



Asia Pacific Trade & Customs Update

AUGUST 2016

This newsletter summarises recent developments in key trade and customs regulatory regimes in the Asia Pacific region as well as insights from across our KPMG Asia Pacific Trade & Customs network.

1. Indonesia Voluntary Disclosure of Customs Values

Indonesia's Ministry of Finance (MOF) recently issued a new regulation on 27th May 2016 to allow importers to declare estimated transaction values and pay import duties and related taxes accordingly. This regulation applies for scenarios whereby the transaction value is not finalised at the point of importation. After importation and when the finalised customs values are found to be lower than the initial transaction values reported to Customs, importers will then be required to acknowledge the difference and make the necessary voluntary declarations along with the shortfall of duties and other import related taxes.

Read the full article [here](#).

Regulation in Bahasa: MOF Regulation No. 67/PMK.04/2016 [here](#).

2. Brexit impact on Asian operations

There are a lot of political and economic uncertainties relating to Brexit. The exact data for UK to trigger Article 50 of the Lisbon Treaty and officially start the process to leave the EU is uncertain. There is also no clarity as to what extent would UK be able to duplicate the trade agreements that the UK can negotiate with the EU as well with the rest of the world.

For businesses operating in Asia, there may be potential risks as well as opportunities, especially if there are current utilisation of existing EU FTAs or future utilisation of EU related FTAs that are currently being negotiated.

It will be prudent for businesses to devise an appropriate response plan as the specific terms

of Brexit unfolds for the UK. Aspects to consider include:

- A. Reassessment of your global supply chain in terms of your manufacturing and raw material procurement footprint to fully utilise on the relevant FTAs; and
- B. Being prepared for potential knock-on impact on value-added taxes and duties for inbound UK investments

Read the full article [here](#)

3. Proposed revisions to India Customs' Authorised Economic Operator (AEO) Programme

The Central Board of Excise and Customs (CBEC) has recently proposed in June 2016 to revise and merge its current Accredited Client Programme (ACP) and Authorised Economic Operator (AEO) programme into a combined three-tier AEO programme as follows:

| Tier | Tier I | Tier II | Tier III |
|-------------------------------|--|---|--|
| Benefits | High level of facilitation in imports and export | Higher level of facilitation in imports and export | Highest level of facilitation in imports and export |
| Eligibility | Importer and Exporter | Importers, Exporters, Logistics Providers, Custodians or Terminal Operators, Customs Brokers and Warehouse Operator | Importer or exporter who has at least 2 years Tier II status |
| Validity | 2 years | 3 years | 5 years |
| Time limit for renewal | 30 days | 60 days | 60 days |

Under the proposed three-tiered AEO Program, entities can expect to enjoy enhanced trade facilitation benefits to entities which includes but not limited to reduced shipment inspections, deferment of duties payment, reduce inspection, reduced bank guarantee amounts, expedited investigations and dispute resolutions to issues related to customs, central excise and service taxes and utilising Mutual Recognition Agreements with other foreign Customs Administrations.

Read the full article [here](#).



4. Developments to Australia's national export control regime

Australia's national export controls regime had recently undergone regulatory changes to cover transfer of intangibles (e.g. technologies, software) out from Australia through electronic mediums such as emails. This coverage of the national export control regime is an extension of the previous control coverage of purely physical shipments of controlled goods exported out from Australia. In line with international export control regimes, the coverage of goods and intangibles are not limited to those purely related with military use but also dual-use goods (i.e. goods with both commercial civilian use and potentially capable for military purposes as well.)

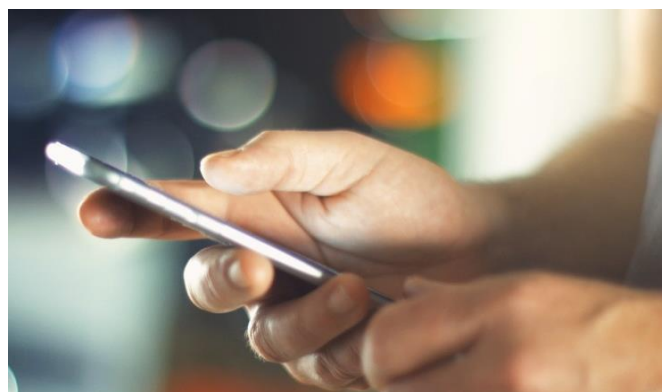
Failure to comply can lead to potentially severe penalties of AU\$450,000 (est).

US\$350,000) per export and up to ten years imprisonment for not obtaining a permit to export.

Given the severity of penalties, organisations operating in Australia are recommended to access whether their current and upcoming developments in their export operations or operations requiring outbound intangible transfers of controlled technologies or software are covered with the relevant export control licenses.

As a matter of best practice, a localised internal compliance program with standard operating procedures and processes are recommended to maintain sustainable compliance with Australia's export controls.

Read the full article [here](#).



5. Expansion of the Information Technology Agreement (ITA)

Since its inception in December 1996, the ITA has sought to eliminate / reduce customs duties on a range of electronic and information technology (IT) products for imports into various country markets. A recently expansion of the ITA at the World Trade Organisation (WTO) in December 2015 is expected to further eliminate / reduce customs duties for a wider range of electronic products at the point of importation. The product coverage are based on the Customs Harmonised System (HS) 2007 Edition classification codes.



The expanded ITA established that the first set of customs duty cuts were to be implemented on 1 July 2016 and the second set of tariff cut will be taking place on 1 July 2018 with the effective elimination no later than 2019. Under the expanded ITA, customs duties will be eliminated either immediately upon implementation or progressively over a maximum of seven years.

The table shows an overview of implementation of the ITA expansion in Asian countries:

| Countries | Effective date of implementation | Local legislation enactment | Retrospective application allowed |
|----------------------|---|---|---|
| Australia | 1 January 2017 | Australian Domestic Legislation | No |
| China (Including HK) | No updates from China authority yet | China Central Government | Case by case |
| Japan | 1 January 2017 – Possible delay | Japan Customs Department of the Ministry of Finance | No |
| Korea | Latest by 1 January 2017 | Korea Ministry of Trade, Industry and Energy | No |
| Malaysia | 1 July 2016 | Malaysia Finance Minister will issue a new Duty Rates Order | No |
| New Zealand (NZ) | 1 July 2016 | NZ Governor General will issue an Order for the NZ Tariff to be updated | NA. (2016 base rates in the schedule are higher/same as the prevailing tariff rates. Hence no immediate need to update NZ tariff rates) |
| Philippines | No updates from Philippines authority yet | - | - |
| Singapore | 1 July 2016 | NA | NA |
| Taiwan | 1 July 2016 | Taiwan Governing Authority | Yes |
| Thailand | 1 July 2016 | Thailand Ministry of Finance | Yes |



With this expanded ITA, Asian businesses in the electronic and IT industries should take this opportunity to review their products based on the HS codes allocated to see if there are any potential customs duty savings.

6. Recent Selected Free Trade Agreement (FTA) Developments

| Agreements | Member countries involved | Implementation / signed Date | Status |
|---|--|------------------------------|--|
| Trans-Pacific Partnership (TPP) | Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam | 4 February 2016 | Signed but not ratified. Ratification by the US will be critical to kick start ratification processes by the other signatory parties. The US Congress will reconvene in November 2016 which is seen as a key window for US ratification before the current US president steps down. |
| EU-Indonesia | EU countries and Indonesia | NA | Undergoing negotiations |
| Sri Lanka-Singapore Free Trade Agreement | Sri Lanka and Singapore | NA | Undergoing negotiations |
| Pakistan – Turkey FTA | Pakistan, Turkey | NA | Undergoing negotiations. |
| Thailand – Pakistan FTA | Pakistan, Thailand | NA | Undergoing negotiations. Expected to be signed by end of 2016. |
| South Korea – Colombia FTA | South Korea, Colombia | 15 th July 2016 | Entered into force. |
| Regional Comprehensive Economic Partnership | Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand and Vietnam | NA | Undergoing negotiations |

Contact us

How we can help

We are a team experienced in aspects of international trade and customs matters across the Asia Pacific region. We are relied upon by clients and regulatory bodies alike for specialized, independent assessments and monitoring of global trade compliance programs, processes and their effectiveness. Our goal is to offer you practical and sustainable industry solutions that your business can relate to and apply in your specific trade and customs issues.

Given the international nature of trade and customs issues involving typically in two or more countries, KPMG strongly believes in providing an international and holistic perspective for your business. What you do in a country may have an impact in another. The KPMG Asia Pacific Tax Centre is able to provide this value proposition to you.

About Asia Pacific Trade & Customs Update

KPMG's Asia Pacific Trade & Customs Update highlight the latest trade and customs developments, impending change to laws or regulations, current practices and potential problem areas that may impact your company.

KPMG Asia Pacific Tax Centre's network of tax professionals brings together a wealth of local and regional experience relevant to you and your business. The Centre will help you succeed in operating and growing in this dynamic and diverse region, while identifying the opportunities for your tax function to add significant business value.

As certain issues discussed herein are time sensitive it is advisable to make plans accordingly. "Asia Pacific Trade & Customs Update" is issued exclusively for the information of clients and staff of KPMG Services Pte. Ltd. and should not be used or relied upon as a substitute for detailed advice or a basis for formulating business decisions.

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