

**Business Facilitation Advisory Committee
Wholesale and Retail Task Force**

Transshipment Cargo Exemption Scheme

Purpose

This paper briefs Members on the Transshipment Cargo Exemption Scheme (TCES).

Background

2. TCES was introduced in 1984 to exempt registered shipping companies and airlines, or their appointed freight forwarders, from the import/export licensing requirements under the Import and Export Ordinance (Cap. 60) and the Reserved Commodities (Control of Imports, Exports and Reserved Stocks) Regulations (Cap. 296A) in respect of specified types of transshipment cargo, subject to certain conditions.

Implementation Details of TCES

3 Participating companies need to register with the Trade and Industry Department (TID). Companies successfully registered would be issued with a Certificate of Exemption and assigned a Certificate of Exemption Number (TRES No.).

Product Coverage of TCES

4. Subject to certain conditions, TCES exempts registered companies from the import/export licencing requirements when handling the following types of transshipment cargoes (import/export licences are not required in the first place if the cargoes below are “air transshipment cargoes”¹) :

- (a) pharmaceutical products and medicines as specified in Part 1 of Schedule 1 and Part 1 of Schedule 2 to the Import and Export (General) Regulations (Cap. 60A)², except dangerous drugs as defined by Section 2 of the Dangerous Drugs Ordinance (Cap. 134);
- (b) rice as specified in the Schedule to the Reserved Commodities (Control of Imports, Exports and Reserve Stocks) Regulations (Cap. 296A);

¹ “Air transshipment cargo” means transshipment cargo that is both imported and consigned for export in an aircraft and which, during the period between its import and export, remains within the cargo transshipment area of Hong Kong International Airport.

² If the pharmaceutical products and medicines contain pharmaceutical substances that are listed in Schedule 1 or 2 to the Control of Chemicals Ordinance (Cap. 145), such as ephedrine, ergotamine, ergometrine, pseudoephedrine, norephedrine (phenylpropanolamine) and their salts, a permit issued by the Customs and Excise Department is still required to remove them during transshipment in Hong Kong.

- (c) frozen or chilled meat and poultry as specified in Part 1 of Schedule 1 to the Import and Export (General) Regulations (Cap. 60A);
- (d) Chinese herbal medicines and proprietary Chinese medicines as specified in Part 1 of Schedule 1 and Part 1 of Schedule 2 to the Import and Export (General) Regulations (Cap. 60A);
- (e) powdered formula as specified in Part 1 of Schedule 2 to the Import and Export (General) Regulations (Cap. 60A); and
- (f) rough diamonds as specified in Part 1 of Schedule 1 and Part 1 of Schedule 2 to the Import and Export (General) Regulations (Cap. 60A)³.

5. If the importation/exportation of the above products to/from a place, or the transshipment route concerned is subject to any trade sanctions, the above transshipment cargoes are not eligible for licensing exemption under the TCES.

Conditions of Exemption

6. To enjoy the exemption under the TCES, a registered company must comply with the conditions of exemption which include :

- (a) storing the transshipment cargo separately and apart from any other merchandise, and in premises registered by the company under the TCES;
- (b) keeping physical custody of the transshipment cargo at all times while the transshipment cargo is in Hong Kong;
- (c) during transshipment, releasing or accepting transshipment cargo only to or from another company registered under the TCES;
- (d) keeping up-to-date books and records in respect of all transshipment cargo handled;
- (e) allowing authorised officers of Customs and Excise Department to inspect its godown premises, transshipment cargo, and books and records relating to the transshipment cargo whenever required;
- (f) for shipping companies and airlines, declaring its TREX No. in the electronic manifest covering the transshipment cargo and submitting the manifest to TID within 14 days after the importation/exportation of the cargo; and
- (g) for freight forwarders, submitting monthly returns to TID on the transshipment cargoes handled.

³ The exemption only applies to transshipment of rough diamonds from or to a country or place in which the Kimberley Process Certification Scheme is implemented or as permitted by the Kimberley Process.

Recent Trade Facilitation Measures

7. Under the “Be the Smart Regulator” Programme, TID launched two trade facilitation measures in respect of TCES in 2019. The first measure was the provision of end-to-end e-licensing services for new registration under TCES, including e-submission, e-processing, e-tracking by applicants and e-licence. The e-licensing services enhance TID’s efficiency in processing the applications, and provided convenience to the trade. Another measure was the extension of the validity period of TCES Certificates of Exemption from one year to two years. The measures help the transport industry save operating costs and administrative efforts.

Advice Sought

8. Members are invited to note the content of the paper.

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