

An overview of Japan's Customs brokerage legislation

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In Japan, about 920 companies or individuals are engaged in Customs brokerage as of April 2016. The Japanese Customs broker regime has the following characteristics: the use of a broker is optional; brokers require a licence to operate; brokers must employ qualified staff; and brokers may apply to join the authorized economic operator (AEO) programme which was introduced in 2008.

CUSTOMS BROKERS ARE specialists in import and export procedures, and their use, while already high, is increasing in Japan. Although each country's clearance system

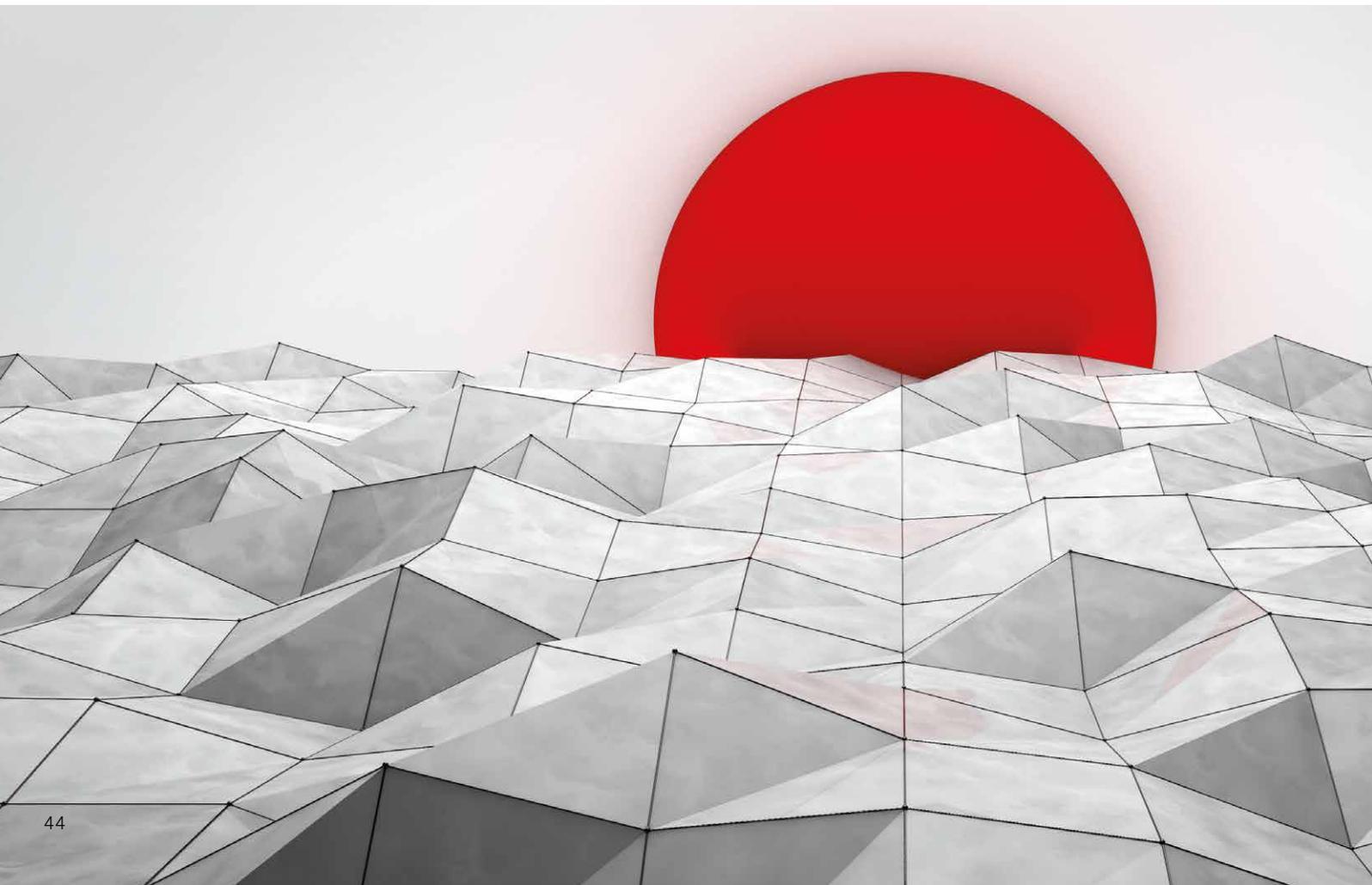
differs, there is no doubt that the use of these specialists contributes positively to the Customs clearance process, ensuring better compliance rates and enhancing

supply chain security. This article provides an overview of the Customs broker regime in Japan.

Customs brokers and registered Customs specialists

To engage in Customs brokerage in Japan, a company or an individual must obtain a licence and be registered or employ people registered as Customs specialists – a status which is granted to professionals who have passed a specific examination. In companies offering brokerage services, only these professionals may examine and process documents relating to a Customs clearance.

The licence can be revoked, for example, if it is found that the broker passed the examination by deception, or if the broker is sentenced to a term of imprisonment or receives a fine for violating the Customs Brokerage Law.



Currently, there are about 9,000 registered Customs specialists nationwide. All of them have passed a qualifying examination which is held once a year. In 2015, while about 7,500 people applied to write the examination, only about 760 passed. Such a demanding examination ensures a high quality of service for traders, and a better compliance rate for Customs.

Clearing goods has become more complicated, especially when it comes to classifying them, determining the rules of origin which apply, and calculating their Customs value, particularly with the entry into force of an increasing number of Economic Partnership Agreements (EPAs) or Free Trade Agreements (FTAs) in recent years. The number of cases deemed 'difficult' has been increasing as the trade environment becomes more complex and diverse, leading to growing expectations on Customs brokers.

Optional use

Although Japan introduced a Customs broker regime, the use of their services is 'optional' for importers and exporters who may choose to handle the Customs

clearance process on their own without having to comply with any requirement or any examination. Even though their service is optional and is an additional cost for traders, about 98% of all Customs clearances in Japan are done by Customs brokers.

Supply chain coordinators

There is a reason for the high rate of use of Customs brokers. In Japan, few Customs brokers limit their activities to Customs brokerage only. Most of them also offer logistics services, such as warehousing and/or transportation.

Importers and exporters actually use their brokers as logistics coordinators. Indeed, goods go through many stages on their route from a manufacturer to a consignee. For example, when cargo is imported into Japan, it is first placed in a Customs controlled area, where it is declared for importation, and thereafter released. Then, the cargo is picked up from the Customs controlled area and transported to the consignee. It is hard for importers to commission different operators to handle each process, so most of them generally commission one logistics operator to handle the whole process.

AEO and Customs brokers

In 2008, in order to both secure and facilitate global trade, Japan Customs introduced its AEO programme, and included Customs brokers in the list of professions which could enter the certification scheme. Being involved in the international movement of goods, Customs brokers are one of the key players in maintaining supply chain security, as are manufacturers and freight forwarders.

The requirements for a Customs broker to be an AEO are the same as those for freight forwarders: for example, AEO brokers should have at least three years' experience, no violations of Customs-related laws, the capability to use the e-system for Customs procedures, establishment of a compliance programme, etc.

About 130 Customs brokers (14%) are certified as AEOs. In cases where an importer delegates the import clearance

to an AEO-certified Customs broker, the importer will still be able to enjoy specific benefits, even if the importer is not an AEO. Such benefits include the possible release of goods before the declaration and payment of duties and taxes. The importer can also be certain that the broker will meet specific compliance requirements when it comes to security.

Review on Customs brokerage legislation

In March 2016, Japan Customs revised its Customs-related laws and regulations. One amendment specifically concerned the Customs Brokerage Law, in particular the licence-granting procedure. Under the previous legislation, a Customs broker could only do business within the jurisdiction of the region where it was registered – the reason being that it was the Director General of the regional Customs office who issued Customs brokerage licences.

Following the amendment of the Customs Brokerage Law, which will take effect in the autumn of 2017, Japan's Finance Minister will now give permission at the national level, enabling Customs brokers to work nationwide with a single licence.

Japan Customs Brokers Association

The Japan Customs Brokers Association (JCBA), which is managed by Customs brokers, has an important role to play in the development and maintenance of the skills of Customs brokers' staff. The JCBA shares information on Customs procedures with its members, and hosts workshops and training courses. The JCBA hold several committees such as the Customs Specialist Committee or the Air-Cargo Committee.

It also has an important role in communicating any reform or revision of the legislation to its members, as well as with each regional Customs brokers association. Furthermore, the JCBA can participate in the policy review process by submitting proposals and comments on behalf of its members.

More information

www.customs.go.jp/english/index.htm

