



# China Starts Nationwide Customs Clearance Integration in Shanghai

On June 1, 2016, China General Administration of Customs (GAC) started its pilot program for a Nationwide Clearance Integration Reform in Shanghai, which aims to achieve the national implementation goal by 2020.

By establishing a National Customs Risk Prevention Center and a Unified Tax Collection Center in Shanghai, the reform is set to carry out a new supervision model of “one-stop declaration, two-step Customs process”.

Once the new model is fully implemented, companies will be able to submit declarations to any Customs district regardless of port of entry for imports or departure for exports. Customs will release the goods at the port after a safety and security risk analysis of the goods, and conduct tax collection and follow-up supervision after clearance.

The reform is an important move forward from the previous Regional Customs Clearance Integration Reform. It provides the foundation for consistent nationwide enforcement in Classification and Valuation, which would address a traditional compliance challenge resulting from the current Customs district driven approach.

This is a significant China Customs Trade Facilitation reform. The purpose of this report is to help you analyze its impact on your China Trade Management operations and formulate a plan to take advantage of this initiative as it progresses.

## Overview of the Nationwide Customs Clearance Integration

The Nationwide Clearance Integration Reform intends to unify China Customs and establish “Two Centers”, a Risk Prevention Center and a Tax Collection Center, to implement its “Three Initiatives”, in order to simplify and standardize consistent and efficient clearance processes across China.

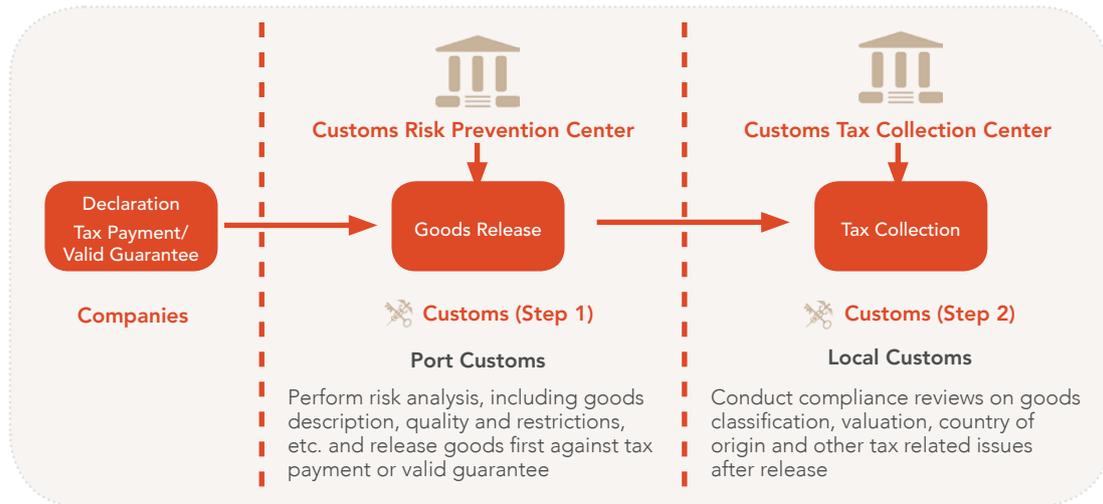
### Unifying China Customs

On June 1, 2016, Shanghai was chosen as the first city to pilot the Nationwide Clearance Integration Reform, which will be deployed nationwide and ultimately achieve the national clearance integration goal by 2020. The reform further expands the previous Regional Customs Clearance Integration Reform to the national level and unifies Customs across China. Companies can choose any port to declare and pay taxes on their goods, and will experience the same clearance process nationwide.

### Establishing “Two Centers”

1. The Risk Prevention Center is responsible for performing risk analysis and controlling goods where appropriate, for safety and security purposes.
2. The Tax Collection Center is responsible for conducting compliance reviews on classification, valuation, country of origin, and other tax related issues in batches by each goods category and industry.

The functions of the two Centers are further illustrated in the diagram below.



### Implementing “Three Initiatives”

By establishing the aforementioned “Two Centers”, the GAC aims to accomplish the following “Three Initiatives”.

1. Carrying out a new model of “one-stop declaration, two-step Customs process” for fast and safe goods clearance
 

Under the new model, Port Customs grants the release of goods on the basis of risk analysis, and then local Customs offices conduct verification of the declaration and complete tax collection.
2. Transforming the tax collection method
 

The reform encourages companies to accurately declare goods and pay taxes based on self-estimated taxes. Instead of examining tax-related issues (goods classification, valuation and country of origin, etc.) for each shipment during the clearance process, Customs has adopted the model of post-clearance verification and audits of tax related issues.
3. Realignment of Customs enforcement responsibilities
 

Customs offices at the port will focus on the on-site examination of goods, while local Customs offices are responsible for enterprise credit management and post-clearance verification and audits.

### A Comparison of the Clearance Process Before and After the Reform

Above all, we can see that the reform will lead to a significant change in the clearance process for both Customs and companies. The following diagram compares the processes from before and after the reform.



## Key Observations and Suggestions for Companies

The nationwide integration of Customs clearance brings both opportunities and challenges for companies.

### Opportunities:

By adopting the new model of “clearance release before customs verification”, the reform is expected to help companies accelerate the clearance of their goods and substantially reduce lead time.

After the formation of the unified Risk Prevention Center and Tax Collection Center, the 42 direct branches of the GAC will share all Customs’ data, unify their operation specifications, and adopt consistent risk control and law enforcement standards. This means that companies will experience the same treatment at any Customs office they choose to go through.

### Challenges:

With the on-site clearance facilitation, Customs is able to put more emphasis on the post-clearance supervision/ audits than in the past and requires companies to further enhance their compliance capabilities before and after clearance.

To help our customers meet this challenge, we have developed the following list of practices to help you strengthen your internal compliance management and mitigate clearance risks.

#### 1. Process

- Enhance your Trade Item and Certificate Management process to prepare accurate declarations and tax estimates for fast clearance.
- Establish a post-clearance audit process to proactively identify issues and engage in Customs’ self-compliance program prior to Customs’ audit.

#### 2. People

- Provide training to internal and external resources on company compliance practices.
- Monitor and review service provider performance to minimize post-clearance issues.

#### 3. Technology

- Take full advantage of Amber Road’s China Trade Management (CTM) functions to automatically generate declarations based on Customs and company defined rules, manage certificates, estimate taxes, verify declaration returns, and conduct post-clearance audit.

We hope you find this white paper helpful for your operations across China at both a strategic and execution level. Amber Road will continue to monitor and keep our customers abreast of Customs progress on this important initiative.

## About Amber Road

Amber Road's (NYSE: AMBR) mission is to improve the way companies manage their international supply chains and conduct global trade. As a leading provider of cloud based global trade management (GTM) solutions, we automate the global supply chain across sourcing, logistics, cross-border trade, and regulatory compliance activities to dramatically improve operating efficiencies and financial performance. This includes collaborating with suppliers on development, sourcing, and quality assurance; executing import and export compliance checks and generating international shipping documentation; booking international carriers and tracking goods as they move around the world; and minimizing the associated duties through preferential trade agreements and foreign trade zones. Our solution combines enterprise-class software, trade content sourced from government agencies and transportation providers in 147 countries, and a global supply chain network connecting our customers with their trading partners, including suppliers, testing/auditing firms, freight forwarders, customs brokers, and transportation carriers. We deliver our GTM solution using a Software-as-a-Service (SaaS) model and leverage a highly flexible technology framework to quickly and efficiently meet our customers' unique requirements around the world.

For more information, please visit [www.AmberRoad.com](http://www.AmberRoad.com), email [Solutions@AmberRoad.com](mailto:Solutions@AmberRoad.com) or call +86 21 5289 6777.

