



Customs Duties Order 2017

Highlight on Changes to Customs Duties Order 2017

Changes to Harmonised System

How will you be impacted?

Malaysia, together with other member countries of the World Customs Organisation (WCO), has recently passed a legislation to implement some major changes to the Harmonised Commodity Description and Coding System (generally known as Harmonised System or HS coding system). The WCO is an independent intergovernmental body representing 180 global customs administrations (including Malaysia) that collectively processes approximately 98% of world trade.

The HS coding system classifies goods on a 6-digit standardised basis for customs purposes in international trade. The HS coding system is reviewed and maintained by the WCO and amended every 5 years.

The current set of changes arose as a consequence of the 5th review of the HS coding system by the WCO. The Malaysian legislation, the Customs Duties Order 2017 (the Order), that brings about these changes will take effect from **1 April 2017**.

Below are the key changes on what you should be focusing on in the interim and how we may be able to assist you.

What are the key changes?

- Goods are identified by a 10-digit code instead of 6-digit codes, e.g. the current HS code for trade samples 9800.00 600 will be changed to 9800.00.00 60.
- It is envisaged the current HS codes for zero-rated goods under the GST (Zero Rated Supply) Order would be amended accordingly to reflect the new 10-digit HS codes and/or products description.
- To enhance the monitoring of particular fish species for global food security purposes, the scope of the fish species has been expanded to include other main species identified by the Food and Agriculture Organization of the United Nations, e.g. new subheading 1604.18 on shark fins has been introduced in the Order.
- To facilitate the monitoring and control of narcotic drugs and psychotropic substances, new subheading 1302.14.00 has been introduced in the Order to cover vegetable saps and extracts of ephedra.
- To enhance the coverage of wood species for a clearer picture of trade patterns, definition of "tropical wood" has been expanded and included as Appendix C to the Order.
- The HS 2017 amendments include new subheadings to provide detailed information for several categories of goods that are used as antimalarial products, e.g. new subheading 3003.60.00 has been inserted in the Order to provide separately for antimalarial medicaments.
- New subheadings are being inserted for specific chemicals controlled under the Chemical Weapons (CWC), e.g. new HS code 2918.17 00 00 benzoic acid has been inserted to facilitate the collection and comparison of data on the international movement of substances controlled under the CWC.

What should you be focusing on between now and 1 April?

- As the Malaysian Customs Duties Order 2017 will take effect from 1 April 2017, impacted businesses will need to ensure that correct HS codes and product description are declared at the time of import and export. Incorrect declaration of the HS codes may result in delays in customs clearance or ability to claim import duty exemption or apply GST zero-rating on the import of those goods. Additionally, incorrect declaration may face punitive action such as compound penalties imposed by Customs.
- Assess changes that need to be made to current systems and processes to ensure the correct HS codes and product descriptions are captured and declared to Customs at import/exit points for customs duties and GST.
- Review existing duty exemption approvals and GST schemes to determine what changes are required to the HS codes and the product descriptions. Ensure internal processes are updated so that only new HS codes are used in the relevant new application or renewals.

- Determine whether the new HS codes will give rise to any import/export licence requirements. For existing import/export licences, there will be a need to determine whether changes are required to the products description and the HS codes.
- Review whether existing HS classification rulings issued by Malaysian Customs are still valid and whether changes are required.
- Communicate changes to the HS codes (and also the product description) to any foreign trading parties that transact under preferential treatment; and
- Communicate changes to your customs agents and freight forwarders to ensure the correct declaration of goods.

How can Deloitte help?

- We have a team of Customs specialists with global support to assist the businesses in assessing the level of compliance for customs procedures and customs duties payment;
- We can assist the businesses to review the product HS codes for compliance with the Customs regulations;
- We can work with the businesses to verify the products for import and export control compliance.

Who can you call for more information?

Feel free to contact any of our specialists listed below.

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Best Regards,

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