qualified professional knowledge and technical abilities. With this qualification we are now better positioned to assist you in reducing clearance times, saving related costs and resolving non-compliance in your routine import and export operations.

Since 2006 the Customs authority has been using intermediate agencies – typically local CPA auditing firms – to assist them to conduct routine post-importation audits. Regional Customs established a recommended list of local CPA firms that has been renewed and updated on a timely basis.

The purpose of the program was to enable the Customs authority to obtain a third party view on quantified discrepancies and additional duties. Typically the local CPA firm was engaged – either by the Importer or by the in-charge Customs – in relation to Processing Trade and Handbook. Since 2006 PwC has worked alongside the local CPA firm as we supported clients in responding to and resolving the post-importation audit.





Updated Program

Notable trade facilitation reform continues to be rolled out China-wide and covers important principles such as:

- New self-disciplinary measures;
- Updated Enterprise management rules
- Upgraded Free Trade Zones (FTZ) in strategic locations, for example, the China (Shanghai) Pilot FTZ (SPFTZ) that was established in September 2013.

In conjunction with this reform certain aspects of the intermediate agency program has also been updated. In the SPFTZ example, per Shanghai Customs Announcement 2014-38, Shanghai Customs approved the introduction of “social agency assistance” to conduct bonded investigation and enterprise auditing related work. A “social agency” may be engaged by an entrusted enterprise that is located within the SPFTZ or be engaged by the SPFTZ Customs to:

- Conduct self-disciplinary management and assist the enterprise to conduct voluntary disclosure; and
- Conduct verification audit for the enterprise upgrading to Customs Advanced Certified Enterprise or General Certified Enterprise; and
- Provide related support through audit, evaluation, identification, authentication during Customs bonded investigation and routine enterprise auditing.

The “social agency” can also be engaged by an entrusted Enterprise that is located in Shanghai or be engaged by Shanghai Customs.

General Administration of Customs (GAC) and Shanghai Customs held consultation meetings with interested parties and PwC participated in several of these meetings. A technical examination was set in December 2014 as supervised by Shanghai Customs and PwC was approved for all above-mentioned engagement by Shanghai Customs in January 2015.

Business Benefits

PwC, as a social agency, may be entrusted by the Enterprise in the following areas:

Area	PwC Service Description	Business Benefits
Authorised Economic Operator (AEO) namely Advanced Certified Enterprise	Assist to launch annual internal audit on import/export operation, proactively conduct internal control, financial conditions, comply to import/ export regulations and safe trading etc. and issue internal audit report; Assist to conduct the assessment to check whether the current conditions are appropriate for upgrading to “Certified Enterprise” and issue certified report.	Assist to establish the internal audit system regarding import/export operation. Obtain qualification in order to reduce clearance time and related import/export costs
Self-disciplinary management namely voluntary disclosure	Where instances of non-compliance are identified internally report these to Customs voluntarily.	Reduce the risk of financial penalty, enterprise downgrading, and other sanctions being imposed.
Reconcile ‘gaps’ between the opinion of Customs and the option of the Enterprise	Work to “close gaps” where a different opinion on the process of Customs bonded investigation and enterprise audit is held between the respective parties.	Resolve the audit more quickly with an appropriate settlement of any additional duties, financial penalties, and other sanctions.

A social agency may also be entrusted by Customs which means Customs request the social agency to conduct tasks according to their needs during the process of bonded investigation or enterprise audit. Customs will create a “library of potential candidates

to assist bonded investigation and enterprise audit” and then use bidding, ranking, and random selection methods to identify the designated social agency that is assigned to a particular case.

Established Social Agencies

Customs have set-up a review management team that is responsible for managing work-related matters and the qualification of social agencies. Social agencies that are entrusted by Customs must sign various forms including <Entrustment

Agreement Form> and the <Entrustment Agreement Form> that clarifying the working and reporting requirements. Social agencies that are entrusted by the Enterprise should inform the in charge Customs should engagements exist with social agencies.

Outlook

Enterprises that wish to improve their operating efficiency at the Customs border are encouraged to examine the trade facilitation reform that is taking place including “social agency” particularly within the new FTZ. Whether your Enterprise trades through an FTZ that is located in Tianjin, Shanghai, Fujian or Guangzhou similar solutions will be rolled out in 2015 and beyond.

Customs are shifting certain responsibilities to the Enterprise and Customs are also raising standards for Enterprises to qualify as an “advance certified enterprise”. These standards include implementation of best-practice import and export controls including internal audit. Similarly, Customs are encouraging Enterprises to voluntary report instances of non-compliance, the benefits of which can include reduced financial penalties and other sanctions.

Contacts



For a deeper discussion of how this issue might affect your business and further assistance from PwC' customs and international trade services, please contact a member of PwC's Worldtrade Management Services:

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For more information, please also visit: www.pwccustoms.com

PwC's 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.

Worldtrade Management Services (WMS) is the global customs and international trade consulting practice of PwC. WMS has been in Asia since 1992 and is a regionally integrated team of fulltime specialists operating in every location. Our team is a blend of Asian nationals and expatriates with a variety of backgrounds, including ex-senior government officials, customs officers, international trade lawyers, accountants, and specialists from the private sector who have experience in logistics, customs and international trade.

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