

22/08/2001

Customs increases pace of post-import audit rounds

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THE Customs and Excise Department is increasing the pace of post-import audit rounds as the Government hopes to offset revenue loss from a possible corporate tax cut by increasing collection of import taxes.

Industry sources said the increased enforcement might put a stop to the practice by some companies handling imported goods that sign blank forms prepared by freight forwarding agents.

If found guilty, directors of these companies can be fined up to 10 times the value of merchandise involved or even be imprisoned.

An increased drive in the collection of import taxes, hence the contribution of indirect taxes to government's coffers, will make sense in the event of a potential corporate tax cut under 2002 Budget.

The cut from the present rate of 28 per cent was hinted at by Prime Minister Datuk Seri Dr Mahathir Mohamad during a pre-budget dialogue last month.

"The Government will have to look at other sources to get the funding needed for development. One source is the indirect taxes," said a tax consultant.

A local auditing firm confirmed the existence of the practice of signing blank forms among directors for imported goods.

"If there is a dispute, the directors will be held liable, not their agents," said Lee Lee Kim, executive director of tax services at Deloitte KasimChan Tax Services Sdn Bhd.

He said one area that importers should be concerned with was the potential underdeclaration of value of imported goods.

Under the new valuation system effective January 2000, in line with the World Trade Organisation's regulations, imported goods sail through with documents undisputed at the point of entry.

However, the Customs department is empowered to conduct post-import field audits to verify the documents, including the amount stated for the imported goods.

Previously, Customs officials could make on-the-spot amendments to the valuations of imported goods as they were clearing the entry points.

Should they deem the value to be understated, the Customs officials had the power to increase the value through the agency uplift.

"Now, the department will accept the transaction value that you declare. Provided that the necessary requirements are met, no questions will be asked," said Lee.

The Customs Act 1967 requires companies to maintain import-related documents for a period of six years, partly to enable the authorities to perform a check on what they have declared. These include invoices, bills of lading or certificates of origin.

Failure to comply with the requirement could result in a fine of between two and 10 times the value of the goods or between RM100,000 and RM250,000 where the value of the goods could not be ascertained.

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