

## **Measures on Customs Supervision and Control over Bonded Zones**

(Approved by the State Council on June 10, 1997, promulgated by Decree No. 65 of the General Administration of Customs on August 1, 1997)

### **Chapter I General Provisions**

**Article 1** These Measures are formulated in accordance with the provisions of the Customs Law and other related laws for the purpose of strengthening and improving Customs supervision and control over bonded zones and promoting the healthy development of bonded zones.

**Article 2** The establishment of bonded zones within the territory of the People's Republic of China must be approved by the State Council.

**Article 3** Bonded zones are specific areas under Customs supervision and control. The Customs shall carry out supervision and control over goods, means of transport and articles carried by individuals entering or leaving the bonded zones.

Segregation facilities that meet the requirements of Customs supervision and control shall be installed between a bonded zone and other areas (hereinafter referred to as non-bonded areas) in the territory of the People's Republic of China.

**Article 4** Only administrative bodies and enterprises are permitted to be set up in bonded zones. Nobody else shall be allowed to live in bonded zones except security guards.

**Article 5** Enterprises established in bonded zones (hereinafter referred to as enterprises in bonded zones) shall fulfill registration formalities with the Customs.

Enterprises in bonded zones shall, in accordance with the provisions of the relevant laws and regulations of the State, set up account books, compile statements, do accounts on the basis of lawful and valid vouchers and the computation thereof, record the storage, transfer, movement, sale, processing, use and loss of goods and articles carried into or out of the bonded zones.

**Article 6** The system of Customs external auditing shall be practised in bonded zones.

Enterprises in bonded zones shall have their computer networks connected with the Customs to exchange electronic data.

**Article 7** The Customs shall have the right to carry out inspection and examination of goods, articles, means of transport, persons entering and exiting the bonded zones, and related places in the bonded zones in accordance with the provisions of the Customs Law.

**Article 8** Goods and articles prohibited from importation and exportation by

the State shall not be allowed to enter or leave bonded zones.

## **Chapter II Supervision and Control over Goods Moving Between Bonded Zones and Places Outside the Territory**

**Article 9** The Customs shall carry out simple and effective supervision and control over goods moving between bonded zones and places outside the territory.

**Article 10** Goods moving between bonded zones and places outside the territory shall be recorded with the Customs by the consignee, consignor or its agent.

**Article 11** Except for those subject to passive export quota control, goods moving between bonded zones and places outside the territory shall not be subject to import and export quota and licensing control.

**Article 12** Import Customs duties and taxes at the importation on goods entering the bonded zones from places outside the territory, except for those otherwise provided for by laws and regulations, shall be dealt with in accordance with the following provisions:

(1) Machines, equipment and other goods and materials needed for productive infrastructure construction projects in bonded zones shall be exempt from duties and taxes;

(2) Equipment for production and management, articles for office use in reasonable quantity and spare parts for maintenance, fuels for production, materials and equipment needed for the construction of production and storage facilities to be used by enterprises in the bonded zones, shall be exempt from duties and taxes;

(3) Equipment for management and articles for office use in reasonable quantity and spare parts for maintenance to be used by administrative bodies in the bonded zones shall be exempt from duties and taxes;

(4) Raw materials, spare parts, components and packaging materials needed by enterprises in the bonded zones for the processing of export goods shall be treated as bonded goods.

Goods or articles entering the bonded zones from places outside the territory other than those stipulated in Items (1) to (4) of the preceding paragraph shall be subject to duties and taxes according to law.

Transit goods and goods stored in bonded zones shall be treated as bonded goods.

## **Chapter III Supervision and Control over Goods Moving Between a Bonded Zone and Non-bonded Areas**

**Article 13** Goods entering non-bonded areas from a bonded zone shall have Customs formalities fulfilled as import goods; goods entering a bonded zone from non-bonded areas shall have Customs formalities fulfilled as export goods and export tax refunds shall be dealt with in accordance with the relevant provisions of the State.

The Customs shall carry out supervision and control over goods moving between a bonded zone and non-bonded areas in accordance with the relevant provisions of the State concerning administration of import and export.

**Article 14** For machines, equipment, materials and articles for capital construction entering a bonded zone from non-bonded areas for use in the bonded zone, the unit that uses them shall submit to the Customs a list of these goods and articles which will be released upon Customs inspection.

Where import Customs duties and taxes at the importation on the goods and articles in the preceding paragraph have already been paid, such duties and taxes shall not be refunded.

**Article 15** For goods in bonded zones that need to be imported or exported at ports not in bonded zones or goods in one bonded zone that are to be transported to another bonded zone, a written application shall be filed to the Customs in advance and after being approved by the Customs, those goods shall be dealt with in accordance with the provisions concerning Customs transit transportation and relevant provisions.

#### **Chapter IV Supervision and Control over Goods in Bonded Zones**

**Article 16** Goods in bonded zones may be transferred or moved between enterprises in bonded zones; the two sides shall have the transfer and movement thereof recorded at the Customs.

**Article 17** Transit goods in bonded zones may be simply processed by grading, selecting, marking and repackaging in warehouses or other places in bonded zones.

**Article 18** Where enterprises in bonded zones hold activities exhibiting goods from places outside the territory or goods from non-bonded areas in the bonded zones, such goods on exhibition shall be subject to Customs supervision and control.

#### **Chapter V Administration of Goods for Inward Processing in Bonded Zones**

**Article 19** Enterprises in bonded zones engaged in inward processing shall record with the Customs necessary materials and parts entering or leaving the bonded zones.

**Article 20** Processing enterprises in bonded zones producing export products

subject to passive quota control shall obtain approval from the competent department of the State Council in advance.

**Article 21** Where the finished products manufactured by processing enterprises in bonded zones and the leftover bits and pieces resulting from the manufacturing process are to be transported out of the territory, Customs formalities shall be undertaken according to the relevant provisions of the State; except for those otherwise provided for by laws and regulations, export Customs duties shall be exempt from.

Where the finished products manufactured in bonded zones and by-products and the leftover bits and pieces resulting from the manufacturing process are to be transported by processing enterprises in bonded zones into non-bonded areas, import declaration formalities shall be undertaken with the Customs according to the relevant provisions of the State and the duties and taxes shall be paid according to law.

**Article 22** Where the finished products manufactured by processing enterprises in bonded zones wholly from materials and parts from places outside the territory are sold to non-bonded areas, the Customs shall levy duties and taxes thereon as import finished goods.

Where the finished products manufactured by containing materials and parts from places outside the territory are sold to non-bonded areas, the Customs shall levy duties and taxes on the finished products based on such materials and parts contained therein; if the description, quantity or value of such materials and parts has not been correctly declared, the Customs shall levy duties and taxes thereon as imported finished goods.

**Article 23** Any processing enterprise in a bonded zone that entrusts processing business to an enterprise in a non-bonded area or accepts processing business entrusted by an enterprise in a non-bonded area shall obtain approval from the Customs in advance and meet the following conditions:

(1) It possesses premises for production in the bonded zone and has formally begun processing businesses.

(2) The main part of the processing business entrusted to an enterprise in a non-bonded area must be done in the bonded zone.

(3) The period for the processing business entrusted to an enterprise in a non-bonded area shall be six months; where a prolonged period is needed in special cases, an application for extension shall be submitted to the Customs and the extension shall be six months. Fully processed products in a non-bonded area shall be transported back to the bonded zone; those that need to be exported directly from a non-bonded area shall have verification and cancellation formalities fulfilled at the Customs.

(4) When accepting processing business entrusted by an enterprise in a non-bonded area, a processing enterprise in a bonded zone shall record with the Customs the materials and parts for entrusted processing. Accounts and records for materials, parts and products in entrusted processing and those of the enterprise in the bonded zone shall be kept separately and the two categories of materials and products shall be used separately. Fully processed products shall be transported back to the enterprise in a non-bonded area and the enterprise in the bonded zone shall close the case with the Customs.

**Article 24** The Customs shall not implement the system of bank guarantee ledger for inward processing such as processing with imported materials or processing with customers' materials carried out by enterprises in bonded zones.

For inward processing entrusted to an enterprise in a non-bonded area, the enterprise in the non-bonded area shall register and record contracts with the local Customs offices and the system of bank guarantee ledger for inward processing shall be effectuated.

#### **Chapter VI Supervision and Control over Means of Transport and Articles Carried by Individuals Entering or Leaving Bonded Zones**

**Article 25** Means of transport and persons entering or leaving the bonded zones shall pass through the special channels appointed by the Customs and accept Customs inspection.

**Article 26** The person in charge of the means of transport entering or leaving a bonded zone shall fulfill formalities for registration and recordation with the Customs on the strength of the credentials approved by the competent authority of the bonded zone along with the list of the names, number and plate-numbers of the means of transport and the names of the drivers.

**Article 27** Without the approval of the Customs, means of transport and persons from bonded zones to non-bonded areas shall not carry or take duty-free or tax-free goods and articles, bonded goods and products made of bonded materials and parts in bonded zones.

#### **Chapter VII Supplementary Provisions**

**Article 28** Violation of the provisions of these Measures shall be dealt with by the Customs in accordance with the provisions of the Customs Law of the People's Republic of China and the Rules for the Implementation of Administrative Punishments Under the Customs Law of the People's Republic of China; if the

circumstances are serious, the Customs may withdraw the registration with the Customs by enterprises in bonded zones.

**Article 29** The specific procedures for recordation mentioned in these Measures shall be formulated by the General Administration of Customs.

**Article 30** These Measures shall come into effect as of the date of promulgation. Measures of the Customs of the People's Republic of China Concerning the Administration of the Goods, Means of Transport, and Articles Carried by Individuals to be Brought into or out of the Bonded Area Of Outer Gaoqiao in Shanghai shall be simultaneously null and void.