

the duty-employees of enterprises. No profit-oriented consumer facilities may be established.

Article 6 No retailing business, general trade, transit trade and other business irrelevant to the processing area may be conducted therein.

Article 7 The enterprises established within the processing areas (hereinafter referred to as enterprises within the areas) shall go through registration formalities with Customs.

Article 8 Enterprises within the areas shall, in accordance with the provisions of the Accounting Law of the People's Republic of China and the relevant laws and regulations of the State, set up account books and statements that meet the requirements of Customs supervision and control. They shall make entries and conduct accounting on the basis of the legitimate and valid vouchers and make a record of such items as inventory, assignment, transfer, sale, processing, use and consumption of the enterprises' goods and articles entering or leaving the processing areas.

Article 9 The processing areas shall be subjected to computer network control and the Customs auditing system.

Enterprises within the areas shall establish computerized databases that conform to the requirements of Customs supervision and control, connect them to Customs through computer networks and exchange electronic data each other.

Article 10 The bank guarantee ledger system for processing trade shall not be applied to the processing trade business conducted by enterprises within the areas, and Customs shall not exercise administration by the Processing Trade Register.

Article 11 Customs has the power, in accordance with the provisions of the Customs Law of the People's Republic of China, to conduct inspections and examinations of goods, articles, means of transport and persons entering or leaving the processing areas and relevant sites therein.

Article 12 The State does not levy value-added tax on the processed products within the areas.

Article 13 No goods or articles that are prohibited from being imported or exported by the State may enter or leave the processing areas.

Chapter II Supervision and Control of Goods Moving between the Processing Areas and Places outside China

Article 14 With respect to the goods moving between a processing area and a place outside China, the owner of goods or his agent shall fill in a filing list of goods entering or leaving China on the basis of the documents of approval issued by the

administrative committee of the processing area, and file it with the competent Customs office. The filing list shall be uniformly printed and distributed by the General Administration of Customs.

Article 15 With respect to the goods moving between a processing area and a place outside China, Customs shall exercise supervision and control through direct release or by transshipment to another Customs office.

Article 16 Import or export quota control and licensing control shall not apply to the goods moving between processing areas and places outside China, except those goods to which the passive export control applies.

Article 17 With respect to goods entering a processing area from a place outside China, the import duties and taxes related to importation shall be collected according to the following provisions except where laws and regulations provide otherwise:

(1) Machines and equipment needed for infrastructure construction projects for the production in the area, and materials for capital construction needed for the construction of factory buildings and storage facilities shall be exempted from duties and taxes.

Customs shall handle declaration formalities in accordance with the provisions concerning imported goods and treat them as manufactured goods in collecting duties and taxes. If the goods are under the licensing control, the valid import licensing certificates shall also be presented to Customs.

Article 20 The goods manufactured by the enterprises within the areas, leftovers, rejects and sub-standard products, wastes, etc. arising in the course of the processing and production shall be re-exported out of China. Where there is a need to transport them to outside areas under special circumstances, they shall be valued and taxed according to their value of utility upon application by the enterprises and verification and approval by the competent Customs offices. If the goods are under the licensing control, the valid import licensing certificates shall also be presented to Customs.

Where leftovers and wastes of no commercial value need to be transported to outside areas for destruction, exit formalities shall be completed with the competent Customs offices on the basis of the documents of approval issued by the administrative committee and the environmental protection department. Customs shall exempt them from import licenses and duties and taxes.

Article 21 Enterprises within the areas shall not entrust enterprises located outside the areas to do the processing of products. Where, under special circumstances, it is necessary to entrust enterprises located outside the areas to conduct any processing operation due to technical and processing difficulties to meet the required product standards, on condition that such processing of products shall not change the basic feature and quantity of the original products (at the time of the exit from the area), the entrusted enterprises located outside the areas may, upon approval of the commissioner of the competent Customs office, pay to the competent Customs office in the processing area the amount of guarantee equivalent to the value of the products and complete exit formalities with reference to the provisions pertaining to the control of temporarily imported goods.

The period for entrusted processing by an enterprise outside the area is six months, and no extension of the period shall be permitted. Upon the completion of the processing, the processed products (including rejects and sub-standard products and wastes) shall be transported back to the areas, and formalities for examining and releasing the products, verifying and canceling the accounts thereof shall be completed with the competent Customs offices in the processing areas on the basis of the application for entrusted processing outside the areas and the relevant documents originally written out at the time of their exit from the area.

Article 22 Machines, equipment, modeling tools, etc. which are sold by enterprises within the areas to places outside the areas shall be dealt with in

accordance with relevant existing import policies and the relevant provisions of the State.

Article 23 The enterprises with

Article 27 Goods entering the processing areas from outside areas shall be deemed as exports, and Customs declaration formalities for exports shall be fulfilled. An export tax refund shall be processed in accordance with the following provisions, unless otherwise provided for by laws and regulations:

(1) For domestically produced machines, equipment, raw materials, spare parts, components and packing materials entering the processing areas from outside areas for the use of enterprises within the areas, and goods and materials for capital construction in a reasonable amount needed for the construction of infrastructures, production facilities and office buildings for the processing enterprises and the administrative bodies therein, Customs shall handle the declaration formalities in accordance with the relevant provisions on exported goods and issue a declaration form for export tax refunds. Enterprises located outside the areas shall apply to the tax authorities for undergoing export tax refund (exemption) formalities by presenting the export tax rebate vouchers of the declaration forms, and the specific measures for the administration of tax refunds (exemptions) shall be provided separately by the State Administration of Taxation.

(2) For consumer goods, means of transport, etc. entering the processing areas from outside areas for the use of enterprises and the administrative bodies within the areas, Customs shall not issue the declaration forms for export tax refunds.

(3) For imported machines, equipment, raw materials, spare parts, components, packing materials, goods and materials for capital construction, etc. entering the processing areas from outside areas, the en

territory of China.

Article 29 The goods transported into the processing areas from outside areas shall undergo substantive processing by enterprises within the areas before they can be shipped overseas.

Chapter IV Supervision and Control of Goods within Processing Areas

Article 30 Goods which move into or out of the processing areas by the enterprises within the areas shall be truthfully declared to the competent Customs offices, and Customs shall examine, inspect and release the goods which move into or out of the processing areas by the enterprises within the areas, and cancel accounts through verification on the basis of the memorandum lists and relevant documents.

Customs formalities for files or the record, declaration, examination and inspection and release of goods movs

names of drivers.

All the operators of the transportation enterprises that undertake the carriage of goods entering or leaving the processing areas and the goods in Customs transshipment shall abide by Customs regulations relating to administration of means of transport and goods carried thereon, and bear corresponding legal liabilities.

Article 41 Without approval of Customs, means of transport and persons leaving the processing areas for outside areas may not transport or carry goods out of the processing areas.

Chapter VII Supplementary Provisions

Article 42 Goods transported from overseas into the processing areas and goods transported overseas from the processing areas shall be listed in the import and export statistics. Goods transported from outside areas into the processing areas and goods transported from the processing areas to outside areas shall be counted in itemized statistics. The statistical measures shall be formulated by the General Administration of Customs separately.

Article 43 Violations of the provisions of these Measures shall be dealt with by Customs in accordance with the relevant provisions of the Customs Law of the People's Republic of China and the Rules for the Implementation of Administrative Penalty under the Customs Law of the People's Republic of China.

Article 44 The General Administration of Customs shall be responsible for the interpretation of these Measures.

Article 45 These Measures shall come into force as of May 1, 2000.