Interim Measures of the Customs of the People's Republic of China on Supervision and Control of Export Processing Areas

(Approved by the State Council on April 27, 2000, and promulgated by Decree No.81 of the General Administration of Customs on May 24, 2000)

Chapter I General Provisions

Article 1 These Measures are formulated in accordance with the Customs Law of the People's Republic of China and relevant laws and regulations of the State for the purpose of strengthening and improving the administration of the processing trade, regulating the supervision of the export processing areas by Customs, promoting the healthy development of the export processing areas and encouraging the expansion of foreign trade and exports.

Article 2 In order to prevent duplicated construction, export processing areas (hereinafter referred to as processing areas) to be established within the territory of the People's Republic of China shall be located only in the existing economic and technological development zones that have been approved by the State Council, and shall be reported to the State Council for approval by the people's governments of the provinces (autonomous regions, municipalities directly under the Central Government).

Article 3 Processing areas are specific areas under the supervision and control of Customs. Customs shall establish offices in the processing areas and exercise, pursuant to these Measures, 24-hour supervision over the goods entering or leaving the processing areas and over the relevant sites therein.

Article 4 Separation facilities and close circuit television supervision and control systems that meet the requirements of Customs supervision and control shall be installed between the processing areas and other areas of the territory of the People's Republic of China (hereinafter referred to as the outside areas). Only after the General Administration of Customs has tested and accepted the separation facilities of the processing areas, may business operations related to the processing areas be engaged in.

Article 5 An administrative committee of the processing area, export processing enterprises, warehousing enterprises that provide services solely for the production of the export processing enterprises, and transportation enterprises that are solely engaged in the transportation of goods into and out of the processing area with Customs approval shall be established therein.

No other persons may live in a processing area except the security guards and
the duty-employees of enterprises. No profit-oriented consumer facilities may be established.

**Article 6** No retailing business, general trade, transit trade and other business irrelevant to the processing area may be conducted therein.

**Article 7** The enterprises established within the processing areas (hereinafter referred to as enterprises within the areas) shall go through registration formalities with Customs.

**Article 8** Enterprises within the areas shall, in accordance with the provisions of the Accounting Law of the People's Republic of China and the relevant laws and regulations of the State, set up account books and statements that meet the requirements of Customs supervision and control. They shall make entries and conduct accounting on the basis of the legitimate and valid vouchers and make a record of such items as inventory, assignment, transfer, sale, processing, use and consumption of the enterprises' goods and articles entering or leaving the processing areas.

**Article 9** The processing areas shall be subjected to computer network control and the Customs auditing system.

Enterprises within the areas shall establish computerized databases that conform to the requirements of Customs supervision and control, connect them to Customs through computer networks and exchange electronic data each other.

**Article 10** The bank guarantee ledger system for processing trade shall not be applied to the processing trade business conducted by enterprises within the areas, and Customs shall not exercise administration by the Processing Trade Register.

**Article 11** Customs has the power, in accordance with the provisions of the Customs Law of the People's Republic of China, to conduct inspections and examinations of goods, articles, means of transport and persons entering or leaving the processing areas and relevant sites therein.

**Article 12** The State does not levy value-added tax on the processed products within the areas.

**Article 13** No goods or articles that are prohibited from being imported or exported by the State may enter or leave the processing areas.

**Chapter II Supervision and Control of Goods Moving between the Processing Areas and Places outside China**

**Article 14** With respect to the goods moving between a processing area and a place outside China, the owner of goods or his agent shall fill in a filing list of goods entering or leaving China on the basis of the documents of approval issued by the
administrative committee of the processing area, and file it with the competent Customs office. The filing list shall be uniformly printed and distributed by the General Administration of Customs.

**Article 15** With respect to the goods moving between a processing area and a place outside China, Customs shall exercise supervision and control through direct release or by transshipment to another Customs office.

**Article 16** Import or export quota control and licensing control shall not apply to the goods moving between processing areas and places outside China, except those goods to which the passive export control applies.

**Article 17** With respect to goods entering a processing area from a place outside China, the import duties and taxes related to importation shall be collected according to the following provisions except where laws and regulations provide otherwise:

1. Machines and equipment needed for infrastructure construction projects for the production in the area, and materials for capital construction needed for the construction of factory buildings and storage facilities shall be exempted from duties and taxes.

2. Machines, equipment, modeling tools and parts and components used for the maintenance thereof, which are needed for the production of the enterprises within the areas shall be exempted from duties and taxes.

3. Raw materials, spare parts, components, packing materials and materials for productive consumption, which are needed for the processing of products for export by enterprises within the areas, shall be treated as bonded goods.

4. Articles for office use in reasonable quantities needed by the enterprises and administrative bodies within the areas shall be exempted from duties and taxes.

5. With respect to means of transport and consumer goods which are used by the enterprises and administrative bodies within the areas, the Customs declaration formalities shall be fulfilled in accordance with the provisions concerning imported goods and Customs shall collect duties and taxes in accordance with the regulations.

**Article 18** The goods manufactured by the enterprises within the areas, leftovers, surplus materials, rejects and sub-standard products, wastes, etc. arising in the course of the processing and production shall be exempted from export duties if they are to be sold abroad except where laws and regulations provide otherwise.

**Chapter III  Supervision and Control of Goods Moving between Processing Areas and Outside Areas**

**Article 19** For goods transported from the processing areas to outside areas,
Customs shall handle declaration formalities in accordance with the provisions concerning imported goods and treat them as manufactured goods in collecting duties and taxes. If the goods are under the licensing control, the valid import licensing certificates shall also be presented to Customs.

**Article 20** The goods manufactured by the enterprises within the areas, leftovers, rejects and sub-standard products, wastes, etc. arising in the course of the processing and production shall be re-exported out of China. Where there is a need to transport them to outside areas under special circumstances, they shall be valued and taxed according to their value of utility upon application by the enterprises and verification and approval by the competent Customs offices. If the goods are under the licensing control, the valid import licensing certificates shall also be presented to Customs.

Where leftovers and wastes of no commercial value need to be transported to outside areas for destruction, exit formalities shall be completed with the competent Customs offices on the basis of the documents of approval issued by the administrative committee and the environmental protection department. Customs shall exempt them from import licenses and duties and taxes.

**Article 21** Enterprises within the areas shall not entrust enterprises located outside the areas to do the processing of products. Where, under special circumstances, it is necessary to entrust enterprises located outside the areas to conduct any processing operation due to technical and processing difficulties to meet the required product standards, on condition that such processing of products shall not change the basic feature and quantity of the original products (at the time of the exit from the area), the entrusted enterprises located outside the areas may, upon approval of the commissioner of the competent Customs office, pay to the competent Customs office in the processing area the amount of guarantee equivalent to the value of the products and complete exit formalities with reference to the provisions pertaining to the control of temporarily imported goods.

The period for entrusted processing by an enterprise outside the area is six months, and no extension of the period shall be permitted. Upon the completion of the processing, the processed products (including rejects and sub-standard products and wastes) shall be transported back to the areas, and formalities for examining and releasing the products, verifying and canceling the accounts thereof shall be completed with the competent Customs offices in the processing areas on the basis of the application for entrusted processing outside the areas and the relevant documents originally written out at the time of their exit from the area.

**Article 22** Machines, equipment, modeling tools, etc. which are sold by enterprises within the areas to places outside the areas shall be dealt with in
accordance with relevant existing import policies and the relevant provisions of the State.

Article 23 The enterprises within the areas may have their products tested, examined or exhibited outside the areas upon approval of the competent Customs offices. For products to be tested, examined and inspected or exhibited, formalities pertaining to exit from the areas shall be executed in accordance with Customs regulations on control of temporarily imported goods.

Article 24 Where machines, equipment, modeling tools, articles for office use, etc. which are used in the areas need to be transported to outside areas for maintenance, testing or examination, enterprises within the areas or the administrative bodies shall fill in the Contact Sheet for Examination, Inspection and Maintenance of the Goods Transported from within the Export Processing Area to an Outside Area, submit applications to the competent Customs offices, and may transport those machines, equipment, modeling tools, articles for office use, etc. to outside areas for maintenance, testing or examination and inspection only upon approval, registration and inspection by the competent Customs offices.

Where an enterprise within the area transports modeling tools to outside areas for maintenance, testing or examination and inspection, the sample products manufactured by these modeling tools shall be retained for the examination by Customs of the modeling tools transported back into the areas.

Machines, equipment, modeling tools, articles for office use, etc. transported to outside areas for maintenance, testing or examination and inspection shall not be used for the processing, production and use in outside areas.

Article 25 Machines, equipment, modeling tools, articles for office use, etc. transported to outside areas for maintenance, testing or examination and inspection shall be transported back into the processing areas within two months from the date on which they are transported out of the areas. Where they cannot be transported back on time under special circumstances, enterprises within the areas shall, within seven days before the expiry of the period, explain the circumstances to the competent Customs offices and apply for an extension of the period. The extension of the period may only be approved for one time and the period may not be extended more than one month.

Article 26 For machines, equipment, modeling tools, articles for office use, etc. transported to outside areas for maintenance, they may be transported back into the areas only on condition that it is possible for Customs to identify that they are the original articles or new parts, components or accessories of the same specifications, and where new parts, components or accessories have replaced the original ones, the original ones shall be transported back into the areas together with the new ones.
Article 27 Goods entering the processing areas from outside areas shall be deemed as exports, and Customs declaration formalities for exports shall be fulfilled. An export tax refund shall be processed in accordance with the following provisions, unless otherwise provided for by laws and regulations:

(1) For domestically produced machines, equipment, raw materials, spare parts, components and packing materials entering the processing areas from outside areas for the use of enterprises within the areas, and goods and materials for capital construction in a reasonable amount needed for the construction of infrastructures, production facilities and office buildings for the processing enterprises and the administrative bodies therein, Customs shall handle the declaration formalities in accordance with the relevant provisions on exported goods and issue a declaration form for export tax refunds. Enterprises located outside the areas shall apply to the tax authorities for undergoing export tax refund (exemption) formalities by presenting the export tax rebate vouchers of the declaration forms, and the specific measures for the administration of tax refunds (exemptions) shall be provided separately by the State Administration of Taxation.

(2) For consumer goods, means of transport, etc. entering the processing areas from outside areas for the use of enterprises and the administrative bodies within the areas, Customs shall not issue the declaration forms for export tax refunds.

(3) For imported machines, equipment, raw materials, spare parts, components, packing materials, goods and materials for capital construction, etc. entering the processing areas from outside areas, the enterprises located outside the areas shall submit a list of the aforesaid goods and articles to Customs and undergo export declaration formalities, and Customs shall release them upon examination. The import duties and taxes already paid for the aforesaid goods and articles shall not be refunded.

(4) Where it is necessary to transport commodities which are prohibited by the State from being exported or which are under State's centralized management into the processing areas for any processing operation due to inadequate domestic techniques to meet the requirements of a product, the matter shall be reported to the Ministry of Foreign Trade and Economic Cooperation for approval, and Customs shall exercise supervision and control according to the measures for administration of exported materials processing, and shall not issue export tax refund declaration forms for those goods transported into the processing areas.

Article 28 The goods and articles transported into the processing areas from outside areas shall be transported to the places or warehouses designated by Customs, and enterprises located outside the areas shall fill in export declaration forms and undergo Customs declaration formalities at the competent Customs offices in the processing areas by presenting purchase invoices and packing lists issued within the
Article 29 The goods transported into the processing areas from outside areas shall undergo substantive processing by enterprises within the areas before they can be shipped overseas.

Chapter IV Supervision and Control of Goods within Processing Areas

Article 30 Goods which move into or out of the processing areas by the enterprises within the areas shall be truthfully declared to the competent Customs offices, and Customs shall examine, inspect and release the goods which move into or out of the processing areas by the enterprises within the areas, and cancel accounts through verification on the basis of the memorandum lists and relevant documents.

Customs formalities for filing for the record, declaration, examination and inspection and release of goods moving into or out of the processing areas as well as account cancellation through verification shall be undertaken within the processing areas.

Article 31 The goods within the processing areas may be assigned or transferred between enterprises within the areas, and both of the parties involved shall report in advance to Customs for the record the names, quantities, values of the goods to be assigned or transferred and other relevant detailed particulars.

Article 32 Processing enterprises within the areas may not sell outside the areas imported raw materials, spare parts and components which have not undergone substantive processing. Enterprises engaging in warehousing service within the areas may not provide the raw materials, spare parts and components in their custody to enterprises located outside the areas.

Article 33 Enterprises within the areas shall present the account books and relevant documents of the enterprises to the competent Customs offices and undergo account cancellation formalities every six months, starting from the date on which they began their business of export processing or the business of warehousing service.

Article 34 Where the goods which have entered the processing areas are reduced in quantity or destroyed due to force majeure during the processing or warehousing period, the processing enterprises or the warehousing enterprises within the areas shall report the circumstances to the competent Customs offices within 10 days from the date of their discovery thereof and give their explanations. Customs shall approve a deduction from their account books upon verification and confirmation.

Chapter V Supervision and Control of Goods Moving between Processing Areas
Article 35  For goods moving between different processing areas, both the parties sending and receiving the goods shall jointly apply to the competent Customs office in the sending areas. Upon verification and approval by Customs, the matter shall be handled in accordance with the relevant provisions on Customs transshipment.

Article 36  When goods are transshipped to another processing area, the competent Customs office in the receiving area shall release them to the enterprise or the warehouse after checking and confirming that the sealing marks are intact and the goods tally with the documents.

Article 37  Where goods moving between different processing areas can not be moved as goods in Customs transshipment, the competent Customs office in the receiving area shall collect from the receiving enterprise a guarantee in the amount equivalent to the value of the goods. After goods arrive at the receiving area, and have been verified and confirmed by Customs that no error exists, the competent Customs office shall return the guarantee to the enterprise within 10 working days.

Chapter VI  Supervision and Control of Means of Transport and Articles Carried by Persons Entering or Leaving Processing Areas

Article 38  Means of transport and persons shall enter or leave the processing areas through specific channels designated by Customs.

Article 39  Processed products to be shipped overseas from the processing areas and goods to be transported from the processing areas to outside areas, after being examined and released by Customs, shall be transported by the specialized transportation enterprises established within the areas with approval of Customs. The following goods may be carried by persons specially designated by enterprises or transported by the enterprises themselves after being examined by the competent Customs offices:

(1) petty goods with a value of 10,000 US dollars or less;
(2) articles which are transported back to outside areas to be returned or replaced due to sub-standard quality;
(3) articles for which the formalities for payment of import duties and taxes have been fulfilled; and
(4) other articles examined and approved by Customs.

Article 40  The person responsible for the means of transport of the goods entering or leaving the processing areas shall fulfill registration and filing formalities with Customs by presenting the business license of the enterprise legal person and a list of names, the number, registered plate numbers of the means of transport and the
names of drivers.

All the operators of the transportation enterprises that undertake the carriage of goods entering or leaving the processing areas and the goods in Customs transshipment shall abide by Customs regulations relating to administration of means of transport and goods carried thereon, and bear corresponding legal liabilities.

**Article 41** Without approval of Customs, means of transport and persons leaving the processing areas for outside areas may not transport or carry goods out of the processing areas.

**Chapter VII Supplementary Provisions**

**Article 42** Goods transported from overseas into the processing areas and goods transported overseas from the processing areas shall be listed in the import and export statistics. Goods transported from outside areas into the processing areas and goods transported from the processing areas to outside areas shall be counted in itemized statistics. The statistical measures shall be formulated by the General Administration of Customs separately.

**Article 43** Violations of the provisions of these Measures shall be dealt with by Customs in accordance with the relevant provisions of the Customs Law of the People's Republic of China and the Rules for the Implementation of Administrative Penalty under the Customs Law of the People's Republic of China.

**Article 44** The General Administration of Customs shall be responsible for the interpretation of these Measures.

**Article 45** These Measures shall come into force as of May 1, 2000.