



DELIVERING THE FUTURE



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EXPORT COMPLIANCE

Is Customs Serious about Export Compliance?

The exporting community may be excused for coming to the conclusion that Customs is not all that serious about the compliance of data submitted on Export Entries.

The strict liability penalty regime was introduced with great publicity on 1 July 2002 after significant Customs activity designed to highlight to the industry just how low compliance levels were. Customs audits showed that around 90% of all Export Entries contained errors. Customs went to great lengths to demonstrate to the industry the impact of the strict liability penalty on those errors.

Some within the industry listened to the Customs message and made the investment in compliance improvement programs to protect themselves from the impact of the strict liability penalties, including employing Licensed Customs Brokers to lodge export entries.

Others within the industry heard a different unintended message from Customs. The constant assurance that strict liability penalties were only to be used as a last resort combined with the reassurance that after 18 months no penalties had been issued for mis-declared export entries, led to the conscious or unconscious decision that there was no real risk in maintaining current practices and levels of non compliance.

Recently TCF were asked to assist a forwarder that had been targeted by Customs because of the low compliance levels for their export declarations had been discovered through an audit. The forwarder was unable/unwilling to make any changes to improve compliance levels and a subsequent audit by Customs identified that no improvement in compliance levels had been made.

Rather than impose penalties Customs chose to subject 5% of the companies export entries to documentary check. 5% of their export entries did not receive clearance until the documents were lodged with and checked by Customs against the export entry lodged. This created havoc for the forwarders processes and service levels given the small amount of time between export entry lodgment and shipment.

While this grabbed the attention of the forwarder enough to have them take action to implement a compliance improvement plan, the results of that plan were not immediately evident. Retraining of staff and implementation of new compliance processes takes time to deliver results. Customs seeing no significant improvement in the 5% documentary check proposed to increase the documentary check to 10%.

Thankfully this increase was averted and Customs were able to be convinced that the company was now taking compliance seriously and were making the investment in people, systems and processes to increase compliance levels. Customs began to see the results of this investment and subsequently withdrew the 5% documentary check.

Subsequent discussions with Customs indicate that after 10% documentary check they have the ability to require the lodgment of documents for all export entries.

In this case Customs achieved the increased compliance levels they expect without the resort to strict liability penalties. They have a far more effective tool that impacts the efficiency of commercial services and impacts service levels to clients.

Is this an isolated instance? It did not appear the targeted company had compliance levels any worse than the industry in general. Discussions with Customs indicate that they have at least 10 companies specifically targeted in the New Year as a result of low compliance levels.

Are Customs serious about export compliance? The answer is yes and those forwarders that have not invested in increasing compliance levels need to do so before their non compliance impacts the ability to service their clients.

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