

Customs alert*

February 2009

On February 19, 2009 Kenya Revenue Authority (KRA) issued a public notice reminding importers of payment procedures in respect of customs duties.

Recently, we have noted that KRA is conducting more Post-clearance audits (PCA) than in 2008. PCA is an evaluation of an importer's practices and records to assist in judging the integrity of information supplied under self-assessment and the level of compliance with customs legislation. In most audits, KRA is picking issues of non-compliance and organisations are being assessed significant amounts.

Are you complying with Customs requirements?

The immediate reaction by a majority of businesses who import goods, such as raw materials, is the company's clearing agent is competently handling this aspect. Whilst this may be true, in the event non-compliance is detected the revenue authority will not be enthusiastic to demand for taxes from your clearing agent.

As an importer or exporter, you are legally responsible for the accuracy of information supplied to Customs, even though you use a Customs agent licensed by the Commissioner of Customs. Section 148 of the East African Community Customs Management Act (EACCMA) provides that an owner of goods or importer is liable for the acts and declarations of the authorised agent; and may be prosecuted for any offence committed by the agent in relation to any goods as if the owner had committed the offence.

In addition, Section 130 of EACCMA also provides for recovery of duties owed to Customs from the owner of the goods by distress.

Having control over your customs affairs is a must for all companies, regardless of size, for purely sound business reasons. The bottom line is not helped by unexpected duty increases, seizures, penalties, shipment delays/costs or, worst of all, bad publicity; all of which inevitably undermines brand name value.

Common pitfalls

Most companies generally do not have a central department to manage the Customs function. It is not uncommon that no one

within a company has a true understanding of the Customs duties paid or saved, and whether it is the proper amount.

Secondly, companies try to improve compliance on a "hit-and-miss" basis, rather than carefully looking at all customs related business systems, processes and procedures.

Remember, every person dealing with Customs has a chance of being audited. If you make false or misleading statements to Customs your business will face the prospect of additional duties, penalties, sanctions up to and including prosecution in a Court of law.

How can we help?

Through a Customs Compliance Review, PricewaterhouseCoopers helps companies improve their audit readiness. Such reviews could also help in identifying areas of improvement, thus reducing the risks and costs of non-compliance. Potential cost savings opportunities could also be identified as a result of the review.



If you require our assistance in this area or are currently undergoing a Customs Post Clearance Audit and need help, please do not hesitate to contact us.

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