

<b>China Customs</b> <b>Use of electronic data for risk management to control cross-border E-Commerce</b>	
	
<input type="checkbox"/> Initiative/pilot Date of implementation	<input checked="" type="checkbox"/> Existing practice
<b>General Overview</b> <i>(Please tick one or more, as applicable)</i>	
Simplification of procedures for E-Commerce	<input type="checkbox"/> Safety & security <input checked="" type="checkbox"/>
Revenue collection	<input checked="" type="checkbox"/> Cooperation between Customs/express <input checked="" type="checkbox"/>
Data exchange	<input checked="" type="checkbox"/> Cooperation between Customs/post <input checked="" type="checkbox"/>
Risk management	<input checked="" type="checkbox"/>
<b>E-Commerce at a glance</b> <b>(e.g. de minimis threshold)</b>	<b>Stakeholders Involved</b>
Customs duty: None (all exempted)	Customs administration <input checked="" type="checkbox"/> Postal operator <input checked="" type="checkbox"/>
Taxes (VAT/GST): 11.2% (approximately) of the total value of goods	Express service providers <input checked="" type="checkbox"/> E-vendors/platforms <input checked="" type="checkbox"/>
Gift: None (all exempted)	
Commercial samples: None (all exempted)	Other governmental authorities <input type="checkbox"/> Consumer <input type="checkbox"/> Others (please specify): <input type="checkbox"/>
<b>Brief Description of the Initiative/Existing Practice</b>	
<p>China Customs adheres to the control philosophy of being inclusive, strategic, innovative and collaborative, and bases its control on electronic data provided by the main stakeholders in the cross-border E-Commerce supply chain: order data from the vendor or E-platform, payment data from the payment provider, and transport and delivery data from the logistics operator.</p> <p>Once the order confirmation has been received, the E-platform transmits the order data to Customs, including</p>	

information about the buyer, the seller, the goods and the price; the payment provider transmits the payment data to Customs, including information about the payer, payment amount and the E-platform initiating the transaction; and the logistics operator transmits the transport and delivery data to Customs, including information about the destination of the parcel, and the consignee's name, address and telephone number, etc.

Customs cross-references the above-mentioned data with the declaration submitted by E-Commerce operators, and is then able to identify risks, including those associated with revenue, minimize Customs intervention and ensure speedy Customs clearance.

#### Process and Activities associated with the Initiative/Existing Practice

##### 1. Conducting risk analysis before the arrival of parcels

After receiving the order, payment and logistics data, Customs conducts a risk analysis before the arrival of the parcels, e.g. by checking the data for anything abnormal, such as discrepancies between the market price on the E-Commerce platform and the prices declared, whether the declared price is lower or higher than the normal level, or whether the price given by the vendor is different from that of the payment provider.

##### 2. Inspecting parcels based on risks

When the parcels arrive at Customs, the screening system automatically focuses on parcels identified as being high risk which are targeted by means of scanning and physical inspection. Moreover, Customs maintains a low inspection rate for parcels identified as low risk by means of non-intrusive inspection, including X-ray scanning, in order to confirm the risk analysis results.

##### 3. Conducting data analysis after clearance

After parcels are released, Customs may continue to confirm the risk analysis results by entering the tracking number of the parcel on the logistic operator's website in order to follow the logistics track, calling telephonically the buyers to confirm the order, or acquiring third-party information in order to cross-reference the data supplied.

##### Typical cases:

###### (1) Low risk parcel

For example, an order APENYUS1507303\*\* on Company A.com. The online transaction was completed at 09:43 on 1 December 2018. After uploading data for clearance, the parcel left USA from New York warehouse. Customs declaration and order data was declared to China Customs by Company A.com at 17:16 on 3 December 2018. Payment data was transmitted by Company B Payment Technology Co, Ltd to China Customs as well. Afterwards, the logistic data was transmitted to China Customs by Company C Global Logistics Co., Ltd.

These data were automatically processed by Customs risk management and produced the result that the parcel was of low-risk. The parcel entered into China Customs territory at 14:36 on 5 December. With a declared value of 559.43 Yuan, the parcel was released directly by the Customs at 16:01 with a tax of 70.71 yuan according to the comprehensive tax rate for China cross-border E-Commerce retail.

Lower risk parcels can be quickly released by Customs through effective cross-referencing of data from three stakeholders. It only took 103 hours for the parcel in the above example from order to clearance.

###### (2) Identifying tax evasion risk

In 2018, one cross-border E-Commerce operator declared the import of milk powder, however, Customs found no record of online transactions of that product on the indicated E-platform. Although the payment provider transmitted payment data to Customs but the financial service of that payment provider is not functional on that E-Commerce platform and the delivery address on the waybill transmitted to Customs is inconsistent with the actual

delivery address. Therefore, this E-Commerce operator was identified as high-risk, then Customs anti-smuggling department started investigation and found that the E-Commerce operator evaded taxes by undervaluation and forging transactions.

<b>Key Enablers</b> <i>(Please tick one or more, as applicable)</i>	<b>Relevant WCO Instruments and Tools</b>
<input type="checkbox"/> Review and update of <i>de minimis</i> <input type="checkbox"/> Changes to the legal framework <input type="checkbox"/> Creation of IT system <input type="checkbox"/> Private sector (political will) <input checked="" type="checkbox"/> Exchange of information with stakeholders <input type="checkbox"/> Other (please specify):	Framework of Standards on Cross-Border E-Commerce : Cross-border E-commerce principle one - Risk Management.
<b>Value Proposition [Benefits] of the Initiative/Existing Practice</b>	
<p>Cross-border E-Commerce involves a large number of stakeholders and has the advantage of being able to draw on electronic data in the form of information that Customs obtains from each stakeholder. Firstly, various stakeholders turn the single information source into multidimensional data sources, making it possible to conduct advance risk analysis with greater accuracy. Secondly, thanks to efficient and smart computer system processing, the heavy workload involved in the examination of documents in the past has been replaced by an accurate computerized risk identification. A large number of parcels can be processed while guaranteeing speedy Customs clearance.</p> <p>This innovative measure introduced by China Customs has freed Customs staff from the dual pressure of having to deal with the growing “quantity” of parcels and to identify risks on the basis of insufficient “quality” of transaction data, thereby increasing the efficiency and effectiveness of Customs control.</p>	
<b>Relevant links or documents</b>	<b>Contact Person for Further Information</b>
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