



## Customs Flash Belgium

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### China Customs Audit Regulations Revised

The Decision of the State Council on Amending the Regulations of the People's Republic of China on Customs Audits is announced. This revision will come into force on 1 October 2016.

#### Introduction

On 1 July 2016, State Council Order [2016] 670 was issued as a revision to the 1997 China Customs Audit Regulations. The revisions will be effective as of 1 October 2016 and are the first revisions to the Chinese audit regulations since 1997. In view of these upcoming changes, an advanced preparation in managing customs risks in China is more important than ever before.

#### The broadened scope of customs audits in China

State Council Order [2016] 670 clearly underscores Chinese Customs' continued focus on increased audits and demonstrates their commitment to enforce revenue collection. There are sweeping changes within the revised audit regulations but, essentially, the scope of customs audits has been broadened:

- Customs' legal power when irregularities have been detected has been expanded (e.g. increased ability to detain more goods);

- The legal obligations of the targeted company have increased, including self-assessment and reporting;
- Customs' ability to use outside auditing firms as well as the mitigation of penalties where a detected violation results from voluntary self-reporting, is formalised.

Following the recent trade facilitation reforms in China, audits are poised to play a more significant role in ensuring customs compliance and enforcing revenue collection. Self-policing is a tool Chinese Customs will continue to rely on heavily, as evidenced by formalising the self-assessment and reporting practices within these revisions. As a result, an advanced preparation in managing customs risks in China is increasingly important.

### **What does it mean for you?**

The broadened scope of customs audits and Chinese Customs' continued focus on these audits underline the increased importance of customs compliance in China. Following the upcoming changes, it can be expected that Chinese Customs will strengthen their audits and raise their expectations. Moreover, the legal obligations for targeted companies have increased.

### **What to do?**

When doing business in China, companies should be aware of the increased importance of customs compliance and undertake appropriate actions. In view of the upcoming changes effective as of 1 October 2016, an advanced preparation is advised in order to detect (potential) non-compliant situations. In addition, targeted companies should ensure that they fulfil the increased legal obligations. A well-considered anticipative approach can avoid potential discussions with Chinese Customs when an audit takes place.

Deloitte's Customs & Global Trade (CGT) Team can assist with the advanced preparations and the management of customs risks in China.

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