



北京德和衡律师事务所
BEIJING DHH LAW FIRM
Since 1993

China (Shanghai) Pilot Free Trade Zone and institutional innovation

2018.11.10.

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01

PART 01

World FTZ VS. China (shanghai) FTZ



1. International definition of a free trade zone

- ❑ F T A : Free Trade Agreement
Free trade agreement between countries
- ❑ F T Z: Free Trade Zone
A special area delimited by the country: Free Trade Zone



Source 1 :

“Refers to a part of a country’ s territory. Any goods imported into this part of the territory are considered to be outside the customs and are exempt from the customary customs control system in terms of import duties and other taxes.”

-- International Convention on the Simplification and Harmonization of Customs Procedures(1973)



Source 2 :

The free trade zone is different from the general customs territory in terms of exemption tariffs for goods used for re-export, and is an independent blockade where exemptions can be exempted as long as imported goods do not flow into the domestic market.

- US Customs Committee



Source 3 :

A free trade zone is an area where goods enter and exit without going through national customs, and such areas are mainly used for storage and trade. Since then, the connotation and extension of business in such areas has been continuously enriched, and further expanded into manufacturing, processing and assembly business activities. Goods entering the free trade zone may not be subject to customs duties or quotas.

- *Report of the 1984 United Nations Conference on Trade and Development*

FTZ

*According to incomplete statistics, there are currently more than **1,200** free trade zones in the world, of which 425 are in 15 developed countries, accounting for **35.4%**; 775 in 67 developing countries, accounting for **64.6%***



FTZ

Currently 12 free trade test zones in china

- September 27, 2013 Shanghai Free Trade Zone
- April 20, 2015 Tianjin, Guangdong, Fujian Free Trade Zone
- March 31, 2017 Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan, Shaanxi Free Trade Zone
- April 13, 2018 Hainan Free Trade Zone



FTZ

—Freeport type: Hong Kong, Singapore, etc.

—Transit distribution: Cologne Free Trade Zone in Panama

✓ —Trade type: Universal in developing countries

✓ —Export processing type: Asia Pacific, such as the Philippines and Taiwan

✓ —Bonded warehouse type: Amsterdam Port Free Trade Zone, The Netherlands

—Commercial retail: Chilean Iquique Free Trade Zone

—Free border zone: Mainly in Mexico

—Financial free zone: Abu Dhabi Financial

Free Zone in the UAE

Functions of
customs
special
supervision
area



FTZ

guiding ideology

First-line release
second-line
management
no intervention
in the area

Regulatory principle

Trust
simplified
service

Regulatory content

Entry review
Entry into the district
Transport supervision
Regional supervision



02

PART 02

**Basic situation of
China (shanghai)
FTZ**

Process

Premier Li Keqiang explicitly supports the establishment of a free trade pilot zone within the 28 square kilometer bonded zone

FTZ was approved by the State Council

The test area was officially opened for opening

Mar

Mar

Apr

Jul

Aug

Sept

the Ministry of Commerce and the Shanghai Government jointly submitted a request to the State Council

Vice Premier Wang Yang determines the name

Approve the suspension of the implementation of three laws in the experimental area

Shanghai FTZ

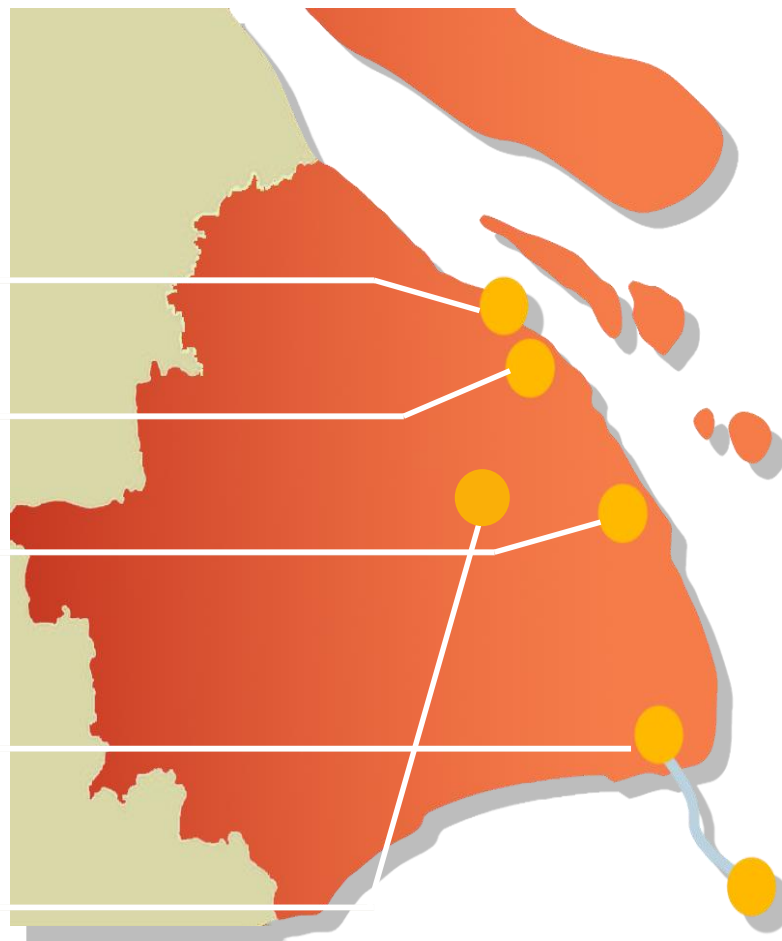
Waigaoqiao Logistics

Waigaoqiao Bonded

Pudong Airport
Bonded Zone

Yangshan Bonded

Lujiazui, Zhangjiang,
Jinqiao



Shanghai FTZ

Waigaoqiao Bonded Zone



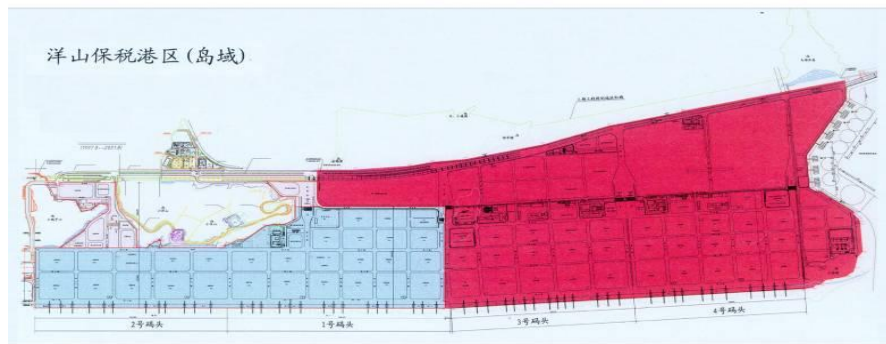
Shanghai FTZ

Waigaoqiao Bonded Logistics Area



Shanghai FTZ

Yangshan Bonded Port Area



国务院批复面积: 14.16平方公里
已封关面积: 8.14平方公里

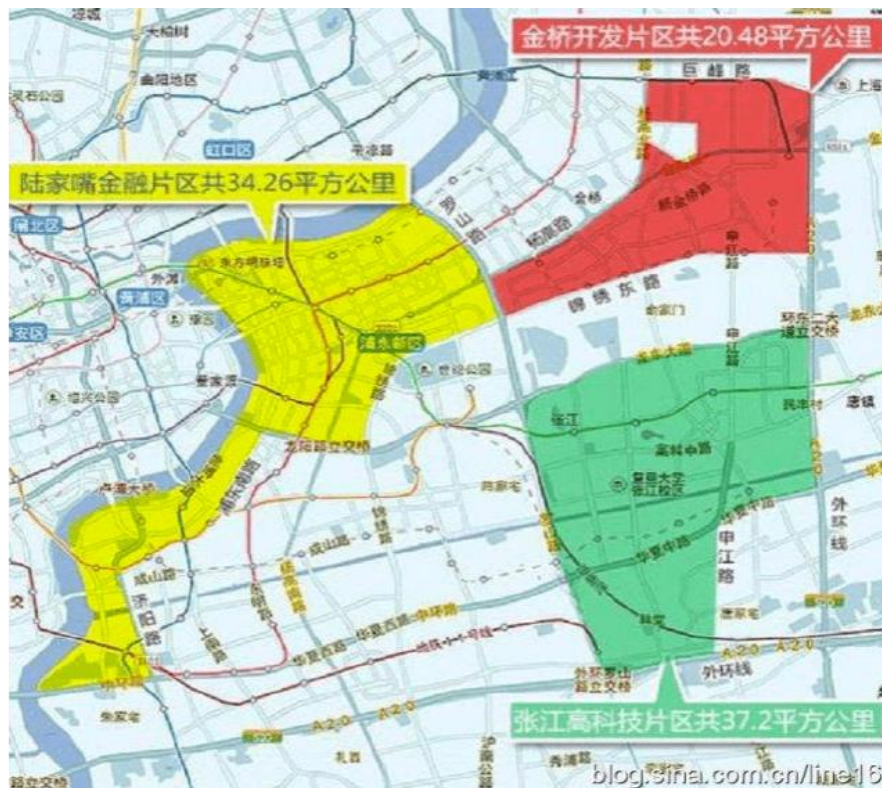
Shanghai FTZ

Pudong Airport Comprehensive Bonded Zone



Shanghai FTZ

Lujiazui Financial District
Zhangjiang Hi-Tech Zone
Jinqiao Development Zone



Content

(1) Investment Management Reform and Innovation Experiment

1. NT+NL 2013=190 items, 2018=92items

2. Commercial registration reform Registered capital subscription
Licenses first
Annual report publicity

3. Overseas investment filing system Approval Filing

Content

(2) Trade supervision reform innovation experiment

1. Enterprise reporting system
2. Orders review system
3. Taxation system
4. Bonded supervision system
5. Logistics monitoring system
6. Enterprise management system
7. Inspection system



7 systems
23 reforms

Content

(3) Financial management reform and innovation experiment

1. Capital account convertibility

2. Interest rate Marketization

3. Cross-border use of RMB

4. Offshore business

Content

(4) Comprehensive regulatory reform innovation experiment

1. Information sharing and service platform

2. Social credit system construction

3. Market supervision comprehensive law enforcement

4. Comprehensive assessment mechanism

5. Social organizations participate

6. Security review and antitrust review assistance

Content

(5) Expanding the service industry open trial

1. Financial Banking, financial leasing, etc.
2. Shipping Ocean freight transportation, international ship management, etc.
3. Business Value-added telecommunications, game console sales and services, etc.
4. professional Lawyer, construction, etc.
5. Cultural Performance brokers, entertainment venues, etc.
6. social Educational, medical, etc.

6 major
18 categories
23 items



03

PART 03

Framework of Clearance Reform on FTZ

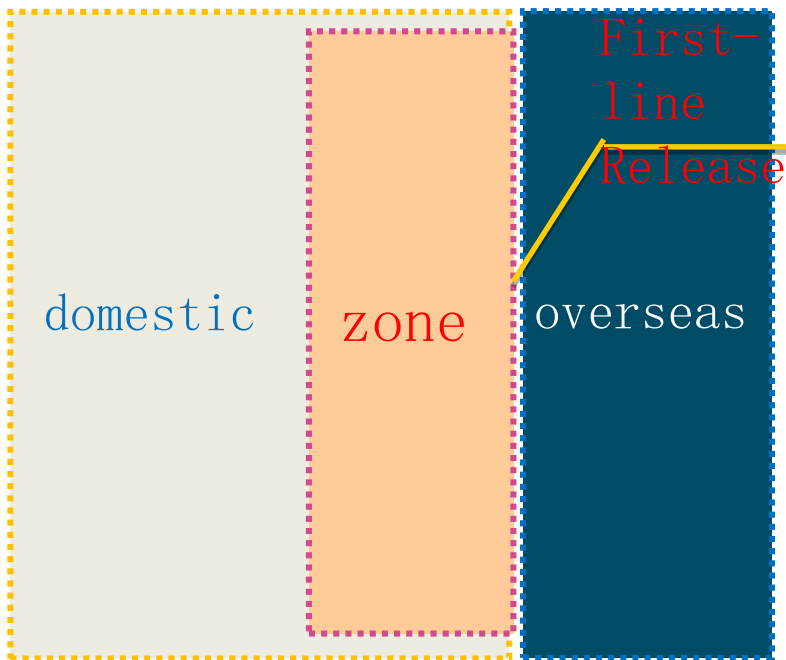
REFORM

Overall Plan for the China (Shanghai) Pilot Free Trade Zone

- Promote the transformation of trade development mode
- Innovate the supervision service model
- Explore the compatible taxation policies with the zone

REFORM

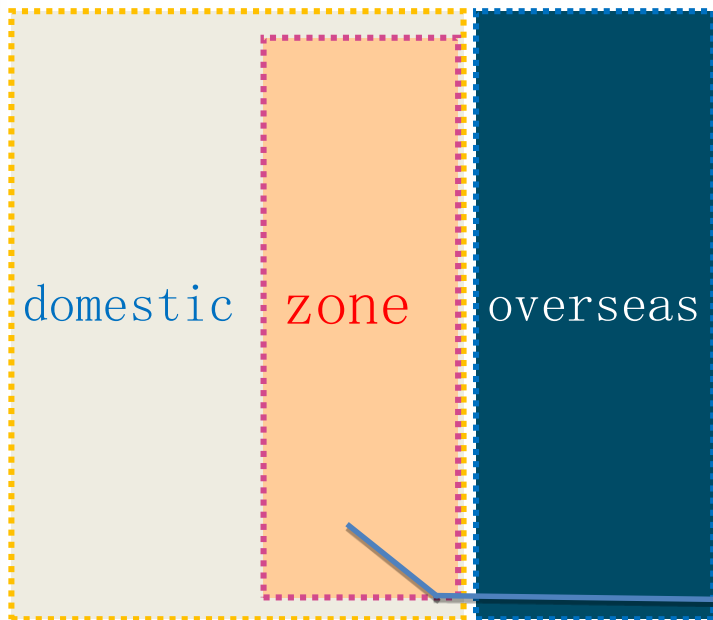
First-line Release



Traditional : first declaration and later entry zone

Innovate : advanced zone and post-declaration

Second-line Management



Narrow sense

the supervision of the import and export of goods between the test area and the territory

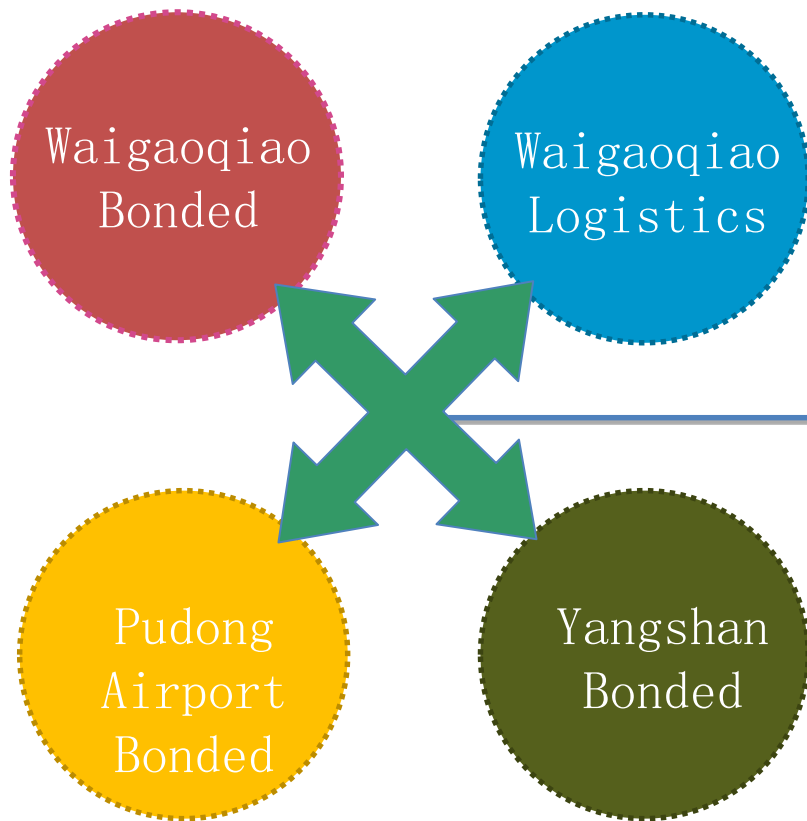
Broad sense

also includes :

- the whole process of import and export of goods between the pilot area and the territory
- The integrity management, risk management and information management of enterprises in the area

REFORM

Freedom in the zone



the convenient transfer of goods within the four customs special supervision areas of Shanghai Waigaoqiao Free Trade Zone, Waigaoqiao Bonded Logistics Park, Yangshan Bonded Port Area and Shanghai Pudong Airport Comprehensive Bonded Zone covered by the pilot area

REFORM

category supervision

Bonded warehousing, processing and other goods

Goods imported or exported through the pilot area

Been warehousing, processing and final return domestic



- ✓ into the scope of supervision
- ✓ variety of book management systems

◆ rule of law

speed up the formation of a legal system

◆ informatization

realization of customs management, business operations

◆ intelligent

data collection, risk analysis, information comparison, execution disposal, dynamic feedback,

◆ facilitation

more optimized, more efficient supervision, better service, improved efficiency, and lower business

◆ safety

prevention of risks in the areas of cargo supervision, tax collection, trade control, etc.

key points

- ◆ 简政放权 decentralization of administration
- ◆ 制度创新 institutional innovation
- ◆ 功能拓展 functional expansion
- ◆ 流程再造 process reengineering
- ◆ 智能管控 intelligent management
- ◆ 资源整合 resource integration



04

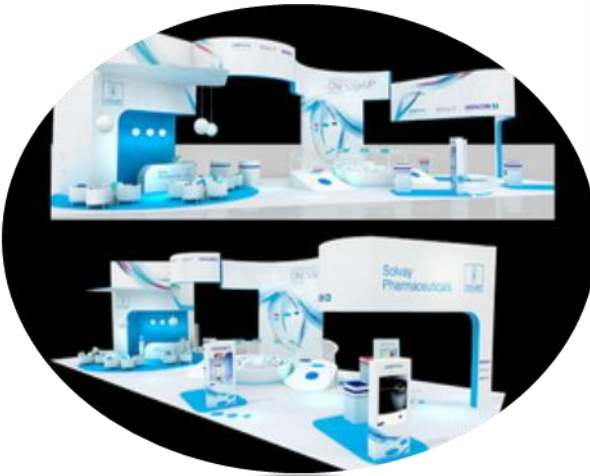
PART 04

Innovation of Trade Facilitation on FTZ

1. the transactions in bonded exhibition

Definition

enterprises in the pilot zone registered by the customs to carry out bonded exhibition transactions in or outside the zone.



2. the maintenance in domestic and overseas

Definition

be allowed to carry out high-tech, high value-added, non-polluting maintenance operations.

Solving:

The "two-outside" maintenance business in the original mode

The specification unclear maintenance service



3. the financial leasing

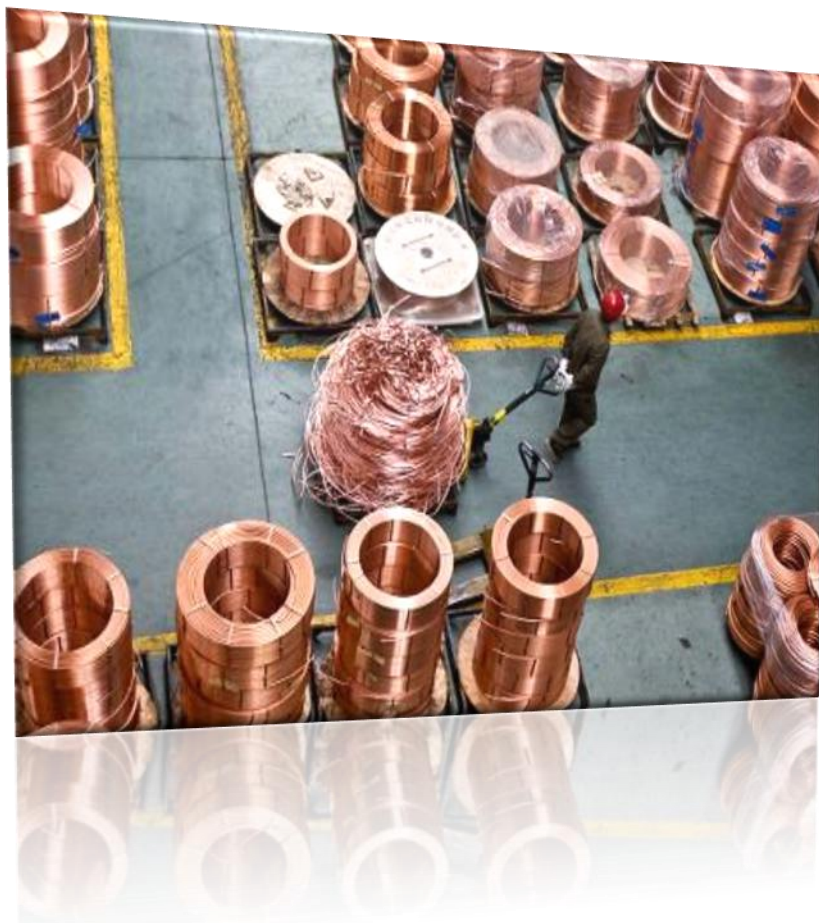


Definition

In accordance with the relevant provisions on the management of leased goods, the Customs allows the rented enterprise to pay the rent in installments, and imposes tariffs and value-added tax on the rents of the finance leased goods in installments



4. the bonded delivery for the futures



Definition

the sale of goods in the bonded area under the pilot area as a delivery target.



5. “the batch in & out and centralized declaration”

Definition

the goods with the nuclear release order first out of the batch and out of the district, within a certain period of time centralized handling of customs formalities



long review time

low customs
clearance
efficiency

Solving

high
customs
clearance
costs

6. the selective taxation of domestic sales

Definition

the enterprise may choose to pay import tariffs according to its corresponding imported materials or actual conditions.

Solving

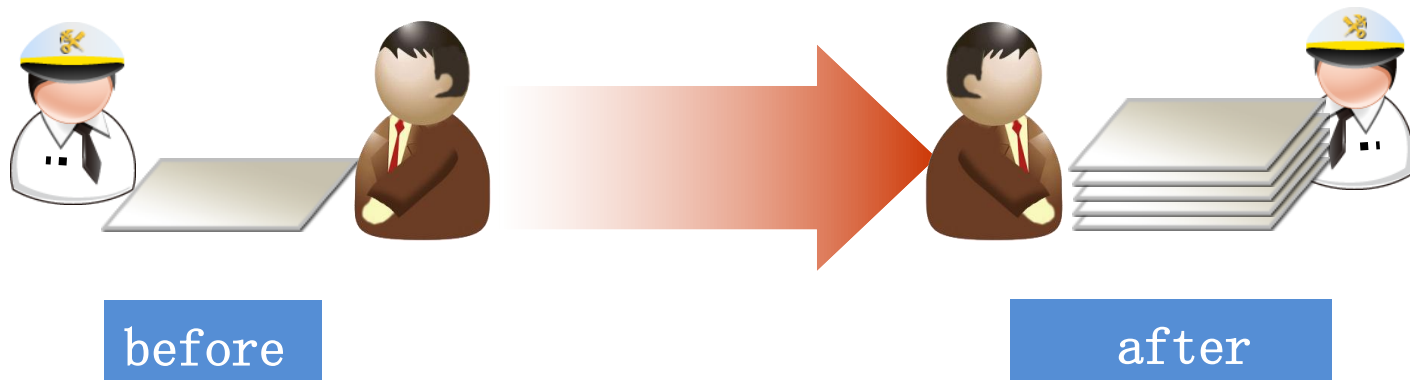
tax pressure on corporate taxation caused by actual state taxation
the weaken of the advantages of special regulatory areas



7. the centralize-collection of tariff

Definition

reform the original one-vote and one-levy mode;
further simplify the tax collection and management
procedures.



8. the supervision of bonded logistics network

Definition

“system networking + location management + real-time nuclear injection” for enterprises using warehouse management system (WMS).

Solving:



low efficiency

long time

inability to accurately grasp



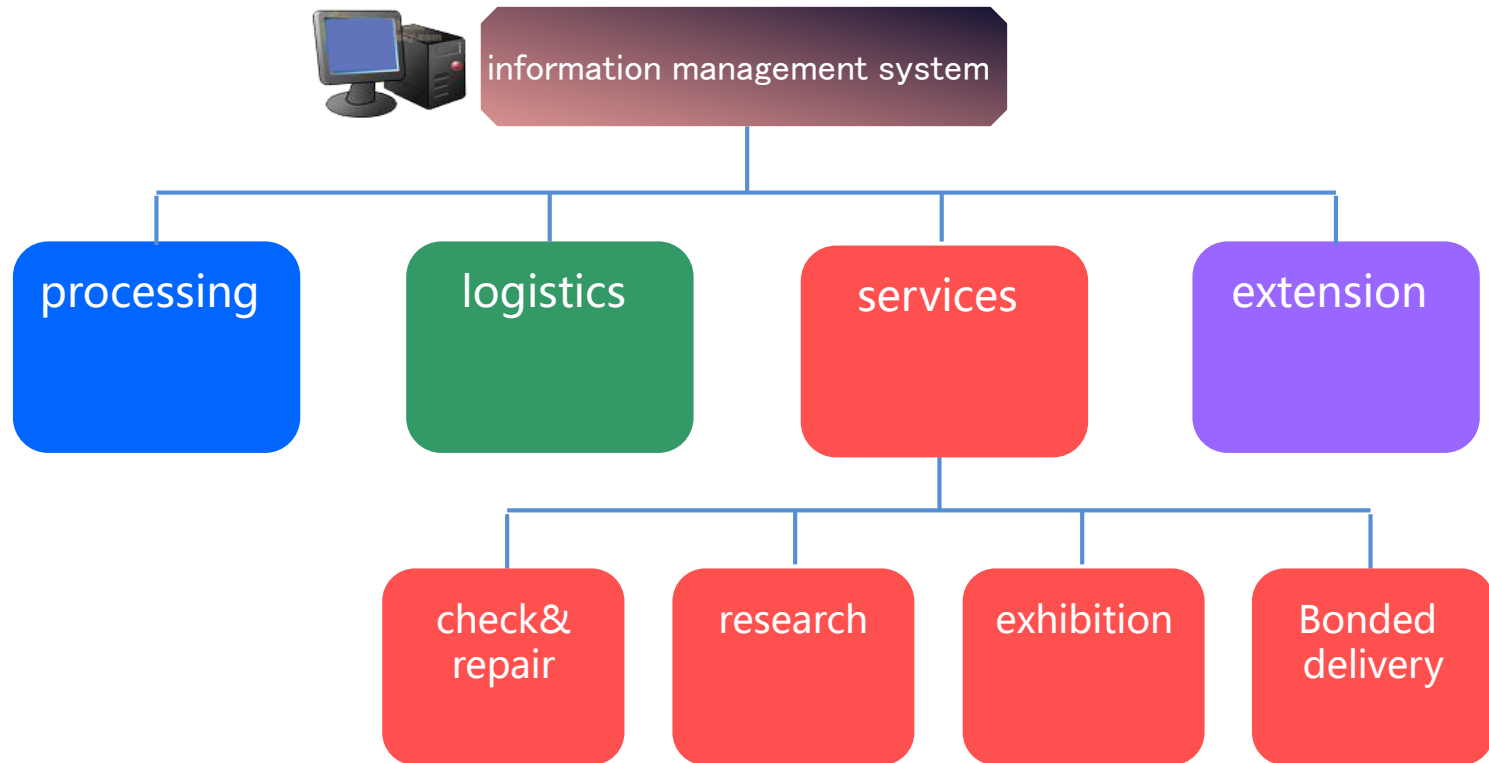
9. mutual recognition of customs AEO



- implement AEO standards
- simplify credit classification
- dynamically adjust measures
- credit and joint responsibility management



10. one-time filing system for electronic books





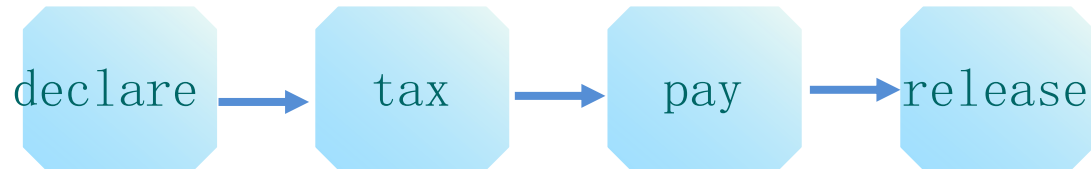
05

PART 05

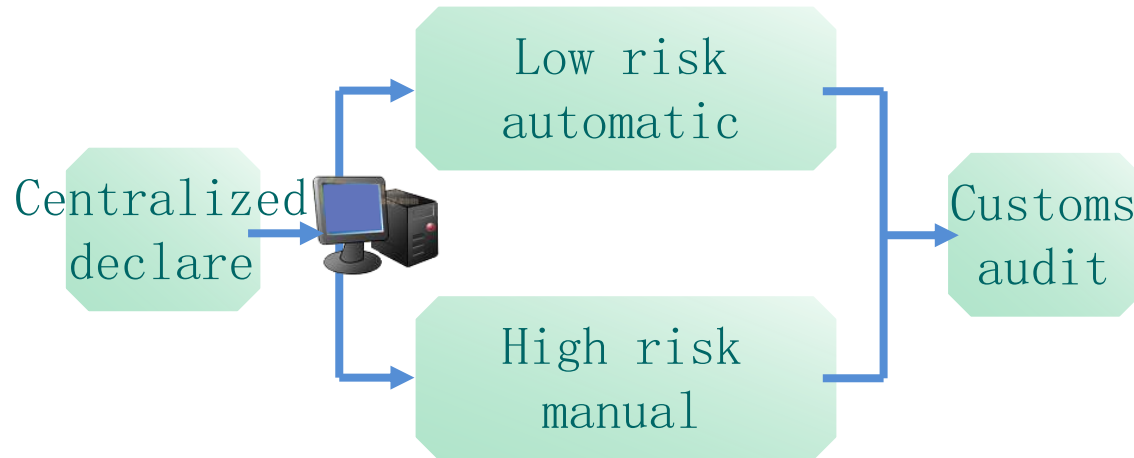
Business Reform focus on FTZ

1. the independent tariff filing and customs audit

Traditional



New form



2. the cross-border e-commerce trade

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手表

护肤彩妆 JANESECE
香水 面膜
爽肤水

直邮专区

3. the development of transit consolidation business



Yangshan Port

international
shipping transfer

Pudong Airport

international
express transit

4. the development of the headquarters economy

Asia-Pacific
regional
headquarters



5. the expansion of the service industry



金融服务领域

Finance



航运服务领域

Shipping



专业服务领域

Professional service



商贸服务领域

Business service



文化服务领域

Cultural service



社会服务领域

Social service



REFORM

“single window” for international trade

Enterprise





Thank U !



Beijing DHH(shanghai) Law Firm

Tel : 13801894476

Email:luojianmin@deheng.com