

## China alert

### Tax and regulatory developments

TAX

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## China's General Administration of Customs clarifies duty and tax guarantee requirements

### In Brief

- To release goods in advance from customs, enterprises can apply to pay import duty and tax based on the declared price and place a deposit for the remaining amount deemed by customs. In this way, enterprises may be able to credit import VAT sooner and improve cash flow.

### Regulation discussed in this issue:

*Clarification on the Forms of Collecting Duty and Tax Guarantee*, GAC Notice [2009] No. 44, issued by the General Administration of Customs on 27 July 2009, and effective 27 July 2009.

According to Article 77 of *PRC Customs Administrative Measures on Duty Collection*, prior to customs' determinations on the factors for duty and tax collection—such as tariff classification, dutiable price and country of origin—enterprises may apply for the advanced release of goods. In this case, customs can require a deposit sufficient to cover the duty and tax payable or a letter of guarantee from financial institutions.

The General Administration of Customs (GAC) promulgated GAC Notice No. 44 on 27 July 2009 to clarify that:

- Customs shall generally collect a deposit in an amount equivalent to the duty and tax payable or a letter of guarantee from financial institutions for advanced release of the goods.
- Enterprises may apply for import duty and tax receipts in advance based on the declared price in order to credit import VAT. If the price deemed by customs is higher than the one declared by an enterprise, customs can collect a guarantee equivalent to the difference between the deemed payable amount and the amount paid in advance.

### KPMG's suggestions

If an enterprise foresees that customs may not be able to determine the tariff classification, dutiable price, country of origin or other factors for duty and tax collection within a short period of time, and it needs the goods urgently, it can apply for advanced release of the goods.

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Enterprises can also consider applying for duty and tax receipts based on the declared price in advance and crediting import VAT. This may help reduce pressure on cash flow.

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All issues of *China alert* are accessible on [www.kpmg.com.cn](http://www.kpmg.com.cn) or [www.kpmg.com.hk](http://www.kpmg.com.hk)

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