

China Customs relaxes voluntary disclosure rules

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In brief

- » General Administration of Customs (GAC) recently adjusted the conditions for non-punishment voluntary disclosure cases.
- » The relaxations are valid only until the end of 2023.



Feedback

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2022 (No. 4 issue)

August 2022

In detail

China Customs has relaxed the conditions for voluntary disclosure to encourage more reporting. The adjustments were announced under the “GAC Notice on Handling Tax Violations under Voluntary Disclosure” (GAC Notice [2022] No. 54). The adjustments are short-termed, valid from 1 July 2022 until 31 December 2023.

Voluntary disclosure

Voluntary disclosure is first explained in principle under the customs inspection regulations issued in 2016 (GAC Order 230). Order 230 was supplemented by another customs rule issued in 2019 (GAC Notice [2019] No. 161) regarding the conditions for a waiver of administrative penalties.

Voluntary disclosure refers to self-initiated disclosure by importers/exporters, aiming for lenient treatments by the Customs, especially for exemption or reduction of administrative penalties. In principle, voluntary disclosure does not apply to cases known to the Customs prior to the disclosure.

Changes

It is this Notice 161 being now amended and replaced by the latest rule issued on 30 June 2022 (GAC Notice [2022] No. 54) which has offered more relaxations, in particular to the tax understatement threshold and reporting time limit. The changes are highlighted below.

Relaxations to voluntary disclosure rules		
	2019 (Notice 161)	2022 (Notice 54)
No-penalty conditions	Disclosure must be made within 3 months.	Disclosure must be made within 6 months.
	Tax underpayment is under <ul style="list-style-type: none"> • 10% of total tax liability; or • CNY 500,000. 	Tax underpayment is under <ul style="list-style-type: none"> • 30% of total tax liability; or • CNY 1 million.
	No such provision.	Interest charges can also be waived or reduced if punishment is exempted.
Disclosure location	To one of the customs bureau which is: <ul style="list-style-type: none"> • Collecting the taxes concerned; or • At the location of the company. 	To one of the customs bureau responsible for: <ul style="list-style-type: none"> • Customs declaration; • Port of import/export; or • Customs registration of the taxpayers.
Blacklisting (discrediting) in customs system	No blacklisting if a case is: <ul style="list-style-type: none"> • Only subject to a warning; or • Fined under CNY 500,000. 	No blacklisting if a case is: <ul style="list-style-type: none"> • Only subject to a warning; or • Fined under CNY 1 million.
	No such provision.	Companies with “senior AEO status” will not be suspended during the customs inspection period in a case of voluntary disclosure.
Exclusion	No such provision.	Repeated offence to the same issue cannot be accepted as voluntary exposure.
Validity	It has no expiration date (but now invalid).	It will expire on 31 December 2023.

Note: AEO stands for Authorised Economic Operator, being traders accredited by the Customs.

WTS China's observation

On one hand, raising the tax underpayment threshold from 10% to 30% would allow more taxpayers to benefit from the voluntary disclosure regime. Offering more filing locations also helps to facilitate the reporting. On the other hand, however, the relaxations are valid for only eighteen months until the end of 2023. It implies that the concessions (likely due to consideration of the recent pandemic-hit situations) are temporary. The management should consider the necessity of an internal audit and voluntary disclosure, for addressing any customs errors by the deadline, 31 December 2023.

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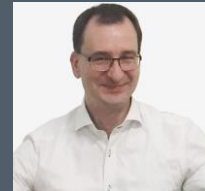
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