



INDUSTRY BRIEFING COMPLIANCE ISSUES

Importing Goods

Import audit statistics – Targeted

July 2008 to February 2009

Total Number of Audits	116
Total Number of Lines Checked	7516
Total Number of Revenue Errors	5883
Total Number of Non-Revenue Errors	215

Number of audits identifying at least 1 error:	103 or 88.8%
Number of lines checked with at least 1 error:	2148 or 35.2%

Error type	Number	Percentage
Assists	296	4.85%
Classification	1036	16.99%
Commission	153	2.51%
Exchange Rate	63	1.03%
GST exemption code	192	3.15%
Inland Freight	113	1.85%
Instruments	72	1.18%
Interest	1	0.02%
Invoice terms	675	11.07%
Origin	157	2.57%
Other 4th Schedule Concession	92	1.51%
Other Addition	32	0.52%
Other Deduction	5	0.08%
Outside Packages	18	0.30%
Overseas Freight	611	10.02%
Overseas Insurance	389	6.38%
Preference	71	1.16%
Price	789	12.94%
Quantity - fixed duty rates	180	2.95%
Relationship affecting price	536	8.79%
Relevant Transaction	52	0.85%
Royalty/Licence	1	0.02%
Surplus goods	5	0.08%
Tariff Concession	165	2.71%
Unentered invoices	58	0.95%
Valuation Date	121	1.98%
Cos codes	189	3.10%
Prohibited Imports	4	0.07%
Trade Description	2	0.03%
Unauthorised delivery	20	0.33%

Import areas of non-compliance

By percentage, areas identified through audit of non-compliance are strongest with errors in *Classification, Price, Invoice Terms and Overseas Freight*.

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Issues Related to Imports in specific sectors

RESTRICTED GOODS

The Compliance Division has established a National Industry Lead (NIL) with responsibility for restricted goods - being goods that require a permit or special permission to be imported legally. Such goods can include precursor chemicals that are used illegally in the manufacture of Ecstasy and other amphetamine-type stimulants (ATS). These goods will generally fall within the tariff classifications for chemicals, pharmaceuticals, essential oils, plant extracts and some food classifications, namely chapters 12, 13, 15, 29, 30, 33 and 38.

Significant areas of concern within the restricted goods area are:

- Widespread use of generic and uninformative goods descriptions (including use of a tariff header)
- Misclassification of these kinds of goods; and
- Incorrect "No" responses to Community Protection questions in the ICS.

Generic and uninformative goods descriptions hinder the ability of Customs & Border Protection to risk assess cargo and therefore increase both the perceived risk and the likelihood of intervention. That intervention can include demands for the production of supporting paperwork, followed by physical sampling and analysis of products (at the importers expense) in order to determine the exact contents of the imported items. There is also an increased likelihood of both the broker and importer being selected for audit.

Examples of uninformative goods descriptions include:

- 'Therapeutics', 'medicaments', 'pharmaceuticals', 'chinese medicines' and 'medicine' (The goods should be identified by the actual product name or chemical name.)
- 'Essential oils' (The goods should be precisely identified - such as 'nutmeg oil', ' clove oil' or 'sassafras oil'.)
- 'Plant extracts' (The relevant plant should be clearly indicated - such as 'lavender extract'.)
- 'Chinese herbs' (The botanical name of the herb should be used - such as 'echinacea purpurea'.)
- Tariff classification headings, especially the 'other' catch-all classifications (For example: 'plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered: other').)

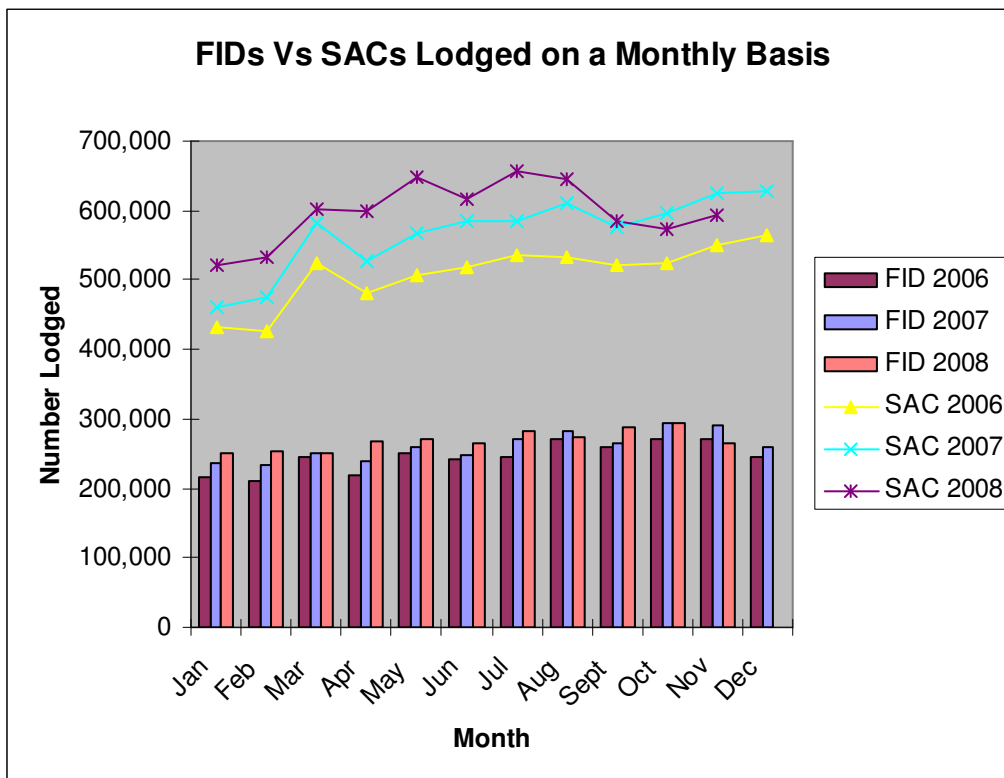
RESTRICTED GOODS (cont.)

Customs & Border Protection expects importers of these kinds of products to be entirely familiar with the chemical composition of those products. Brokers who clear goods without learning the chemical composition from the importer may be liable to INS action, should the classification, goods description or answers to the Community Protection questions is incorrect.

Any importations of Chapter 30 medicines containing drugs listed under the prohibited imports regulations should specify this in the goods description field of the import declaration. For example, 'Codral Day & Night Cold & Flu tabs (contains pseudoephedrine)'.

SELF-ASSESSED CLEARANCES (SACs)

The graph shows a comparison between the number of FIDs and SACs lodged over the last 3 years. While the number FIDs lodged has increased steadily, the growth in SACs is more marked.



Specifically, the number of FIDs has grown at about 6% per year, while SACs have grown by 11% for the same period.

SACs (cont.)

The SAC system is designed to facilitate the rapid flow of cargo. It is structured to deal with low value goods i.e. less than \$1000 CVAL. However, evidence is regularly presented to demonstrate that the system is being used to import goods that are greater in value than \$1000.

Of particular concern is gross undervaluation to avoid the preparation of Full Import Declarations (FID) or the provision of insufficient details within the SACs to avoid community protection risk assessment.

Examples of carelessness and worse in the making of SAC declarations include:

1. Importer: A Ltd
Goods Description: Internal Combustion Engine
CVAL As Entered: \$322
CVAL As Should Be Entered: \$322,000
Total Revenue Recovered: \$39,255
Reason for Error: Few 0's were missing from the Declared Customs Value.

2. Importer: B Ltd
Goods Description: Mainframe Computer Parts for Mainframe
CVAL As Entered: \$622
CVAL As Should Be Entered: \$212,664
Total Revenue Recovered: \$26,177
Reason: Forwarder failed to transcribe hand written value for Customs purposes in the computer system. First three digits of the value have been written outside the box provided for this purpose.

3. Importer: C Ltd
Goods Description: Incomprehensible code number
CVAL As Entered: \$9.00
CVAL As Should Be Entered: \$184,367
Total Revenue Recovered: \$20,180
Reason: No explanation provided

There is also evidence of deliberate undervaluation, particularly with textiles, clothing and footwear. Numerous instances have also been detected of incorrect treatment where goods match thesaurus words.

It is likely that there will be an increase in import intervention work targeted at SACs.

KEEPING COMMERCIAL DOCUMENTS

Recent audits in Brisbane on newly licensed brokers are revealing an emerging trend where new brokers are not fully aware of their legislative responsibilities. This includes their responsibility to keep commercial documents to substantiate the data communicated to Customs. In one audit the broker was only able to provide supporting documentation for 5 of 30 lines selected.

EXCISABLE GOODS ON NATURE 30 ENTRIES

Some Customs brokers or owners have been clearing locally-manufactured excisable goods from storage in dual-licensed warehouses by using Customs Nature 30 entries, which should only be used for imported dutiable goods. Excisable goods should of course be cleared using excise returns that are lodged with the ATO. Recent checks have identified about \$4million in revenue from tobacco products that has wrongly been paid to Customs, not to the ATO, due to this error. Although there is no overall loss of Government revenue, this practice could compromise the accuracy of Government statistics. Moreover, if Customs and the ATO determine that the previous incorrect transactions must be corrected, then there will be considerable work for the companies concerned. Therefore, all companies that have both dutiable and excisable goods stored in warehouses should take great care to ensure that they don't confuse these two classes of goods.

RECONCILIATION OF NATURE 20 & 30 ENTRIES

Checks in the tobacco industry have recently identified unauthorised and incorrect use of Multiple Clearance Codes (MCCs) on Nature 30 entries, in lieu of Nature 20 warehouse reference numbers. This practice makes it very difficult to reconcile the Nature 30 entries with the original Nature 20 entries for the goods concerned. The research conducted so far suggests that over-acquittals and under-acquittals, due to this mistake, are relatively common. The use of unauthorised Multiple Clearance Codes is most prevalent in the tobacco and alcohol industries. This specific problem will receive greater scrutiny from Customs in coming months, so Customs can ensure that all imported goods are correctly accounted for and all associated revenue liabilities are paid.

Exporting goods

Export audit statistics

July 2008 to February 2009

Total Number of audits	19
Number of export audits identifying at least 1 error:	18 or 95%
Number of lines checked:	669
Number of lines checked with at least 1 error:	505 or 75%
Total Critical Errors	583
Total Non-Critical Errors	286

Critical Error type	No	%
AHECC	28	4.80
Permits	17	2.92
FOB	351	60.21
Quantity	73	12.52
Destination	11	1.89
Origin	18	3.09
Owner Name	47	8.06
Consignee Name	38	6.52

These are considered *critical errors*. The *non-critical errors* are all other export declaration fields.

Inaccurate export values

Year to date, Compliance activities identified more than \$10.4 billion in overstated export valuations and about \$27.8 million in understated export valuations.

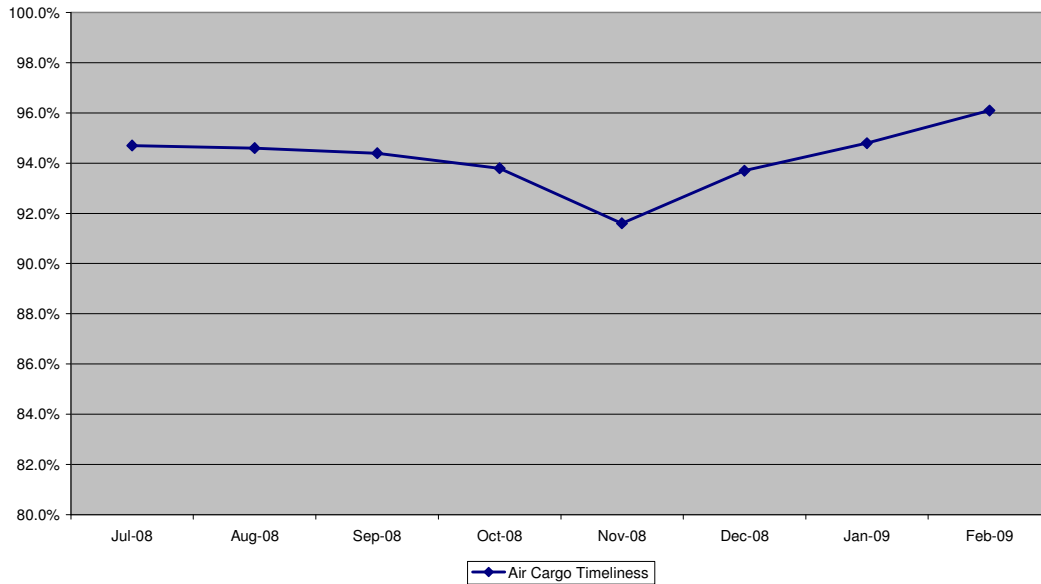
Large adjustments identified on one EDN included values ranging from \$86m to \$1.5b. Three export declarations were responsible for a total of \$3.6 billion in FOB errors alone.

Common errors include the incorrect placement of decimal points, the use of incorrect currency when declaring the FOB value and the placement of the AHECC codes in the valuation field.

Air and Sea Cargo Reporting

AIR CARGO

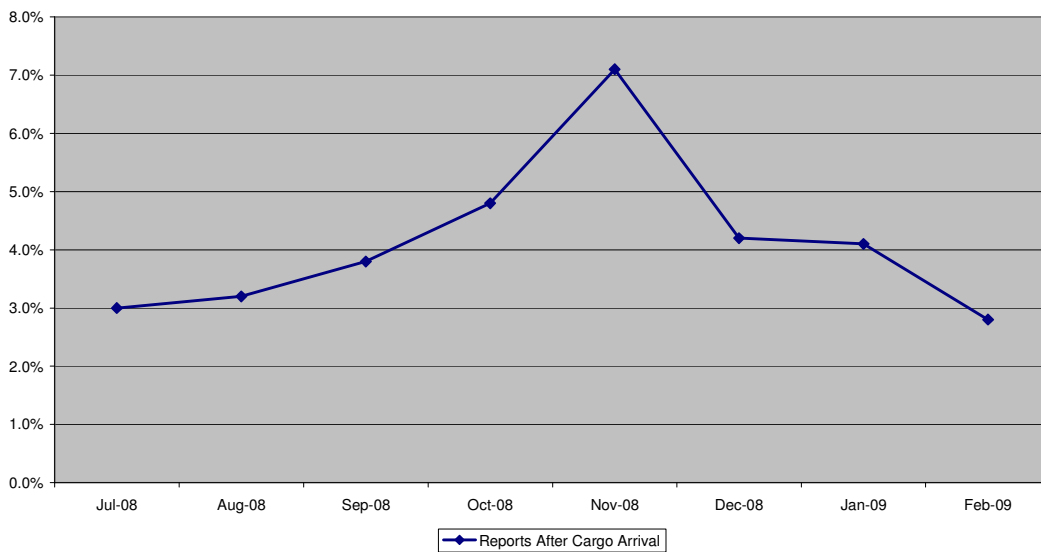
Air Cargo On-Time Reporting
July 2008 - February 2009



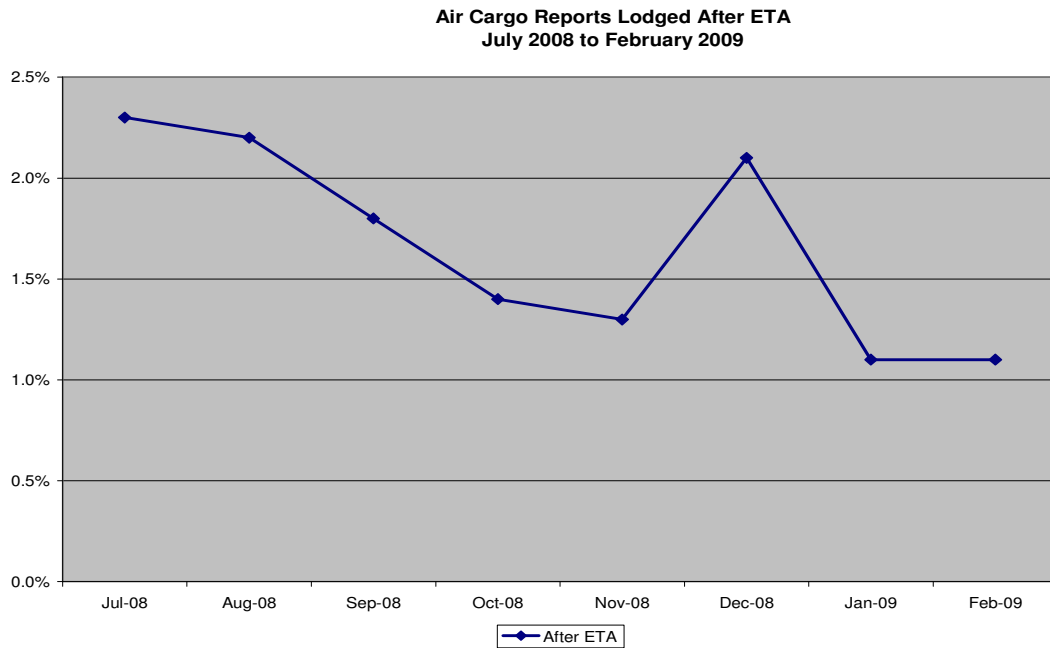
Statistics are calculated on performance against legislative timeframe (2hrs prior to aircraft's eta 1st port).

Reduced timeliness in November can be attributed to process issues with a single client.

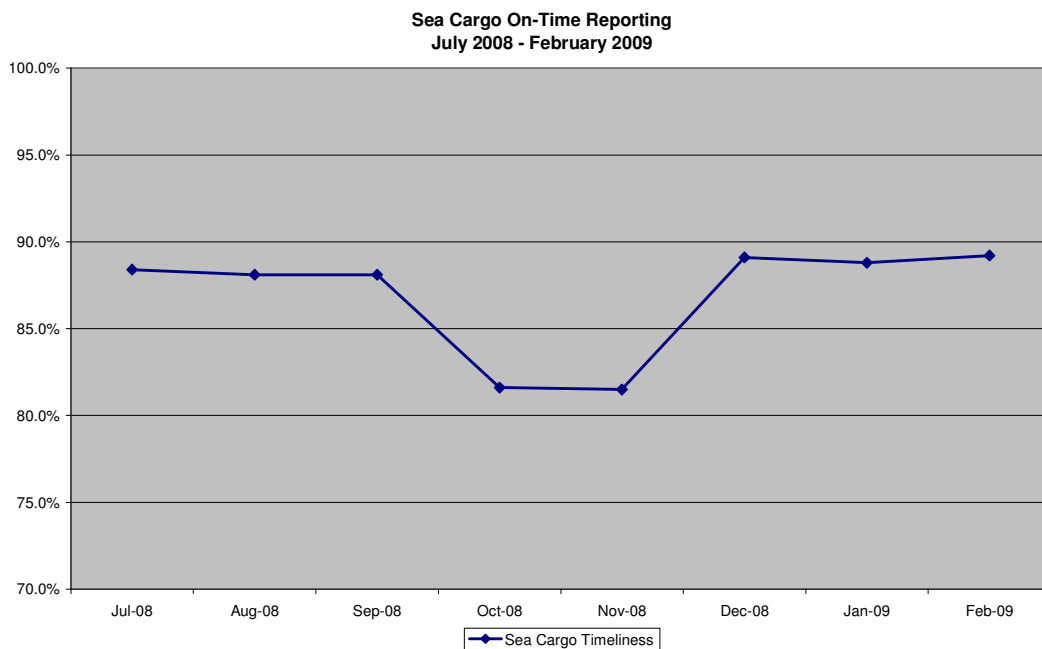
Air Cargo
All Bills Reported After Cargo Arrival
July 2008 to February 2009



AIR CARGO



SEA CARGO

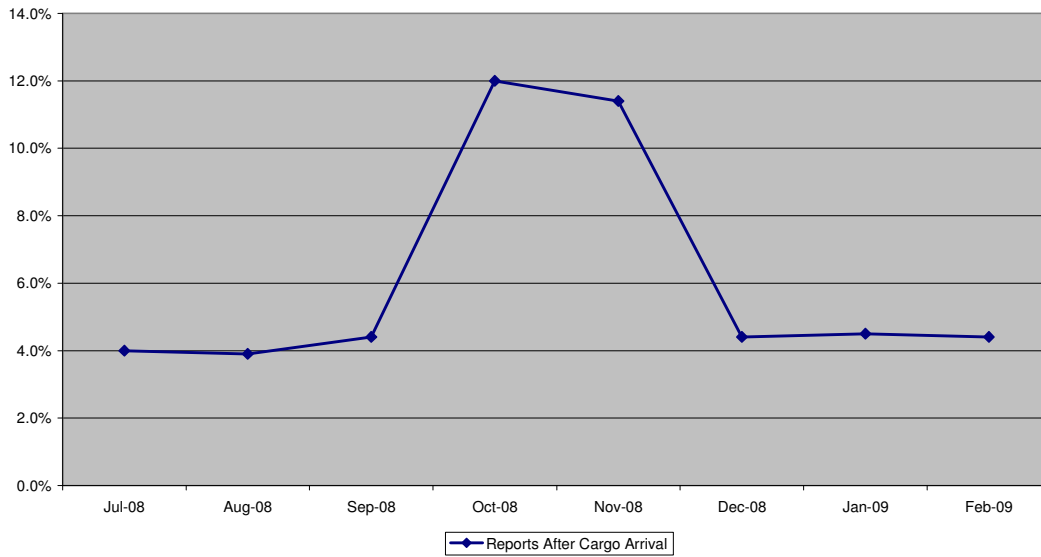


Statistics are calculated on performance against legislative timeframe (48hrs prior to vessel's eta 1st port).

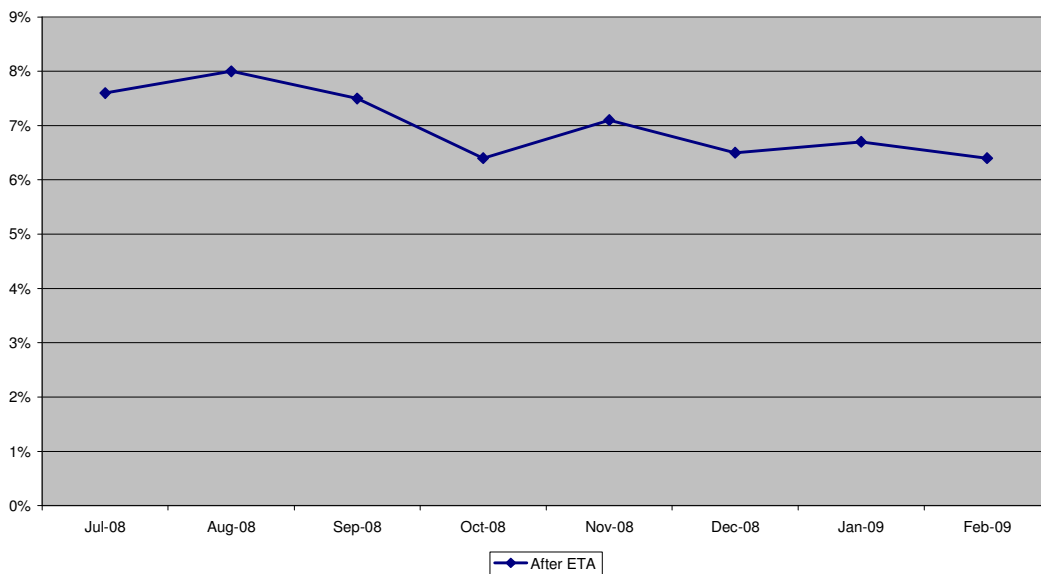
Reduced timeliness in October and November can be attributed to process issues with a single client.

SEA CARGO

Sea Cargo
All Bills Reported After Cargo Arrival
July 2008 to February 2009



Sea Cargo Reports Lodged After ETA
July 2008 to February 2009



When measuring individual company's timeliness we often see spikes in their performance. The graph above may not be affected by one company's result. In February one company introduced a new system which highlighted some internal processes that required attention. Their on-time reporting dropped with over 30% of their bills being reported late.

Australian Customs and Border Protections approach to the management of Cargo Reporting Compliance is published in ACN 2007/03.

Infringement Notice Scheme

July 2008 to February 2009

Import related offences

Offence	INs served	DWL	NDWLs
71AAAQ(1)- Making more than one self assessed clearance declaration	0	0	0
71G(1)- Entering goods that have already been entered for home consumption	0	0	0

Export related offences

Offence	INs served	DWL	NDWLs
99(3)-Delivery of goods for export without authority	0	1	0
102A(4)-Failure of holder of warehouse licence to notify Customs of prescribed goods for export	1	1	1
113(1)-Failure to enter goods for export and loading/exporting without authority to deal	0	0	2
114B(7)-Failure to comply with confirming exporter conditions	0	0	0
114E(1)-Delivering goods to a wharf or airport for export without authority	0	0	0
114F(2)-Failure to notify of delivery to or release from a wharf or airport	0	0	0
115(1)-Permitting goods to be taken on board a ship or aircraft without authority	0	0	1
116(2)-Failure to withdraw or amend an export declaration	0	0	0
117AA(1)-Consolidation of prescribed goods other than at a prescribed place	0	0	0
117AA(2)-Failure to notify of receipt of prescribed goods	0	0	0
117AA(3)-Release of prescribed goods without ascertaining status	0	0	0
117AA(4)-Failure to notify Customs of release of prescribed goods	0	0	0
117A(1)-Failure to provide submanifests	0	0	0
118(1)-Departing without Certificate of Clearance	0	0	1
119(3)-Failure to communicate outward manifest	0	0	0

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False and misleading statement related offences

Offence	INs served	DWL	NDWLs
S243T(1)- false or misleading statement – loss of duty	45	16	12
243U(1)- false or misleading statement- no loss of duty	0	1	4
243V(1)- False or misleading statements in a cargo report or outturn report	0	0	1

Movement of goods related offences

Offence	INs served	DWL	NDWLs
33(2, 3 & 6)- Moving, altering or interfering with goods subject to Customs control without authority	15	21	28

Arrival and cargo reporting related offences

Offence	INs served	DWL	NDWLs
64(13)- Failure to meet reporting requirements for the impending arrival of a ship or aircraft	0	0	2
64AA(10)- Failure to meet reporting requirements for the arrival of a ship or aircraft	0	0	3
64AAB(7)- Failure to meet reporting requirements for particulars of other cargo reporters	0	0	1
64AAC(6)- Failure to meet reporting requirements for persons engaged to unload cargo	0	0	1
64AB(10)- Failure to meet reporting requirements for the report of cargo	0	0	0
64ABAA(9)- Failure to meet reporting requirements for outturn reports	0	1	19
74(6)- Failure to comply with directions	0	0	0

INs = Infringement Notices served

DWL = Delegate Warning Letter

NDWL = Non-Delegate Warning Letter