Japanese experience on implementing RKC requirement on Special Procedures for Authorized Persons and AEO

9-12, June 2014
Thimphu, Bhutan
Japan Customs
1. Basic Clearance Procedures

2. Development of Risk and Compliance-based Approaches

3. Simplified Declaration System

4. AEO Program
1. Basic Clearance Procedures
Main Principles of Basic Clearance Procedures

- A person intending to import or export goods shall make a declaration to Customs and shall obtain permission.
  (Customs Law, Article 67)

- An import declaration shall be made after the goods to be imported are carried into a customs area.
  (Customs Law, Article 67-2(2))

- No foreign goods may be stored at places other than customs areas. (Customs Law, Article 30(1))

Note: The texts above are abridged and unofficial translation.

Principles of basic clearance procedures are not limited to those given above. Generally, exceptions to such principles are provided as measures for simplified and expeditious clearance.
Basic Flow of General Cargo: Import

**Departing from Open Port/Customs Airport**

- **Entry formalities**
- **Unloading cargo**
- **Carrying cargo into customs area**
  - Completion of procedures required by other import related laws*1
  - Various customs formalities (broadly defined clearance procedures)

**Import clearance procedures** (narrowly defined clearance procedures)

- **Import declaration**
- **Examination (Inspection)**
- **Payment of duties**
- **Permission**

**Carrying cargo out of customs area**

**Release into domestic circulation**

*1 Certain goods to be imported require permission or approval according to relevant laws and regulations other than Customs Law.

*2 Customs also collect payable consumption tax and other excise taxes, such as liquor tax, at the time of import clearance.
Basic Flow of General Cargo: Export

**Export declaration**

**Examination**

**Carrying cargo into customs area**

(Inspection)

**Export permission**

**Loading cargo out of customs area**

**Departure formalities**

**Destined for foreign markets**

Completion of procedures required by other export related laws.*

Export clearance procedures (narrowly defined clearance procedures)

Various customs formalities (broadly defined clearance procedures)

*Certain goods to be exported require permission or approval according to relevant laws and regulations other than Customs Law.*
Basic Examination Scheme through NACCS

- **Declaration** via NACCS

- **Category 1**
  - Risk Assessment
  - Simplified Examination
  - Immediate release

- **Category 2**
  - Documentary Examination

- **Category 3**
  - Physical Inspection

- **Permission**
  - Duty Payment (Import only)
2. Development of Risk and Compliance-based Approaches

~from Accession of RKC to Introduction of AEO~
Development of Risk and Compliance-based Approaches (Overview)

Former import/export procedures

- Paper Declaration
  - Examination/inspection have been conducted on the basis of experience and intuition of officers

Introduction of Risk-Based Approach 1978-

- NACCS System
  - Selection of examination/inspection of cargo with risk-assessment including profile
  - Selectivity by system
    1. Immediate permission
    2. Document exam
    3. Physical inspection

Introduction of Systems of compliance-based approach 2001-

- Practical methods ⇒ Legislation
  - Simplified Declaration System (import) (Mar. 2001-)
    - Separation of release of goods and duty payment declaration applicable for good compliant importer

Japan’s Accession of RKC in June, 2001

Establishment of AEO Program

- Consisting with Better Security and Trade Facilitation

- Authorized Exporters’ Program (2006.3-)
- Authorized Importers’ Program (2007.4-)
- Authorized Warehouse Operators’ Program (2007.10-)
- Authorized Customs Brokers’ Program (2008.4-)
- Authorized Logistics Operators’ Program (2008.4-)
- Authorized Manufacturers’ Program (2010.7-)
<WCO Council Sessions>

- Adoption of SAFE Framework of Standards which includes the concept of AEO program (2005)
- Adoption of AEO Guidelines (2006)

Introduction of C-TPAT in the US (2001)

- Development of international standards

9.11 Terrorist Attacks (2001)

- Enhancement of cargo inspection
- Stagnation of cargo
- Necessity to ensure security and facilitation in trade

Introduction of AEO Program in various countries including Japan, New Zealand, EU, Korea, Singapore, Canada, etc.
3. Simplified Declaration System
Points of the RKC (General Annex)

**Harmonization of Customs Procedures**
Making implementation of international standards concerning customs procedures obligatory

**[Characteristics]**

**Modernization of Customs Procedure** (Chapter 6 and 7)
Introduction of modern methods such as risk management, information technology and audit-based controls

**Transparency of Customs Procedure** (Chapter 9)
Improvement of transparency by stipulating specific requirements concerning application of customs procedure in national legislation

**Acceleration of Customs Procedure** (Chapter 3)
Making an effort to admit more expeditious procedures for authorized trader who meet criteria specified by the customs

**[Examples]**

- Targeting goods which should be examined on the basis of appropriate risk management
- Electronic submission of required documents (e.g., NACCS in Japan)
- Utilization of Post Clearance Audit

- Prompt publication in the course of statutory revisions (e.g., Publication of the official gazette in Japan)
- Advance ruling system

- Separation of the import and duty payment declaration (e.g., Authorized Importers’ Program in Japan)
- A single declaration concerning imports or exports in a given period (e.g., Authorized Exporters’ Program in Japan)
GA 3.32. Transitional Standard

For authorized persons who meet criteria specified by the Customs, including having an appropriate record of compliance with Customs requirements and a satisfactory system for managing their commercial records, the Customs shall provide for:

- release of the goods on the provision of the minimum information necessary to identify the goods and permit the subsequent completion of the final Goods declaration;

- clearance of the goods at the declarant’s premises or another place authorized by the Customs;
Special Procedures for Authorized Persons (RKC Guidelines)

Release on minimum information

The procedure usually requires an initial declaration to enable the release of the goods, followed later and within a specified period of time by a supplementary declaration containing all the normally required information or by the provision of any supplementary information. The amount of duties and taxes due will be based on the completed information. However, the goods will be assigned to the requested Customs procedure based on the initial declaration.

The information required on the initial declaration should be limited to that necessary to determine the admissibility of the goods. This will normally include the description, origin, place of departure, quantity and value of the goods.
Flow of Simplified Declaration System

Normal Procedure

Port of Entry → Import Declaration for release of goods and duty payment → Examination & Inspection → Duty Payment → Import Permission → Release of Goods

Simplified Declaration

Port of Entry → Import Declaration for release of goods → Import Permission → Release of Goods

By the end of next month

Import Declaration for duty payment → Duty Payment

* Omission of examination & inspection for duty payment
## Benefits of Simplified Procedures

| Reduced number of elements for import declaration |
| Paperless in import declaration (in principal) |
| Omission of examination and inspection for duty payment (in principal) |
| Declaration for duty payment can be filed after certain period of time (by next month of release of goods) |

**Simplification and Streamlining of Customs Procedure**
Requirements to use Simplified Declaration System

Authorization as a trader with high compliance records

Designation of cargo
Requirements for Authorization

- Continuous records of import
- No Violation against Customs related Laws for the last 3 years
- No delinquency in payment for the last 3 years
- No revocation of authorization for the last year
- Maintenance of books and records

Examination & Validation

Authorization
Requirements for Designation of Cargo

- Application for Designation of Cargo
- Based on HS code (9 digits**)

- More than 24 times* of import for one year
- No impose of additional tax on designated cargo for one year

*Reduced to 6 times in 2003 (2 years after the introduction of this system)

**Changed to 6 digits in 2005
Elimination of cargo designation in 2007 (transition to AEO program)
### Revocation of Authorization

<table>
<thead>
<tr>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>No import of designated cargo</td>
</tr>
<tr>
<td>Violation against Customs related Laws</td>
</tr>
<tr>
<td>Delinquency in payment</td>
</tr>
<tr>
<td>Delay of declaration for tax payment</td>
</tr>
<tr>
<td>No provision of guarantee</td>
</tr>
<tr>
<td>No maintenance of books and records</td>
</tr>
<tr>
<td>False entry in books and records</td>
</tr>
</tbody>
</table>

Revocation!
4. AEO Program
Development to AEO Program

Simplified Declaration

Port of Entry → Import Declaration for release of goods → Import Permission → Release of Goods

*Omission of examination & inspection for duty payment

Procedure for Release of Goods

By the end of next month

Import Declaration for duty payment → Duty Payment

AEO Program

Port of Entry → Import Declaration for release of goods → Import Permission → Release of Goods

Pre-arrival lodgment of import declaration

No need for designation of cargo

Periodical lodgment

By the end of next month

Import Declaration for duty payment → Duty Payment

Import Declaration for duty payment → Duty Payment

Import Declaration for duty payment → Duty Payment
Requirements and Benefits of Japan’s AEO Program

**Requirements**

Consistent with "WCO SAFE FoS"

- Compliance record
- Proper ability to conduct operations
- Cargo/conveyance/premises security
- Compliance Program
  - organizational set-up
  - due Customs procedures
  - internal audit
  - contracting parties requirement
  - communication with Customs
  - crisis management
  - financial integrity
  - education/training
  - etc.

**Examples of Benefits**

**Authorized Importers**
- Pre-arrival lodgment of import declaration and pre-arrival import permission – early release of cargo
- Reduced number of elements for import declaration
- Reduced examination and inspection at the time of import
- Periodical lodgment of duty/tax payment declaration

**Authorized Exporters**
- Export procedures are completed while keeping the cargo in their own premises
- Reduced examination and inspection at the time of export

**Authorized Warehouse Operator**
- Establishment of a new Customs warehouse only by notification
- Free monthly fee
Scope of Japan’s AEO Program

[Exportation]

International Logistic Operators

Importers
Exporters
Manufacturers

Transportation Companies
Warehouse Operators
Customs Brokers
Shipping Companies and Airlines

Importers
Exporters abroad

[Importation]
AEO Program for Exporters

- Waive the requirement to store goods in the Customs area
- Compliance-reflected reduced examination and inspection

Premises of Exporters

Export Declaration

Examined at Premises

Customs Area (CY)

Examination

Inspection

Export Permit

Compliance Reflected

Procedure for Authorized Exporters

Premises of Exporters

Export Declaration

Examined at Premises

Export Permit

Customs Area (CY)
Structure of Sections in charge of AEO Program

Customs Clearance Div.
CTB, MOF
4

AEO Center
20

Headquarters

Hakodate 2*
Yokohama 9
Nagoya 8
Osaka 7
Kobe 6
Moji 3
Nagasaki 3*
Okinawa 4*

* Officers in Hakodate, Nagasaki and Okinawa are not solely in charge of AEO program
### Current Situation

(as of June 6, 2014)

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporters</td>
<td>236 Exporters</td>
</tr>
<tr>
<td>Importers</td>
<td>87 Importers</td>
</tr>
<tr>
<td>Warehouse Operators</td>
<td>114 Operators</td>
</tr>
<tr>
<td>Customs Brokers</td>
<td>83 Brokers</td>
</tr>
<tr>
<td>Logistic Operators</td>
<td>7 Operators</td>
</tr>
</tbody>
</table>

**Total: 527 AEOs**
Thank you for your attention.