

## China

### Chinese customs issues first administrative classification ruling



China's customs authorities have published the first administrative classification ruling<sup>26</sup> in line with the Government's policy to standardize nationwide classification determinations with binding force.

As background, China's General Administration of Customs (GAC) issued the "Interim Measures on the Administration of the Administrative Rulings of Customs"<sup>27</sup> in 2001 to specify the relevant provisions of a customs administrative ruling. In 2007, the GAC issued the "Provisions of the Customs of the People's Republic of China about the Administration of the Commodity Classification of Import and Export Goods"<sup>28</sup> to further standardize import and export commodity tariff classification.

However, due to various reasons, the GAC has not issued any formal classification administrative rulings in the past 10 years. Although preclassification determinations by third-party service providers were allowed by certain other government programs, these had limited effect because such determinations are not binding on the GAC. Companies needed effective solutions to practical problems and demanded greater certainty and less controversy.

Consequently, GAC announced that administrative rulings will be issued to support the development of the Shanghai Free Trade Zone (FTZ). The recently issued first nationwide-effective administrative classification ruling is a milestone in the formal implementation of the customs classification rulings system, which provides companies with an effective solution to manage tariff classification issues.

Specifically, classification rulings:

- ▶ Are equally binding on both the import/export enterprises and the GAC
- ▶ enable import/export enterprises to classify goods in advance and help to avoid classification disputes during the import/export clearance process
- ▶ Facilitate cost accounting, clarify regulatory requirements and increase trade predictability
- ▶ Reduce lead time and improve customs clearance efficiency

<sup>26</sup> Announcement No. 28 of 2015 (Announcement on the publication of the administrative rulings of commodity classification), 3 Jun. 2015, General Administration of Customs (GAC).

<sup>27</sup> Order of the GAC No.92, 2001.

<sup>28</sup> Order of the GAC No.158, 2007.

The procedure for obtaining a GAC classification ruling is as follows: the importer would normally need to file the application three months before the importation is to take place. The application must include basic information about the importer as well as all necessary information about the goods in question (e.g., product specifications, pictures, samples, analysis report). It may take one or two weeks for officials to decide whether they would agree to accept the ruling request. If the request is accepted, GAC will make a determination and issue the ruling to the importer within 60 days.

At this time, the administrative classification rulings system applies only to companies registered within the Shanghai FTZ and to specific commodities under certain chapters of China's Import and Export Tariff guidebook. Nevertheless, the GAC is expected to expand the commodity scope to all import and export goods, and replicate the system nationwide in the foreseeable future.

Implementation of the classification ruling system will enable companies with operations in China to better manage tariff classification uncertainty, which traditionally is a high-risk area for customs controversy in China.

Watch for further updates in future issues of *TradeWatch*.

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