



## TAX TALK

### Things to consider when operating a Customs Bonded Warehouse

Efficient import and export procedures are critical to facilitate trade and creating an environment conducive to economic development, growth, and to promote foreign direct investment.

In order to facilitate trade and provide greater visibility on imported and excisable goods, the Fiji Revenue and Customs Service (FRCS) has been expediting the release of goods in a timely manner from bonded warehouse to importers, exporters, manufactures and other operators. Prior to the release of the goods, it is the responsibility of the warehouse operator to secure the storage of goods in bonded warehouse and only allow release when duty is paid. Duty paid goods will not be allowed to be stored in the Customs bonded warehouse

This week's Tax Talk focuses on bonded warehouse, outlining the benefits and processes including the maximum time goods can be stored in bonded warehouse and what happens when goods are not cleared within the legislated timeline.

#### **Bonded warehouse**

A bonded warehouse is a building or storage tank licensed by the Comptroller of Customs under Section 37 of the Customs Act 1986, where goods are securely kept pending payment of duty or exportation. The Bonded Warehouse is a "Customs Control Area".

Bonded warehouses may either be –

- a. **General bonded warehouses** — those licensed operators approved to store the goods owned by various importers and operators as follows:
  - Bonded Tank
  - Dry Goods Bond
  - Cold storage Bond
  - Motor Vehicle Bond
  
- b. **Private bonded warehouses** - those licensed operators approved to store the goods imported by them shelves only and are as follows:
  - Dry Bond
  - Freezer Bond
  - Excise Bond
  - Motor Vehicle Bond

The bonded warehouses are distinguished by unique numbers issued by FRCS, which has to be placed at the principal entrance of the approved bonded warehouse and should be maintained and visible at all times.

Bonded warehouse shall benefit traders, importers, exporters, who import goods since the process allows for the storage of the goods without payment of customs duties and removal within one-year time period after payment of the customs duties. It also allows the business to plan their cash flow.

### **Operating a Customs Bonded Warehouse**

There are certain conditions for traders to fulfil in order to operate the Customs bonded warehouse. Apart from obtaining a license, the traders must ensure that the goods imported are securely kept pending payment of import duties and taxes.

All operators should keep full records of goods kept in the bonded warehouse for timely removal with an agreed timeline and in case of excisable products before its expiry date to ensure full compliance and audit checks under the Customs and Excise law.

The license fee payable for each bonded warehouse shall be a minimum of \$9,000 for a term of 3 years under Regulation 63 of the Customs Regulation 1986 and expires on 31 December of the third year from the date of the issuance of the license.

In case if a license fee has not been paid within 7 days from the date the license was approved or issued, the Comptroller of Customs (CEO-FRCS) may refuse to allow any transactions to take place in the warehouse enclosure, building or storage tank in respect of which the fee may be due, until the outstanding fees have been paid.

The Fiji Customs Laws and Regulation, which outlines requirements and conditions of bonded warehouse operation, needs to be adhered to. Additionally, we wish to advise that the Customs Infringement regulation is now in force effective 1<sup>st</sup> August 2018 which have the following penalty provisions:

Section	Fixed Penalty Offence	Maximum Penalty Offence	Infringement Notice Penalty Body Corporate		
			1 <sup>st</sup> Offender	2 <sup>nd</sup> Offender	3 <sup>rd</sup> Offender
27 (2)	Failure to comply with Section 27 in relation to un entered goods	\$25000.00 10 years	\$10,000.00	\$15,000.00	\$25,000.00
38	Failure to Comply with Section 38 (5) or (6) for the bonded Warehouse	\$25000.00 10 years	\$10,000.00	\$15,000.00	\$25,000.00
47(5)	Failure to comply with Section 47 on entry of warehoused goods etc.	\$25000.00 10 years	\$10,000.00	\$15,000.00	\$25,000.00
55	General offences relating to bonded warehouses	\$25000.00 10 years	\$10,000.00	\$15,000.00	\$25,000.00

### **Period of Warehouse Bonding**

All goods should be stored in the approved bonded warehouse for 12 months from the initial import date and formal Customs clearance granted. However, an extension of the period of warehousing, can be requested in writing to the Comptroller of Customs (CEO-FRCS) for approval and upon approval shall be extended.

Traders and excise operators are to ensure that they remove the goods prior to the

bond expiry period to avoid issues concerning payment of duties on goods exceeding the bonded time. FRCS will give one month's prior notice and remove the expired goods in bond for sale under Section 63 of the Customs Act 1986 and will be disposed through public sale.

### **Excise Goods**

Excisable goods manufactured in Fiji attracts excise duty like alcohol and cigarettes manufactured in Excise factory and to all other excisable products manufactured domestically under the Excise Act 1986.

The Excise factory is approved by the Comptroller of Customs (CEO-FRCS) under Section 6 of the Excise Act 1986 and a penalty is applicable if the manufacturer is manufacturing without the proper approval. All approved excisable goods shall be in Excise Bond until the final removal for export or local sale.

All excisable goods are required to be duty paid or exported before the expiry date of the product or the shelf life indicated on the products. FRCS will not allow any waiver or exemptions of excise duty if the products expired due to non-adherence by the traders and the operators.

All approved Excise factory operators are required to properly mark and label stock by batches and ensure to facilitate the formal clearance of the excisable goods prior to the expiry of the shelf life of the product.

Operators and Bond keepers are to ensure to clear the stocks within the sufficient time to arrange for payment of duty and clearance of the stock from the bonded warehouse.

### Cancellation of License

Approved operators are advised to inform FRCS if they wish to cancel the bond or if require any further extension with a proper application to the Office of the Comptroller of Customs.

The Comptroller may at any time for reasonable cause revoke any license which has been issued due to the non-adherence of the Customs laws and infringements.

FRCS continues to work closely in partnership with stakeholders and business operators to strengthen trade facilitation and development.

For more information, please email us on [info@frcs.org.fj](mailto:info@frcs.org.fj).