

COLLECTION OF CUSTOMS DUTIES FOR IMPORTED VEHICLE AT DUTY FREE ISLAND

Royal Malaysian Customs Department
Ministry of Finance

Main Points

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| What we examined? | <ul style="list-style-type: none">• Collection of customs duties for imported vehicle brought out from Duty Free Island to Principal Customs Area which is implemented at the Royal Malaysian Customs Department in Langkawi and Labuan. |
| Why it is important? | <ul style="list-style-type: none">• To determine whether the collection of customs duties, which consist of import duty, excise duty and import sales tax for imported vehicles which were brought out from Duty Free Island to Principal Customs Area were conducted properly and appropriately. |
| What we found? | <ul style="list-style-type: none">• Overall, there were weaknesses in the collection of customs duties for imported vehicle at Duty Free Island. Those weaknesses that need attention are as follows;<ul style="list-style-type: none">- Customs duties amounted to RM72.32 million was understated due to the following;<ul style="list-style-type: none">▪ residential and vehicle ownership requirements not complied; and▪ inaccurate excise duties calculations. |
| What do we recommend? | <ul style="list-style-type: none">• The Audit recommendations are as follows:<ul style="list-style-type: none">- revise on the terms for purchase of vehicles brought in through Duty Free Island;- ensure the compliance of guidelines issued specifically for vehicle assessment procedure while customs division shall carry out audit on post-imported-goods; |

- the head of department must ensure that the officers carry out their duties in compliance with the regulations in force; and
- improve related regulations to ensure uniformity in making assessment on completely built up vehicle brought out from duty free island to Principal Customs Area to prevent leakage in national revenue.