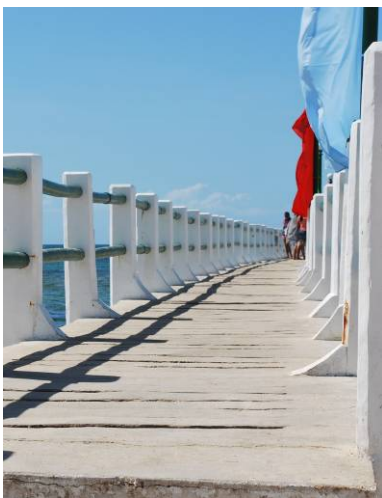


# China Customs & Trade Alert

## Temporary Measures for Promotion of H2000 Outsourced Processing Administration System



The General Administration of Customs (GAC) issued Circular [2009] 51 on <Temporary Measures for Promotion of H2000 Outsourced Processing Administration System>. This Circular sets out the provisions on outward processing under Processing Trade.

### Main Points

The main points are summarised as follows:

1. Enterprises are required to use the H2000 Outsourced Processing System for the administration of outsourced processing. Paper based administration should not be used unless there is system problem.
2. Enterprises should register with Customs in advance and fill in the Application Form for Outsourced Processing via the system.
3. One Application Form applies to one handbook and one receiving enterprise (i.e. the subcontractor who received the outsourcing order from outsourcer (such as an OEM).
4. Enterprises should send e-data via the system to Customs for the outsourced goods declaration within 72 hours from actual delivery/receiving of the goods.
5. Several consignments of goods that are delivered / received within 72 hours can be combined in to a single declaration.
6. Further outsourcing from the receiving enterprise to another sub-contractor for further outsourcing is forbidden.

### Considerations and Next Steps

The new electronic system provides an opportunity for enterprises to reduce the workload for making customs declarations when engaged in outsourced processing. Multiple declarations can also be facilitated by batching multiple consignments that take place within a 72 hour period. This can improve the lead time efficiency for enterprises engaged in daily outsourced processing.

However, on the other hand, the new system will also bring risks if the enterprises cannot ensure full compliance with the relevant regulations under Processing Trade. With a more transparent electronic system, Customs can now better supervise operations, including timely discovery of any handbook imbalances and inventory reconciliation issues.

Before enterprises adopt this new electronic system, they should complete a self-assessment of compliance levels and implement a corrective action so as to ensure compliance requirements for outsourced processing are met in full. The compliance self-assessment should include reviewing the HS Codes, inventory cross-over, controls for mitigating the risk of handbook imbalance, and the like.

## Contacts

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Customs and international trade in China is complex, but with the right approach is manageable. A planned and structured approach results in cost savings, higher levels of compliance and fewer unwanted surprises during an audit. PricewaterhouseCoopers' specialists within our Greater China customs and international trade practice provide a wide range of advice and services related to creating value, ensuring compliance, and managing risk in relation to the movement of goods into and out of China.

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