

China's Customs introduces advance ruling

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In brief

- » China has effectuated its advance ruling practice from 1 February 2018.
- » Customs matters such as classification of goods, place of origin, and import valuation are covered by the advance ruling.

Feedback

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In detail

China's General Administration of Customs announced a new decree on 26 December 2017, Order No. 236 (hereinafter as Order 236), introducing the practice of the advance ruling on customs matters and its framework.

» Eligible application

Only the foreign trade operators registered at the Customs, which handle the actual import and export activities, are allowed to apply for an advance ruling. Forwarders / brokers are not eligible.

» Applicable matters

The following matters are applicable for advance rulings:

- ✓ Classification of goods;
- ✓ Place of origin for imports / exports;
- ✓ Factors in import pricing, including:
 - Royalties;
 - Commission;
 - Freight;
 - Insurance;
 - Special relationship; and
 - Other factors related to import pricing.
- ✓ Others to be determined by the General Administration of Customs.

» Timing and validity

The application for an advance ruling should be made three months prior to the actual import / export of the goods to the Customs in charge. Once approved, the advance ruling will be valid for three years for the matters covered, and re-application for the same matters is disallowed during the said period. The ruling has no retrospective effect for goods imported / exported before the ruling.

» Confidentiality

The Customs may publish the ruling after the approval. If there are any data such as business secrets which an applicant prefers to keep confidential, it should specifically notify to the Customs in writing.

WTS observation

Order 236, extended from the former pre-declaration administrations such as pre-classification of goods, ushers in the advent of advance ruling on the majority of customs matters. The three-year validity of the ruling grants certainty and convenience to business operators. In the past, substantial time and effort had to be spent in resolving post-import and post-export disputes. With the practice in place, companies should examine their own specifics and devise strategies for customs matters before proceeding to an application.

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