

4th Advanced China Forum on Import Compliance

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Contrasting Customs Compliance Requirements in Other Asian Jurisdictions

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Tweeting about this conference?

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Agenda

- Key Asian country highlights
- Some thoughts from regional perspective
 - Mainland China vs Hong Kong: Pitfalls to avoid
 - Duty relief opportunities: Carnet and Free Trade Agreement
 - Customs broker management and post entry data acquisition



Highlights and new development of key import compliance areas in Asia

Country	Challenges	Opportunities	New development
China	<ul style="list-style-type: none"> • Local practices • Processing trade compliance burden is heavy • Valuation is getting more and more focused • The practice of grouping of items with same HS code, country of origin, similar price 	<ul style="list-style-type: none"> • New FTA opportunity with AU and KR • Voluntary disclosure • E-declaration • Regional coordination mechanism 	<ul style="list-style-type: none"> • New customs ranking system • Pilot free trade zones generate some helpful reforms to customs management
India	<ul style="list-style-type: none"> • Special valuation bench (SVB certificate) for assessment of acceptability of related party transactions • Many litigations and extremely time and resource consuming • DRI investigations on bonded manufacturing • Management of IEC code • Infrastructure challenges • Number of different agencies to deal with regarding trade 	<ul style="list-style-type: none"> • Plenty of special customs regime ranging from duty relief on raw material duty relief and capital goods to government subsidy to certain exports • Free trade agreement with ASEAN though it will a long time before full implementation 	<ul style="list-style-type: none"> • Technological upgrade for e-governance

Highlights and new development of key import compliance areas in Asia

Country	Challenges	Opportunities	New development
Vietnam	<ul style="list-style-type: none"> • Incentive programs from export oriented to industry and geography based program • New customs law introduces some tougher terms: <ul style="list-style-type: none"> • Late payment penalty • No duty deferral on trading goods • Penalty level on certain voluntarily disclose scenario 	<ul style="list-style-type: none"> • Extensive FTA • e-customs system facilitates clearance • New customs law provides more certainty particularly for valuation and advance ruling system. 	Need separate branch office if export manufacturer conducts trading
Malaysia	<ul style="list-style-type: none"> • Heavy penalty in case of violation of export control rules 	<ul style="list-style-type: none"> • MITI program of duty relief to RM for manufacturing • Creates uncertainty as MITI will not give explanation when they reject • Extensive FTA 	Introduction of GST from April 1st 2015 will impact the business significantly
Thailand	<ul style="list-style-type: none"> • Penalty sharing with customs auditors • Aggressive to impose penalty on non-compliance cases • BOI programs offers duty relief for export but has compliance burden on importers 	<ul style="list-style-type: none"> • Extensive FTA 	



Highlights and new development of key import compliance areas in Asia

Country	Challenges	Opportunities	New development
Indonesia	<ul style="list-style-type: none"> • Still very problematic to clear goods in Indonesia from tariff classification to valuation of goods • Very challenge to get VAT refund for export oriented business • Risk of corruption • Duty rate hike on FGs to make sure their rates are higher than that of RM and intermediates 	<ul style="list-style-type: none"> • Extensive FTA 	<ul style="list-style-type: none"> • Formalized regulations on rule of origin of goods of Indonesia from Jan 2015 • New labeling requirements on some goods typically consumer goods and capital goods
South Korea	<ul style="list-style-type: none"> • Extremely aggressive on goods valuations • VAT paid during audit is not creditable anymore 	<ul style="list-style-type: none"> • Great FTA network with most key economies in the works 	<ul style="list-style-type: none"> • FTA with CN in 2015
Australia	<ul style="list-style-type: none"> • Few challenges 	<ul style="list-style-type: none"> • Tariff concession on goods cannot be locally produced • Extensive FTA network • US-AU • ASEAN-AU-NZ • AU-JP from Jan 1st 2015 • AU-KR from Dec 12th, 2014 	<ul style="list-style-type: none"> • FTA with CN is expected to be implemented late 2015 or early 2016 • Combination of customs and immigration authorities • Trusted Trader Program

Hong Kong vs Mainland China – Pitfalls To Avoid

- Two separate customs territories with their own unrelated laws and regulations AND enforcement agencies
- There is CEPA between Mainland China and Hong Kong which provides duty concessions for eligible goods made in Hong Kong
- Hong Kong has not customs duty, VAT or GST on most goods
- Three important department agencies related to import/export compliance
 - Trade and Industry department for import / export license applicable on food, medicine, animal / plant products and strategic goods
 - Census and statistics department (CSD): Declaration is filed with CSD
 - Customs & excise department
- Import goods into mainland China via Hong Kong will NOT reduce any customs duty, license requirement and compliance burden on the importer in mainland China
- Goods temporarily stored in Hong Kong may lose its eligibility of free trade agreement unless non-manipulation certificate is obtained from HK Customs.



Duty Relief – ATA Carnet

• What is an ATA Carnet?

- Used for the temporary export and temporary import of goods, valid for 12 months from date of issue
- Used for commercial goods, professional equipment and items for fairs and exhibitions
- Currently used in 84 countries

• Advantages

- Duty and tax free entry
- Simplified entry/export

• Disadvantages

- Consumables not included

A.T.A. CARNET FOR TEMPORARY ADMISSION OF GOODS

A. HOLDER AND ADDRESS: United States Council for International Business

B. REPRESENTED BY: United States Council for International Business

C. INTENDED USE OF GOODS: UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS

D. FOR ISSUING ASSOCIATION USE: US 8808-SAMPLE

E. VALIDITY: 12 months

COUNTRIES WHERE THIS CARNET IS VALID:

ALGERIA (DZ)	ANDORRA (AD)	ANTIGUA AND BARBUDA (AG)	ARGENTINA (AR)	AUSTRALIA (AU)	BELARUS (BY)	BELGIUM (BE)	BOLIVIA (BO)	BOSNIA AND HERZEGOVINA (BA)	BRAZIL (BR)	BULGARIA (BG)	CANADA (CA)	CHINA (CN)	CHINA (HK)	CZECH REPUBLIC (CZ)	DEUTSCHLAND (D)	DENMARK (DK)	EGYPT (EG)	FINLAND (FI)	FRANCE (FR)	GERMANY (DE)	HONG KONG (CN)	HUNGARY (HU)	INDIA (IN)	INDONESIA (ID)	IRAN (IR)	IRELAND (IE)	ISRAEL (IL)	ITALY (IT)	JAPAN (JP)	KAZAKHSTAN (KZ)	KOREA (KR)	KUWAIT (KW)	MACAU (CN)	MACEDONIA (MK)	MALAYSIA (MY)	MEXICO (MX)	MOROCCO (MA)	NETHERLANDS (NL)	NEW ZEALAND (NZ)	NORWAY (NO)	OMAN (OM)	PAKISTAN (PK)	PANAMA (PA)	PARAGUAY (PY)	PERU (PE)	PORTUGAL (PT)	ROMANIA (RO)	RUSSIA (RU)	SARAWAK (MY)	SINGAPORE (SG)	SLOVAKIA (SK)	SLOVENIA (SI)	SPAIN (ES)	SWEDEN (SE)	SWITZERLAND (CH)	TAIWAN (TW)	THAILAND (TH)	TURKEY (TR)	UNITED KINGDOM (GB)	UNITED STATES (US)
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THIS CARNET IS THE PROPERTY OF USCIB. AFTER FINAL USE, RETURN IT TO USCIB.



Comparing Across Asia

China	India	South Korea	Indonesia
Yes*	Yes*	Yes*	No

Thailand	Philippines	Malaysia	Singapore
Yes*	No	Yes*	Yes*

*Restrictions apply



Time Limitation

- Countries restrict the time in-country
 - China – 6 months
 - India – 6 months
 - Malaysia – 3 months
 - Singapore – 6 months
 - South Korea – 6 months
 - Thailand – 6 months



India

- Only for Exhibitions & Fairs
- Internal taxes not covered
- 100% inspection
- FICCI endorsement required
- Approved Ports
 - New Delhi
 - Mumbai
 - Kolkata
 - Chennai
 - Cochin
 - Bangalore
 - Ahmedabad
 - Hyderabad



Malaysia

- 100% inspection
- Clearance takes 2-3 days
- Limited to 3 months in-country



China

- Only for Exhibitions and Fairs
- Limited to 6 months in-country
- Hand-carried goods registration *NEW*



Japan

- Valid for the time of the Carnet
- May require POA
- Allows for exemption of other permits



Considerations

- Cost
- Compliance
- Process



Free trade agreement is the most important cost saving opportunity

	ASEAN	CN	IN	KR	AU	JP	EU	US
ASEAN	Green	Green	Green	Green	Green	Green	Light Blue	Light Blue
CN	Green	Light Blue	Light Blue	Yellow	Yellow	Light Blue	Light Blue	Light Blue
IN	Green	Light Blue	Light Blue	Green	Light Blue	Light Blue	Light Blue	Light Blue
KR	Green	Yellow	Green	Light Blue	Light Blue	Light Blue	Green	Green
AU	Green	Yellow	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Green
JP	Green	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue
EU	Light Blue	Light Blue	Light Blue	Green	Light Blue	Light Blue	Light Blue	Light Blue
US	Light Blue	Light Blue	Light Blue	Green	Green	Light Blue	Light Blue	Light Blue

- **Compliance management**
- **Utilization management**
- **Trade flow optimization**

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Free Trade Agreements (FTA)

- Reduction of duties, quotas, and fees
- Bilateral and multilateral
- Facilitate increase trade
- Covers specific goods and services
- Over 350 FTA's in force globally



FTA Compliance

- Goods Eligibility
- Rule of Origin criteria
- Certificate of Origin
- Recordkeeping
- Compliance burden



Major Asia Agreements

- Asia-Pacific Trade Agreement (APTA)
- Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA)
- Trans-Pacific Strategic Economic Partnership



Proposed Agreements

- **Trans-Pacific Partnership (TPP)**
 - Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam
- **Regional Comprehensive Economic Partnership (RCEP)**
 - ASEAN and existing separate FTA's (Australia, China, India, Japan, S Korea and New Zealand)



Trade Compliance Program

- Customs broker management
- Post entry data

