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Customs tardiness blamed for losses

THE Customs Department failed to act on declaration forms that were not returned amounting to RM1.72bil, and those with "temporary release" status amounting to RM1.04bil. "This can create an element of fraud such as merchandise being taken out from the free trade zones to be sold in the local market without being subjected to duty instead of being exported out of the country," said the 2005 Auditor-General's Report. Nine areas have been gazetted as free trade zones (three each in Selangor and Penang, two in Johor and one in Kuala Lumpur). The report said the Customs Department did not have enough personnel for all major entry points. This could result in merchandise being brought in and out of the free trade zones without being checked. The manpower shortage was very apparent in post-import units in Kuala Lumpur and Penang, resulting in the department only being able to audit 0.7% of the 52,000 importing companies plying the two stations. "The shortage in personnel gives a big and significant impact following the limitation set by Section 17 of the Customs Act 1967, which limits payment from tax deficits to be collected within three years of the actual date it was payable," the report said. Tax arrears amounting to RM15.03mil was not collected as a result of the department's delay in assessing imported merchandise.