



# Customs reports on usage of duty-exempt imported goods



# Customs reports for materials and finished goods under contract and toll manufacturing models



## General requirements

Companies engaged in the manufacturing of exported products (including export processing enterprises) are eligible for import duty exemptions on materials and consumables imported to produce such exports. On an annual basis, such companies must submit reports on their actual usage of the duty-exempt items to Customs.

These Customs finalization reports are required to be submitted to Customs within 90 days from a company's financial year-end.

## Customs finalization reports comprise:



Inventory movement report for duty-exempt imported materials and consumables (Form 25 online, Form 15 in paper)



Inventory movement report for the finished goods produced from duty-exempt imported materials and consumables (Form 26 online, Form 15a in paper)



Actual materials consumption norms for finished goods produced during the year (Form 27 online, Form 16 in paper)



# Customs reports for materials and finished goods under contract and toll manufacturing models

## Common problems faced when preparing Customs finalization reports



Inconsistency in coding and units of measurement between companies' management systems and those declared to Customs



Inconsistencies in the management of duty-exempt goods across various departments leading to discrepancies with customs records



Incomplete monitoring of transactions directly/indirectly relating to the production of exports including issuing goods for R&D purposes, testing, sampling, destruction, adjustments made after stock-counts



Time-consuming processing due to large amounts of data; usage of Excel faces certain limitations

## Which lead to...

The above-mentioned issues often lead to discrepancies between the materials and consumables balances stated in customs dossiers and the actual balances in companies' accounting records. This can trigger a risk of claw-back of substantial import duty and VAT liabilities on the discrepancies and penalties from 10% to 300% of the claw-backed taxes.

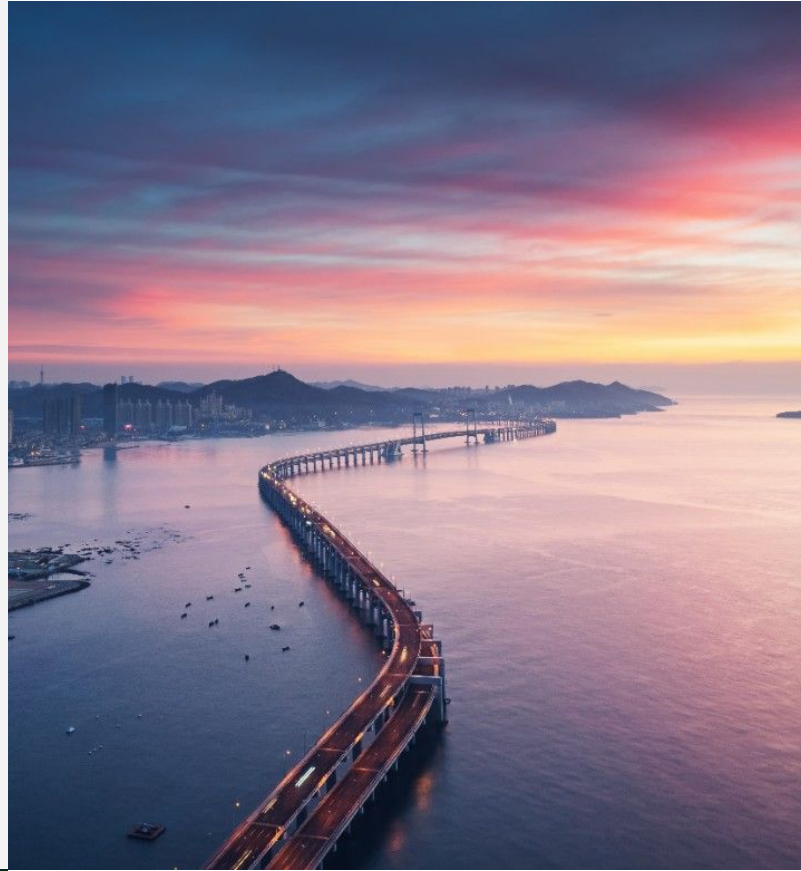


# Notification of the usage of duty-exempt imported goods for incentivized investment projects

## Goods eligible for **import duty exemption**

- Machinery, equipment and construction materials which cannot be produced domestically are imported to form fixed assets of incentivized investment projects
- Materials, consumables and components which can not be produced domestically and which are imported for the production activities of incentivised investment projects in their first 5 years

Companies must submit Notices of the usage of their duty-exempt materials within 90 days from their financial year-end.



## **Common problems** faced when preparing the **annual Notice**

- Imported quantities exceed those registered with Customs
- Differences in type of goods and HS code between the master list registered with Customs and the actual imports
- Imported goods are deemed not relevant to the size and scope of the project
- Goods can in fact be produced domestically at the time of import

If companies cannot provide explanations/ defence for the above issues, Customs may claw-back the corresponding import duty and apply penalties from 10% to 300% thereon.



## Data reconciliation is a **common problem**

Extensive and sometimes complex data reconciliations are required for the preparation of these Customs finalization reports/Notices. This task is time consuming and error prone due to:

- Significant time spent manually combining and sorting data into a usable format
- Mistakes made when blending data from multiple sources
- Errors in manual calculations and formulae
- Time spent on these procedures can divert critical resources away from other customs matters, resulting in errors and problems elsewhere

# 40% - 80%

The estimated average amount of daily time spent by customs professionals on low-value-added tasks like data gathering, data cleansing, data extraction, data mapping and reclassifying transactions



## Our **technology focus** gives you **more value**

We use advanced technology tools to automate processes and calculations, so that we can streamline your work to improve efficiency, effectiveness, accuracy, and quality.

Our technology tools can:

- ✓ Process large amounts of data
- ✓ Consolidate data stored in multiple files
- ✓ Map data based on various criteria
- ✓ Reconcile data of any kind
- ✓ Visualise data

# How PwC can help

## Our services

### 1. Report preparation

- Obtain and analyse data to design methodologies suitable for companies' businesses
- Apply data automation and analytics tools to process and reconcile data
- Prepare Customs finalization reports and Notices and assist with their submission

### 2. Review prior submitted Customs finalization reports/Notices

- Review the input data and methodologies applied
- Identify risks and recommend corrective actions

## The benefits



Access deep technical knowledge



Leverage our technologies to improve efficiency, effectiveness, accuracy, and quality

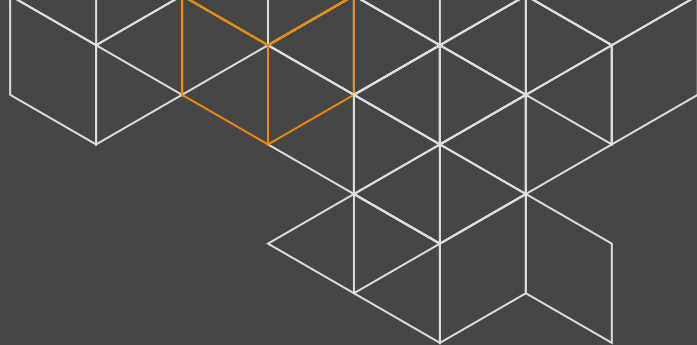


Significant time saving on manual data processing



Free up resources allowing more time spent addressing customs risks and identifying opportunities





# Contact us

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. For further information, please reach out to us.

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