

Tax Talk – Voluntary compliance for trade facilitation at our borders

This week, for trade purposes we will focus on compliance issues at our border. With FRCA's aim for effective and efficient trade facilitation, partnership with Stakeholders is imperative. We will look into the importance of voluntary compliance, improving processing time, determining the correct tariff classification, valuation of goods and others produced to FRCA with Customs Entry at Point of Clearance and authentication of appropriate tax and duty payable to FRCA.

Voluntary Compliance

Traders, Customs Brokers and Agents are well aware of what happens at our borders. FRCA had many cases of non-compliance where traders evade tax and duties by falsifying entries and documentation of goods. The amount of fraud happening at our borders is alarming and needs to be addressed. Fraudulent activities include understating the value of imported goods, incorrect Tariff classification, **abuse** of duty concession provisions and shopping with Customs Brokers through fictitious invoices for processing Customs Entries. Recently FRCA has identified fictitious invoices that was developed by some graphic artist who will be taken to task and whose name will be publicised soon. Some Customs Agents collude with importers to wrongly classifying goods to receive assess entry with lesser duty payable. FRCA is aware of freight companies wanting to make money through such malicious schemes. FRCA **does** not only get information domestically but from around the world through information sharing with other Traders and Customs Administration - tracking deceitful traders. Don't think that FRCA can be misled – FRCA will definitely catch up with such persons and they will be dealt with severely. FRCA **authorizes** Customs Agents to act on its behalf in facilitating trade efficiently and advising its customers accordingly. Customs Agents are also FRCA's eyes and ears and once they become aware of such unscrupulous dealings they will inform FRCA.

Improving processing time

It is important that customs agents and importers submit complete and necessary documents as required under the Customs Regulations and Customs Act. This will enhance the processes allowing for faster trade facilitation and cargo release time. FRCA have also identified common errors found on entries and as such had to make amendments on import entries once registered and lodge for clearance.

Some of the Common errors found on import entries are:

1. Incomplete C45 declaration form submitted by Customs Agent;
2. Customs Agent using photocopied forms as entries with owner signing on the declaration. FRCA requires original stamped forms and source documents;
3. Value declared on invoice is inconsistent with value declared on evidence of payment and bill or PNDE;
4. Freight value was not endorsed on bill or freight sheet attached with the entry;
5. Incorrect tariff classification, Incorrect Description of the goods, Value of goods , exchange rates, packages and weight and container numbers entered on the entry; and
6. Concession entries submitted with incomplete Customs declaration or un-approved advice list.

Under the Customs Regulation, FRCA can reject any incomplete or incorrect import entry. Where an invoice is not produced, FRCA will assess the value of the goods. The imported goods can only be released once FRCA has assessed and correct duty is paid.

Identifying and correcting Customs Entries

All the self-assessed entries are **lodged with** FRCA's Post Audit Compliance team. It is important that the documents presented for customs check and audit are complete, correct and are that original documents are presented. Agents are required to maintain business records for 5 years and in the English language.

Where there is doubt or in suspicious cases, FRCA will examine business records to determine that correct declarations are made at the time of clearance of goods from Customs control. The classification and valuation of goods is determined using the World Customs Organization (WCO) Harmonized System Nomenclature and General Agreements on Tariff and Trade (GATT) valuation method which is based on the collective value for duty figure i.e. cost + insurance + freight.

Consequences for non-compliance

Non-compliant Traders and Customs Agents can lose their Customs Agent License. Section 144 (3) of Customs Act, 1986 allows FRCA to revoke the license if the agents is found to be engaging in fraudulent activities. Entries submitted by unauthorized persons is not permitted for processing, and non-authorized persons cannot answer queries on the entry. Making false statements is liable for penalty equal to twice the amount of the duty, or a penalty of \$1,000.00, whichever is the greater under section 137A (Customs Act, 1986 (revised 2016)). Submitting forged documents is liable to a fine of up to \$20,000.00 or to imprisonment for 2 years or to both. Fraudulent evasion of duty under section 139 is liable for a fine up to 3 times the value of the goods or \$20,000.00 whichever is the greater or to imprisonment for 2 years or to both. Colluding, conspiring or conniving with any person to commit a Customs offence is liable on conviction to a fine not exceeding \$200,000 or to imprisonment for 12 years or to both such fine and imprisonment and the subject matter of the offence shall be liable to forfeiture (section 135A).

Partnership with Stakeholders

Whilst there is competition in the market for Customs Agents, FRCA is aware that importers shop around so as to obtain the cheapest deal, however, the low charge given by an Agent should not be used to understate duties hence defrauding the Government. FRCA requests the Customs Agents to work with integrity by providing importers with correct and sound advice. The Agents need to be honest when compiling and submitting the trade entry thus declaring the correct imported goods and importantly the tariff rate applicable. We cannot emphasize enough the importance of voluntary compliance. When you undervalue or defraud duties and taxes, you not only deprive the Fiji Government but the people of Fiji from much needed development and social services.

Partnership and stakeholder engagement is our goal and FRCA is willing to work with you all the time and if you have any issues do consult with FRCA. Let's work together to build better future for all Fijians.