



## INFORMATION SHEET

# CUSTOMS

## **POST CLEARANCE AUDIT**

*Complying with Customs Requirements – Importers, Exporters and Customs Brokers*

### **What is a Customs Audit?**

A Customs audit is an evaluation of company practices and records. The audit assists in judging the integrity of information supplied under self-assessment and the level of compliance with legislative requirements.

As an importer or exporter, you are legally responsible for the accuracy of information supplied to Customs, even though you must use a Customs Broker to prepare and lodge your declarations. For your own protection, ensure you examine and retain all documents supplied to Customs, check them for accuracy, and advise your broker of any errors.

### **How we work**

To help business move goods quickly, Customs cannot scrutinise every transaction. Instead audits are used to confirm the integrity of information supplied to us. Customs principal objective is to maximise voluntary compliance and eliminate future errors.

We want to help you achieve and sustain compliance over time – not just improve compliance on “hit-and-miss” basis. This means you need to look carefully at all your customs-related business systems, processes, and procedures.

A likely audit follows these steps:

- Customs will arrange an entrance interview with you to discuss the proposed audit, including which transactions are to be examined and what documentation is required to be produced to the audit team
- you are encouraged to examine their transactions prior to audit, as errors reported to Customs voluntarily will be viewed favourably and
- Customs will conduct an exit interview with you to discuss the assessment made about the client's level of compliance, and what if any further action is required by you.

### **Common Errors**

Customs has identified some of the more common reasons for reduced compliance.

#### *Failure to retain adequate records*

- All relevant commercial documents must be retained for five years from the date of the transaction with Customs.

#### *Imports incorrectly entered*

- All imported goods must be declared to Customs in accordance with the approved form, be accurately described and correctly classified using the Harmonised Tariff, and any surplus goods reported. Items not ordered, samples and promotional merchandise must also be entered.

- If merchandise is received but not included in the Customs entry, an application to lodge an amending entry should be made immediately. Voluntary payments of additional duty will not be penalised. In a self-assessment environment, importers could be subject to penalties if errors are detected during an audit.
- If duty has been paid on merchandise that is not received, you may be eligible to apply for a refund of duty.
- Customs provides a tariff advice service for importers who are in doubt as to the correct classification or concession. Applications accompanied by supporting evidence should be lodged with Customs.

*Customs value does not include all associated costs*

- All costs associated with the goods are legally required to be considered when determining the Customs value. These may include costs relating to advertising, assists, commissions, credits, escalation charges, indirect payments, rebates, research and development or royalties.
- Customs provides a valuation advice service for importers. Applications accompanied by supporting evidence should be lodged with Customs.

*Origin incorrectly identified*

- Confirmation of country of origin is required in order to claim preferential rates of duty.

*Failure to disclose related transactions*

- The value of goods can be influenced by related party transactions. An adjustment for the value may be needed.

*Incomplete information passed to Customs Agent*

- Errors may occur if all relevant information is not passed on to the person selected to assist in clearing your goods.

*Misuse of a TC number*

- The importer's TC number must be used on all import entries for that entity.

*Reporting requirements for exports*

- Goods must be entered for export before they are placed on board any conveyance and within 3 days before entry outwards of that conveyance.
- All goods that require a permit, regardless of the value of the goods, must be reported to Customs using an export declaration.
- All export goods are subject to Customs control when they are received at the place of export - for example wharf, airport or depot.

### **Self Assessment**

Remember, every person dealing with Customs has a chance of being audited. If you make false or misleading statements to Customs you will face the prospect of the imposition of sanctions, up to and including prosecution in a Court of law.

***This information is provided as a guide only.***

For more information please contact your nearest Customs office or write to The Commissioner of Customs, PO Box 777, Port Moresby, NCD or visit the website.

### **Legislative References:**

**Customs Act** Sections 131A to 131D; 132, 133 and 134



***PNG Customs is an operating Division of the Internal Revenue Commission***