



Customs risk management: Aligning with WCO

In brief

- » China Customs has issued the new measures to establish an integrated legislative framework for nationwide customs risk management. This also responds to the World Customs Organization's (WCO) call for global alignment in standardized customs risk management practices.
- » The new measures took effect on 1 December 2024 and will have broad applications, imposing sterner risk management requirements on imports and exports.

Feedback



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In details

On 30 July 2024, the General Administration of Customs (GACC) issued the “*Measures of the People's Republic of China on Customs Risk Management*” (GACC Order No. 271) (hereinafter referred to as the “**Measures**”).

The Measures came into effect on 1 December 2024, aiming to standardize the national practice and to implement a coherent and intelligent customs risk management practice to facilitate foreign trade and international cooperation.

Highlights**Structuring a systematic scope for risk management**

The Measures outline the Customs administration’s strategy of setting up an integrated compliance management model covering a wide range of aspects, some of which are typically addressed under the regulations of various departments in a piecemeal format, including prohibitions and controls on transportation means, equipment, personnel, goods, port health, biosafety, food safety, commodity quality, tax safety, intellectual property, and other security risks.

**Enhancing data collection**

The Measures promote the adoption of advanced technology in information collection, including automation, intelligence-based assessment and extensive collection means through:

- Risk monitoring;
- Government department information sharing;
- Submissions from relevant units and individuals;
- Open channels;
- Third-party information services;
- National (regional) and international organization information sharing; and
- Other legally prescribed methods.

**Standardizing reporting**

The Measures further emphasizes the importance of setting up the mechanism for internal and external communication and reporting on risk matters.

Based on the risk assessment results, the Customs administration may:

- Issue risk warnings within the Customs administration;
- Issue risk warnings or announcements to parties concerned and the public;
- Notify other government departments, overseas government departments, and relevant international organizations.

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Implementation of risk management**» Core components**

In accordance with the WCO's "*Customs Risk Management Compendium*", the World Trade Organization (WTO)'s guidelines on risk management, and the practices of China Customs, China Customs has developed a closed-loop risk management model. This model includes the following core components: risk information collection, risk assessment, risk identification, risk analysis, risk evaluation and risk treatments.

» Grading and classifying risks

The Measures require the classification of risk by different levels (low, medium, high) and the adoption of differentiated supervision and management approaches. This ensures that more control resources are allocated to high risks by adjusting the extent of inspection scope, inspection frequency, requirements, qualifications, controls, procedures, and warnings, among other factors. This approach aligns with the principles outlined in the WCO's compendium, which emphasize the importance of identifying and managing significant risks to maximize positive returns and ensure compliance.

» Advanced Customs OS (operating system) with big data

China Customs has been implementing a new-generation risk management system and a tax administration platform, leveraging big data to boost the quality and efficiency of risk management operations nationwide.

WTS China's observation

In the age of intelligence, cutting-edge technologies like big data and AI are revolutionizing customs risk management of the Customs administration, making it more precise and efficient. However, this also raises the bar for enterprises in managing their import and export risks:

1. Import and export enterprises should actively collaborate with the Customs by providing crucial data on transportation methods, personnel, and goods. Remember, the Customs can also source the necessary data from third-party service providers.
2. Enterprises must swiftly respond to Customs risk warnings and implement suitable control measures.
3. Enterprises should take the initiative to report any security risks and adopt measures to mitigate them.



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WTS China Co., Ltd.

Unit 06-07, 9th Floor, Tower A, Financial Street Hailun Center, No.440 Hailun Road, Hongkou District, Shanghai, China 200080

www.wts.cn

info@wts.cn

WTS Global website: www.wts.com



China Contact



Martin Ng
Managing Partner
martin.ng@wts.cn
+ 86 21 5047 8665 ext.202



Ened Du
Partner
ened.du@wts.cn
+ 86 21 5047 8665 ext.215



Belle Wang
Consultant
belle.wang@wts.cn
+ 86 21 5047 8665 ext.226

WTS's global contacts:

wts global

wts.com/global/locations

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