

# **Compliance Operation Manual for Foreign Merchants Doing Business in China**

Logistics & Customs · Tax & Finance · Qualifications · Contracts · Forex ·  
Local Operations

**Compiled by Guangdong Xingchuo Law Firm**

Internal Compliance Reference · 2026 Edition

## Compilation Statement

This manual is compiled by the professional compliance legal service team of Guangdong Xingchuo Law Firm. Based on the current laws, regulations and latest policies of China's customs, taxation, foreign exchange, market supervision and labor employment, combined with the practical pain points of foreign merchants in the whole scenario of China import and export trade, local operation and contract performance, it systematically sorts out various high-frequency compliance risks and supports standardized and implementable solutions and risk control clauses. This manual aims to provide localized and professional business compliance guidelines for overseas enterprises and foreign operators to avoid operational risks such as administrative penalties, fund freezing, cargo detention, contract breach and tax inspection. It is applicable to all foreign enterprises engaged in China trade, domestic entity establishment and local operation, and can be used as an official reference for enterprise internal compliance training, business operation, contract review and risk control management.

## Applicability Statement

The contents of this manual are general practical compliance guidelines for enterprise daily compliant operation reference only and do not constitute individual legal advice. When enterprises carry out major business involving operation, taxation, foreign exchange and cross-border trade, it is recommended to consult professional lawyers of our firm for special compliance review in combination with their own business scenarios to ensure full compliance with the latest regulatory policies.

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## Logistics & Customs Declaration Compliance Operation

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### LCL Export

#### Risk Point 1

Freight forwarders attract customers with low prices and conceal hidden fees such as destination port devanning fees, warehousing fees and distribution fees, resulting in consignees being forced to pay high additional costs.

#### Solutions

During inquiry, explicitly require freight forwarders to provide a full ALL-IN cost breakdown covering departure port and destination port, listing all items including devanning fees (by cubic meter/shipment), warehousing fees (including free period and overdue rate), distribution fees and delivery fees, and reject vague quotations.

Specify in the transportation agreement that "the destination port devanning company shall be appointed by the foreign merchant", require the freight forwarder to provide quotations from no less than 3 destination port agents/devanning companies, and select compliant service providers with high cost performance independently.

Confirm the destination port customs clearance capacity with the consignee in advance, agree on the maximum liability for overdue warehousing fees, and stipulate that fees incurred more than 3 days beyond the free period shall be borne by the freight forwarder.

### **Risk Point 2**

Mixed loading of goods with dangerous goods or non-compliant goods will lead to customs detention of the whole container or cargo damage.

### **Solutions**

Clearly stipulate in the contract that "the freight forwarder shall not mix and transport this batch of goods with dangerous goods or non-compliant goods", and set liability for breach of contract.

Require the freight forwarder to provide the full container cargo list for filing before shipment, and confirm shipment only after verifying no risky goods are included.

Clearly mark cargo attributes on product packaging to avoid mixed loading risks caused by unclear identification.

### **Risk Point 3**

Multiple unpacking and repacking during transportation cause cargo loss, damage or package breakage.

### **Solutions**

Strengthen cargo packaging standards; adopt double-layer packaging plus buffer materials for fragile goods, and paste anti-damage, moisture-proof and anti-inversion labels.

Stipulate the compensation standard for cargo damage/loss in the agreement, clarifying that compensation shall be based on the actual value of the goods rather than only multiples of freight charges.

Require the freight forwarder to track the cargo transportation status throughout the whole process and provide status feedback at key nodes (departure, transit, arrival).

## **Customs Declaration Operation**

### **Risk Point 1**

Misunderstanding the terms of "formal declaration / entrusted declaration", resulting in inability to apply for export tax rebates and using a third-party company as the declaration entity due to wrong selection of entrusted declaration.

## Solutions

Clarify business demands: formal customs declaration is mandatory for tax rebate application and export record retention; entrusted declaration can be cautiously adopted for enterprises without import and export rights and no tax rebate demand, with full assumption of compliance risks.

Clearly state in writing in the freight forwarder agreement: "Declaration Method: Formal Customs Declaration (in the name of XX Company, Unified Social Credit Code: XXX)", and prohibit default selection or vague expressions.

After receiving the customs declaration confirmation form, require the forwarder to provide Chinese-English bilingual explanations for unfamiliar terms, sign personally after confirmation, and prohibit third-party filling.

## Risk Point 2

Inconsistent information between customs declaration form, contract, invoice and packing list leads to customs inspection or customs clearance obstruction.

## Solutions

Check all document information in advance to ensure complete consistency of product name, specification, quantity, unit price and consignee information.

Require the forwarder to conduct pre-declaration verification before formal customs declaration, and submit formal declaration only after confirming the declaration information is correct.

Retain original and electronic copies of all documents to quickly provide supporting materials during customs inspection.

## Bill of Lading & Telex Release Management

### Risk Point 1

After agreeing to telex release, the freight forwarder releases goods without receiving the final payment, resulting in total loss of goods and payment for foreign merchants.

## Solutions

Telex release shall take effect only on dual conditions: full final payment received + signed written Telex Release Confirmation, which shall state "this telex release takes effect only after the final payment of XXX amount is received".

Retain written replies from the forwarder regarding telex release conditions to clarify liability boundaries.

Select qualified freight forwarders and avoid illegal operations by small institutions without NVOCC certificates.

### Risk Point 2

Wrong bill of lading information (such as incorrect consignee name, port and cargo description) causes destination port customs clearance delay.

## Solutions

Verify key bill of lading information word by word: consignee name consistent with the customer's business license, cargo description matching the customs declaration form, and specific and clear port name (avoid vague expressions).

Require the forwarder to provide a draft bill of lading, issue a written confirmation after verification, and then print the official bill of lading.

If errors are found, immediately require the forwarder to make modifications before the shipping company's document cutoff to avoid amendment fees.

## Tax & Financial Compliance Operation

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### Export Tax Rebate

#### Risk Point 1

Failure to enjoy tax rebate policies due to incorrect declaration methods (e.g. entrusted declaration), inconsistent documents or overdue declaration.

#### Solutions

Preconditions for tax rebate: adopt formal customs declaration and realize "three-way consistency" (consistent cargo flow, invoice flow and capital flow).

Prepare complete tax rebate documents: customs declaration form, special VAT invoice (issued before customs declaration), foreign exchange settlement documents, contract and packing list, with all information consistent.

Strictly abide by the declaration time limit and complete tax rebate declaration within 90 days after cargo export customs declaration, so as to avoid overdue failure of declaration and automatic waiver of tax rebate rights.

#### Risk Point 2

Improper tax handling caused by tax policy changes or interpretation deviations will lead to tax inspection, fines and credit downgrade penalties.

#### Solutions

Entrust professional tax agents or employ accountants familiar with foreign-invested tax policies to follow up the latest fiscal and tax policy changes in real time.

Communicate and confirm with local tax authorities in advance before implementing major tax planning schemes and tax-related business operations to avoid risks caused by policy interpretation deviations.

Establish an enterprise tax compliance ledger to regularly record policy updates, business tax-related handling and declaration records, realizing full-process traceability.

### Foreign Exchange Settlement

#### Risk Point 1

Failure to complete foreign exchange directory registration, or receiving foreign exchange through private accounts and settling exchange through illegal channels will lead to enterprise foreign exchange account freezing and administrative penalties.

### Solutions

Complete the registration of "List of Enterprises with Foreign Exchange Income and Expenditure for Goods Trade" at the foreign exchange administration bureau with business license and import and export right filing form, and conduct compliant foreign exchange collection and settlement through corporate public accounts throughout the process.

Standardize the remark of each foreign exchange collection as "goods export foreign exchange collection", ensure that capital flows correspond to real export business one by one, and refuse to receive anonymous and irrelevant cross-border foreign exchange funds.

Stay away from illegal exchange channels such as underground banks and illegal foreign exchange brokers to avoid criminal and administrative legal risks.

### Risk Point 2

Inaccurate and incomplete declaration information of foreign exchange income and expenditure and inconsistent capital purpose with business will trigger foreign exchange verification and tax inspection.

### Solutions

Strictly standardize foreign exchange declaration filling standards to ensure that the declared data is true, accurate and complete, and fully matches the actual operation and trade scenarios of the enterprise.

Conduct dual review by finance and compliance personnel before submitting declaration materials to eliminate data entry errors and key information omissions.

Completely retain all foreign exchange declaration materials, business supporting documents and capital vouchers in accordance with regulatory requirements for no less than 5 years for supervision and verification.

## Compliance Operation Qualification Management

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### Import and Export Qualification

#### Risk Point 1

Carrying out cross-border trade without complete import and export operation qualifications, or exporting special commodities without special licenses will lead to cargo detention and confiscation and administrative penalties on enterprises.

### Solutions

Standard basic qualification processing process: register domestic business entity → handle foreign trade operator filing at commerce bureau → handle consignee and consignor filing at customs → apply for operation IC card at electronic port; import and export business can only be carried out after all

procedures are completed.

Prepare qualifications for special commodities in advance: apply for production qualifications and export filing for food export, complete special filing certificates for cosmetics, and apply for corresponding operation licenses for medical devices according to category levels. It is recommended to start processing 3-6 months in advance to avoid delays in shipping schedules and order delivery.

Accurately query the commodity HS code through the official system of the General Administration of Customs before export, verify whether it belongs to licensed and controlled categories, and eliminate compliance risks caused by incorrect code classification.

## Intellectual Property Protection

### Risk Point 1

Overseas registered trademarks and patents without domestic filing and confirmation of rights in China are vulnerable to preemptive registration and counterfeiting by domestic entities, resulting in difficult rights protection and high evidence collection costs after infringement.

### Solutions

Before officially launching business in China, submit trademark registration applications to the National Intellectual Property Administration, covering Chinese, English and graphic logos, matching the enterprise's core product and service categories.

Apply for patent right confirmation in China synchronously for core technologies such as product inventions, utility models and appearance designs, and carry out market distribution and sales after obtaining legal patent certificates.

Regularly monitor industry intellectual property dynamics and platform infringement information, fix evidence immediately after discovering counterfeiting, piracy and infringement acts, and protect rights through legal channels such as administrative complaints and judicial litigation.

### Risk Point 2

Products and accessories provided by upstream suppliers are suspected of intellectual property infringement, and foreign merchants will be jointly held liable after procurement and sales, facing claims, product removal and administrative penalties.

### Solutions

Mandatorily require suppliers to provide complete trademark authorization, patent authorization and copyright certification documents before procurement cooperation, and sign an official Intellectual Property Non-Infringement Commitment Letter.

Clarify intellectual property infringement liability clauses in procurement contracts and supply agreements, and stipulate that all fines, claims, rights protection costs and goodwill losses caused by supplier infringement shall be fully borne by the supplier.

Establish a supplier intellectual property screening mechanism, regularly conduct infringement risk investigation on core supplied products, and prevent infringing goods from entering the enterprise supply chain.

## Contract & Cooperation Risk Control

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### Supplier Contract

#### Risk Point 1

Delayed delivery by suppliers directly causes orders to miss the scheduled shipping schedule, resulting in empty cabin fees, amendment fees, warehousing detention fees and default compensation losses from overseas customers.

#### Solutions

The contract clearly specifies the binding clauses of delivery time and shipping schedule: stipulate that suppliers shall complete cargo production and deliver goods to the designated loading location before the specified date to ensure matching the shipment plan of the determined vessel name and voyage.

Clarify the scope of default loss compensation, and include empty cabin fees, cabin adjustment price differences, overdue warehousing fees, downstream customer liquidated damages and reasonable expected profit losses (maximum not exceeding 10% of the cargo value) into the supplier's compensation scope.

Set stepped liquidated damage clauses: liquidated damages shall be charged at 0.3% of the total contract amount per day for delivery delay, and the cumulative liquidated damages shall not exceed 10% of the total contract amount; if the delay exceeds 7 days, the buyer has the right to unilaterally terminate the contract and claim full compensation for all losses.

#### Risk Point 2

Cargo quality, parameters and processes do not meet the contractual standards, and suppliers refuse to replace, return or rectify goods for free, resulting in order disputes and trade losses.

#### Solutions

The contract is attached with a Chinese-English bilingual quality specification, clarifying the national standards (GB) and international standards (ISO) implemented by the products, quantifying key quality indicators such as size, material, performance and tolerance to avoid disputes caused by vague standards.

Stipulate a standardized acceptance process: complete acceptance within 7 working days after cargo arrival/warehousing, and quality objections shall be notified to suppliers in writing with real shooting evidence materials; failure to raise objections within the time limit shall be deemed as qualified cargo quality.

Clarify defect rectification rules: suppliers shall rectify or replace unqualified goods for free within 10 days; for goods that cannot be rectified, the buyer has the right to choose full return (supplier bears round-trip logistics fees) or discounted acceptance (discount ratio not lower than 70% of the contract price).

### Freight Forwarder Contract

### **Risk Point 1**

The freight forwarder contract contains hidden standard exemption clauses. In case of cargo damage, loss or delay during transportation, the forwarder uses the clauses to avoid compensation liability and only compensates at a very low multiple of freight charges, causing major losses to enterprises.

### **Solutions**

Mandatorily stipulate compensation standards in the contract, abandon the freight multiple compensation rule, and clarify that cargo damage and loss shall be fully compensated according to the actual declared value and procurement cost of the goods.

Fully review and delete unreasonable exemption clauses, and clarify that the freight forwarder shall bear full compensation liability for all losses caused by its own intention, gross negligence and operational errors during transportation.

Stipulate that dispute resolution is arbitration within China applicable to Chinese laws, avoiding the problems of overseas litigation jurisdiction and difficult enforcement, and reducing enterprise rights protection costs.

## **Labor Employment**

### **Risk Point 1**

Failure to sign labor contracts in accordance with the law, pay full social security contributions and illegal dismissal of employees in China will easily trigger labor arbitration and litigation, with risks of double wage compensation, economic compensation and administrative penalties.

### **Solutions**

Sign written labor contracts within 30 days of employee entry, complete social security account opening and five social insurance payments synchronously, and strictly prohibit replacing statutory social security payment obligations with cash subsidies or oral agreements.

Standardize the wage payment ledger and retain employee-signed wage slips. Overtime wages shall be calculated in strict accordance with Chinese statutory standards: 1.5 times for working days, 2 times for rest days and 3 times for statutory holidays to avoid wage arrears and underpaid overtime wages.

Dismissal of fault-free employees requires 30 days' prior written notice or one-month salary in lieu of notice. Calculate economic compensation strictly according to the employee's working years, complete resignation procedures in compliance to avoid labor disputes.

## **Foreign Exchange Management Compliance Operation**

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### **Foreign Exchange Account Management**

#### **Risk Point 1**

Confusing the usage scenarios of capital account and current account, illegally mixing account funds, and failing to handle account registration and change in accordance with regulations will lead to account

freezing and foreign exchange verification penalties.

### Solutions

Strictly distinguish the usage of the two types of accounts: the capital account is only used to receive overseas foreign investment funds, and foreign exchange registration of foreign-invested enterprises must be completed within 30 days after account opening; the current account is only for daily trade and operation income and expenditure, and funds must match real business scenarios.

Illegal operations are strictly prohibited: capital account funds shall not be used to repay overseas loans or make payments without real transaction connection; current accounts are strictly prohibited from receiving overseas investment funds to avoid illegal account mixing.

When enterprise foreign exchange account information is changed or cancelled, complete the change/cancellation registration with the foreign exchange bureau within 30 days, settle all foreign exchange debts and complete supervision verification before account cancellation.

## Capital Foreign Exchange Settlement

### Risk Point 1

Failure to provide compliant purpose certification materials for capital foreign exchange settlement, and illegal inflow of settled funds into real estate, financial management and non-real transaction scenarios will lead to verification and penalties by foreign exchange bureaus.

### Solutions

Prepare full compliant materials before settlement: foreign exchange registration IC card, fund payment order (clearly marking fund purpose), commercial cooperation contract and capital verification report; declaration materials can be simplified for petty cash settlement below 50,000 US dollars.

Settled funds are only used for the enterprise's legal production and operation, including raw material procurement, site rent, employee wages and operating expenses, strictly abide by the declared purpose and prohibit misappropriation.

Completely retain settlement vouchers, transfer records, corresponding invoices and other supporting materials for no less than 5 years to meet the requirements of foreign exchange supervision retrospective verification.

## Profit Remittance

### Risk Point 1

Failure of enterprises to fully settle taxes and complete statutory remittance approval procedures will result in inability to normally remit overseas investment profits and capital detention in China.

### Solutions

Preconditions for profit remittance: complete annual enterprise income tax final settlement, fully pay enterprise income tax (benchmark rate 25%) and dividend-related taxes, with no tax arrears and abnormal tax records.

Prepare full remittance materials: board-signed profit distribution resolution, complete tax payment certificate, enterprise foreign exchange registration IC card and overseas compliant receiving account information to ensure true, effective and consistent information.

Remit funds strictly according to the enterprise's real after-tax profit amount, settle all kinds of domestic debts and compliant arrears first before remittance to ensure normal enterprise operation and foreign exchange status.

## Cross-border Capital Flow

### Risk Point 1

Failure to complete international balance of payments declaration on time for cross-border income and expenditure, and arbitraging foreign exchange through fictitious trade contracts and false transactions will lead to administrative penalties, credit discipline and capital freezing.

### Solutions

All cross-border capital income and expenditure businesses shall complete international balance of payments declaration through banks within 5 working days of capital transactions, and the declared information shall fully match real trade and operation businesses.

Resolutely eliminate all kinds of illegal operations, do not transfer cross-border funds through underground banks and private channels, and do not arbitrage foreign exchange quotas by fabricating trade backgrounds and forging documents.

Enterprises with compliant operation and good credit can take the initiative to apply for Class A foreign exchange enterprise qualification to enjoy cross-border foreign exchange income and expenditure facilitation policies and improve capital circulation efficiency.

## Localized Operation Practical Guidelines

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### Document Communication

#### Risk Point 1

Single Chinese official documents have semantic ambiguity, translation deviation and information asymmetry, leading to understanding deviations between Chinese and foreign parties on contract clauses, customs declaration requirements and performance standards and triggering trade disputes.

#### Solutions

All official business, legal, customs declaration and financial documents uniformly adopt Chinese-English bilingual versions, and core key contents such as amount, performance date, liability division and default clauses are bolded and highlighted to avoid understanding deviations.

All important business and changes shall all be made through emails and written records; verbal agreements are prohibited. All communication records shall be retained for no less than 2 years for evidence in disputes.

Legal documents shall be certified and sealed by a professional translation agency to ensure legal effect is not distorted.

## Logistics Coordination

### Risk Point 1

When suppliers load containers on our behalf, cargo damage, short shipment or non-compliant packaging may occur, making it impossible to file claims after arrival.

### Solutions

Be present throughout container loading or entrust a third-party supervisor; record loading videos documenting quantity, packaging and the sealing process.

Clearly define packaging standards in the contract, e.g. double-layer packaging plus warning labels for fragile goods, and stipulate that losses caused by non-compliant packaging shall be borne by the supplier.

Complete cargo inspection within 48 hours after arrival; immediately take photos as evidence and notify relevant parties in writing upon discovering problems.

## Supplementary Provisions: Materials Acquisition & Compliance Consulting Guidelines

To obtain practical materials such as the "Quick Reference Table of Risks for Foreign Merchants in China" (summarizing core risk response plans) and the "Flowchart of Import/Export Qualification Application", please contact us via: 1. WeChat: search and add ID wushaobo098967; 2. WhatsApp: +86 18566328093 (online 9:00-18:00 on workdays); 3. Email: send to wushaobo0920@163.com with subject "Foreign Compliance Materials Request + Company Name"; a response will be sent within 1 business day. Note: All materials are for compliance reference only; specific operations shall be adjusted according to the enterprise's actual situation and the latest policies, and guidance from professional institutions is recommended.