

SEA Customs and Global Trade Developments

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Introduction

Common Issues in South East Asia

How can we help our business save money?

- Increasingly competitive landscape - money on the table from the use of FTAs, or benefits from trade facilitation/relief schemes
- Business more willing to invest / listen if there is value proposition on use of FTAs [e.g. savings of 3% in landed costs (above the line expense) could translate into savings of 30% in income taxes (below the line expense)]
- FTA savings vs FTA costs? Tracking developments of new FTAs (e.g. RCEP, CPTPP, EU-FTAs with individual ASEAN countries, etc.)



How do we manage risk more effectively?

- Era of increased Customs audits and investigations where compliance gaps can result in fines, penalties, loss of privileges including loss of duty suspension programme, loss of AEO status, etc.
- This can lead to increased time to market for business, increased cost of doing business from inventory costs, demurrage charges, to significant cash flow problems if duty suspension programmes are suspended
- Periodic health checks recommended for high-level snapshot of compliance levels



How do we keep up with changing rules and regulations?

- Changes to import/export licensing requirements
- Imposition of new types of taxes / changes in duty rates (e.g. US, China, India, Indonesia), new trigger points in excise duties (e.g. Thailand), VAT/GST regimes (e.g. Malaysia, India, Oman, Middle East)
- Changes in laws can lead to business disruptions (e.g. Thailand, Indonesia, Vietnam, etc.)
- Increasing use of anti-dumping duties or safeguards by countries to protect domestic industry.



Big Picture Trends Affecting Trade in ASEAN

- Business restructurings:
 - Constant restructuring by MNC's looking to obtain value from being within the ASEAN region (e.g. relocation of factories to 'lower-cost' jurisdictions, pressure from home country to 'repatriate' HQs).
 - Tax incentive 'shopping' - going where Governments can provide better value for investment (c.f. Singapore vs Malaysia vs Thailand, for RHQ type activity and trading companies).
- Consumer preference moving towards e-commerce, allowing companies to sell goods and services without physical in-country location. Changes in regulations to address the growing digital economy, introduction of new taxes, slow increases in parcel duty/GST allowances.
- Adoption of technology in businesses (e.g. 3D printing allowing companies to buy hardware and blueprints to build themselves, instead of importing fully built units) – pressures on customs duties, shift to intangible spending.
- Increased focus on supply chain design to ensure more 'efficient' business delivery model and creation of regional hubs and delivery centers / centers of excellence – affecting FTA benefits and potential customs valuation issues.

Recent FTA Developments...

- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
 - Signing expected by 11 member countries on 8 March 2018. After signing, at least 50% or 6 countries to ratify for the Agreement to take effect.
 - Continues to be a 'high quality agreement' with 22 provisions under the original TPP Agreement now suspended. All member countries can agree for these provisions to take effect in the future.
 - Legal text released by New Zealand as the repository setting out the relevant provisions of (and particular clauses within) the relevant chapters to be suspended (mainly surrounding ISDS, pharmaceutical industry, extension of copyright protection, liability for ISPs, Government Procurement).
 - Once the parties needed to ratify the agreement have done so and notified the completion of ratification, the CPTPP will take effect after 60 days.
 - Recall that the original market report provides Vietnam to be the biggest beneficiary member country, followed by Malaysia, although the CPTPP will also open up markets for other countries like New Zealand who does not have FTAs with Japan, Canada, Mexico and Peru.

Recent FTA Developments... (cont'd)

Progress of EU-based FTAs

(i) EU-Singapore: signed and awaiting entry into force.

(ii) EU-Vietnam: signed, subject to legal scrubbing, final ratification and entry into force.

(iii) EU-Malaysia: negotiations entered into since 2010, and expected to be concluded at the end of 2017. Timeline pushed to 2018.

(iv) EU-Thailand – negotiations entered into since 2013, but has since been suspended following the military takeover in Thailand in 2014.

(iv) EU-Philippines – negotiations entered into since 2015, and is still ongoing. It is unclear at this stage when an agreement is likely to be concluded.

(v) EU-Indonesia – negotiations entered into since 2016, and is still ongoing. It is unclear at this stage when an agreement is likely to be concluded.

Beneficial for countries who have migrated out of the EU GSP regime. Question remains open on the United Kingdom's customs model with the EU after Brexit.

Recent FTA Developments... (cont'd)

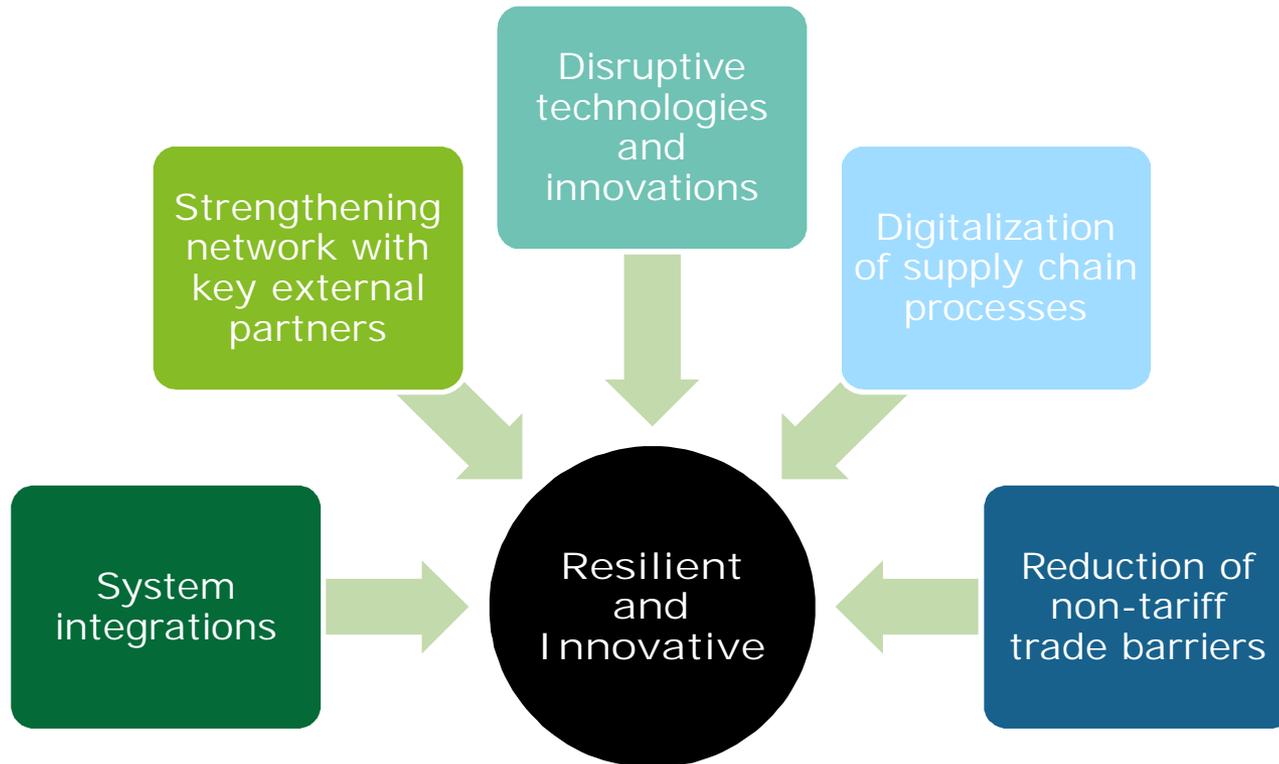
Progress of Regional Comprehensive Economic Partnership (RCEP)

- 4th RCEP Ministers Meeting held in Singapore on 3 March 2018, following 21st round of negotiations in Yogyakarta in Indonesia on 9 February 2018.
- 2 concluded chapters so far, on Economic and Technical Cooperation and SME. Other chapters are nearing conclusion, but divergence in levels of ambition, challenges and sensitivities in other areas have resulted in delays to the finalizing of certain chapters.
- Commitment to achieving a 'modern, comprehensive, high-quality and mutually beneficial economic partnership agreement'. Plans to conclude the Agreement by end 2018 but no hard deadline given.
- Liberalization covers tariff reduction on goods, opening up of services markets (across all modes of supply), and investment.
- Japan and Australia continue to seek high levels of entry, whilst concerns remain from India and other member countries regarding market opening. Member countries have been asked to better their offers for market access and submit revisions by 13 April 2018.
- Next Ministerial meeting in July 2018, prior to ASEAN Economic Ministers Meeting in August 2018.

Developments in Singapore

ASEAN 2018 – A Network of Smart Cities

As the Chairman of ASEAN 2018, Singapore adopts the tagline “Resilient and Innovative” to establish a network of ASEAN smart cities that are integrated seamlessly.



Launch of e-ATIGA Form D

- From 1 January 2018, Indonesia, Malaysia, Singapore, Thailand and Vietnam transited into the live operation of Form D electronic transmission via the ASEAN Single Window (ASW).
- Approved Form D from an exporting ASEAN Member State (AMS) would be transmitted electronically via the ASW to the customs authorities in the importing AMS – i.e. the importer is not required to present a hardcopy Form D at the time of import.
- To apply for e-ATIGA Form D, companies need to pre-register with their local customs and issuing authorities.
- Application of Back-to-Back Form D's can also be obtained electronically without presenting a hardcopy of the original e-ATIGA Form D if:
 - The goods originated from any of the exchange-ready AMS;
 - The original e-ATIGA Form D was issued on or after 1 January 2018; and
 - The original e-ATIGA Form D is successfully received on the National Single Window (NSW) from the original exporting country.

Increase on Tobacco Excise Duty Rates

- With immediate effect from 19 February 2018, a 10% increase on excise duty rates across all tobacco products was implemented;
- The increase has resulted in further increases to the retail price of tobacco products in Singapore. Example of excise duty rates increase:

Old Excise Duty	New Excise Duty	Examples
\$352.00 per kgm	\$388.00 per kgm	Unmanufactured tobacco, tobacco stems, tobacco refuse, manufactured tobacco for manufacture of cigarettes.
\$388.00 per kgm	\$427.00 per kgm	Water pipe tobacco, cigars, cheeroots, cigarillos, smoking tobacco packed for retail sale (including homogenised/reconstituted tobacco)
\$299.00 per kgm	\$329.00 per kgm	Beedies cigarettes, ang hoon (packed for retail), chewing and sucking tobacco,
38.8 cents for every gram or part thereof of each stick of cigarette	42.7 cents for every gram or part thereof of each stick of cigarette	Clove cigarettes, other cigarettes containing tobacco, cigarettes of tobacco substitute.

- C.f. Singapore Customs Circular 01/2018 on notification of tariff changes: <https://www.customs.gov.sg/~ /media/cus/files/circulars/corp/2018/circular%20no%20012018%20ver%201.pdf>

Introduction of Carbon Taxes

- On 21 September 2016, Singapore signed the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC) to:
 - reduce Emissions Intensity (EI) by 36% from 2005 levels by 2030, and
 - stabilise emissions with the aim of peaking around 2030.
- Carbon tax will be implemented on all facilities producing “Greenhouse Gases” exceeding the prescribed threshold from 2019.
- Facilities are required to report and pay carbon taxes where the prescribed threshold is met on the following greenhouse gases (calculated based on a CO2 equivalent):
 - carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, nitrogen trifluoride, prescribed hydrofluorocarbons, and prescribed perfluorocarbons.
- A carbon tax registry will be established for registered companies to purchase credits from the Registrar of Carbon Pricing. The credits will be used to pay the carbon tax levied.

Introduction of Carbon Taxes (continued)

- Under the draft Carbon Pricing Bill, developed based upon existing procedures and requirements under the Energy Conservation Act - the following are being proposed:
 - Any business facility producing 2,000 tonnes or more of greenhouse gases (calculated based on a CO₂ equivalent) will be required to register as a 'reportable facility' (for monitoring purposes);
 - Carbon tax imposition on all facilities producing 25,000 tonnes or more of greenhouse gas emissions in a year, with the first payment expected to be paid in 2020 (based on emissions in 2019).
 - Carbon tax rate to be implemented from 2019 to 2023 is \$5 per tonne of greenhouse gas emissions.

Note: Beyond 2023, the rates may increase up to \$10 or \$15 per tonne.

Proposed Amendments to Customs Act

- Snapshot of proposed amendments to the Customs Act

Issues	Current Provision	Proposed Amendment
Refund of duties, taxes, fees or other charges overpaid or erroneously paid	Section 19 allows the refund of duties, taxes, fees or other charges that were overpaid or erroneously paid when a claim is made to Customs within one year of the payment.	Increase the time limit from one year to five years, in line with the GST Act.
Demand/ recovery of Payment of duty, etc., short levied or erroneously refunded	Section 20 allows the demand/recovery of duties, taxes, fees or other charges short levied or erroneously refunded within one year of underpayment.	Increase the time limit from one year to five years. No time limit in case of fraud and wilful default.
Liability in respect of duty for goods unaccounted for within FTZs, approved landing places or transit warehouses	Section 42 specifies the relevant parties liable for payment of duties on dutiable goods unaccounted for when unshipped or landed in a FTZ, approved landing place or transit warehouse.	Provide legal clarity that duty should be paid for <u>goods used and consumed</u> within these places.
Reimposition of customs duty or excise duty	Section 14 allows the reimposition of customs/excise duty if the duty-exempt goods cease to comply with the conditions required for exemption or cease to be kept or used by the person or for the purposes qualifying them for the exemption	Provide legal clarity that duty can be reimposed based on the <u>value at the time of importation</u> or when the exemption ceases to apply.

Turkey-Singapore Free Trade Agreement (TRSFTA)

- The Turkey-Singapore Free Trade Agreement (TRSFTA) came into force on 1 October 2017
- Under the TRSFTA, the tariff elimination covers more than 95% of all Turkey's tariff lines
- No customs duties on all Turkey-originating goods into Singapore (including beer, stout, ale, medicated samsu). However, excise duties on these products are still applicable.
- Under the TRSFTA, the Rules of Origin to determine whether goods from Singapore are of originating status are as follows:
 - Wholly obtained or produced in Singapore; OR
 - Product Specific Rules as outlined under Annex B and B(a) of the TRSFTA legal text i.e. the working or processing that must be carried out on the non-originating materials used in manufacturing, and application only in relation to such materials.
- C.f. Singapore Customs Circular 13/2017 regarding operational procedures for claiming preferential tariff in Singapore (i.e. origin declaration in Turkey on invoice or other commercial document – declaration via TradeNet of "PRF" filed.

Singapore-Australia Free Trade Agreement (SAFTA)

- Revised Rules of Origin and Origin Procedures under the SAFTA (c.f. Singapore Customs Circular 16/2017), w.e.f. 1 December 2017.
- Removal of General Rule and Consolidation of HS Codes into Product Specific Rules (PSR):
 - Under Revised Rules, products must satisfy the PSR in Updated Annex 2 to be considered an 'originating good' for exports to Australia
 - 3 year transition period from 1 December 2017 until the new rules apply. No transition for Origin Procedures, only Rule of Origin.
- Move towards self certification under revised SAFTA using minimum set of information in Annex 3-A of the Rules of Origin (completed by producer, importer, or exporter).
- Revised formula for regional value content (RVC).

Developments in Malaysia

General Updates

- General environment of doing business in 2017:
 - o World Bank (WB) Report 2018 on Ease of doing business in Malaysia - slipped to 24th from 23rd position last year
 - o WB report indicates room of improvement for paying taxes e.g. to reduce hours spent in filing and payment of GST return
 - o Annual Corruption Perceptions Index – slip to 62 position from 55th last year
 - o Malaysia made importing and exporting easier by improving the infrastructure, equipment and facilities at Port Klang
- Recent developments in customs laws:
 - o Adoption of 10 digits HS codes with effect from 1 April 2017
 - o Changes in customs duty and excise duty exemptions orders, prohibitions for imports/export order to reflect the 10 digits HS codes

Trends Moving Forward in 2018 and Challenges

- Things to look forward to in 2018:
 - o Digital Free Trade Zone
 - o uCustoms – to unify all Customs related administration under a single umbrella
 - o Customs to publish guidelines on customs procedures similar to GST guidelines?
 - o Digital rules for GST
- Challenges faced by businesses
 - o Inconsistent practices by Customs at different stations
 - o Integration between GST matters with Customs administration
 - o Long processing time in getting Customs confirmation on appeal and classification rulings from Customs

Recent Audit / Investigations Focus

- Recent focus of audits:–

- o non compliance with LMW conditions and claiming of back taxes beyond 3 years / increasing use of fraud and evasion provisions under the Customs Act by Malaysian Customs Authorities
- o HS codes declared for imported goods challenged by Customs for up to 3 years (especially those arising from differential duty rates)
- o Business should conduct internal reviews to identify risk and consider voluntary disclosure where appropriate to mitigate harsh penalties.

Indonesia

Global Environment Business 2017 (Indonesia)

3 Hours Investment Service

As one of a support in drawing more investment, Indonesia Government, through Indonesia Investment Coordinating Board (“BKPM”), officially launched “The Investment Licensing Service in 3 Hours” (Layanan Izin Investasi 3 Jam or I23J) on January 11st 2016. The service, which is part of the government’s 2nd economic policy package, aims to cut the time to wrap up licensing procedure for only 3 hours from workdays normally. The total permits issued by this service are ‘8+1’ products, such as:

1. The investment license (Principle License or IP).
2. The Deed of Establishment and legal entity approval from the Ministry of Justice and Human Rights of the Republic of Indonesia.
3. Tax ID (NPWP).
4. Company Registration Number (Tanda Daftar Perusahaan or TDP).
5. Foreign Worker Employment Permit (IMTA).
6. Foreign Worker Employment Plan (Rencana Penggunaan Tenaga Kerja Asing or RPTKA).
7. Producer Importer Identification Number (API-P).
8. Custom Registration Number (Nomor Induk Kepabeanan or NIK).
9. Letter on Land Availability Information (optional).

New Incentive Schemes

Bonded Logistics Center (PLB)

Bonded Logistic Center (PLB) is associated with one or more simple activities that are not processing activities that generate new products that have the nature, characteristics, and/or the different functions of the original goods within a certain period of time for later removal.

Flexibility of Origin & Purpose of Goods: Imported goods and/or local goods. Thus, the Company can manage the cash flow well

Non-collection of VAT, Sales Tax on Luxury Goods and Article 22 income tax on import

Suspension of import duty and tax when signing in, Delayed Payment of import duties and taxes at disposal

Flexibility of activities within the PLB: Simple blending is allowed, including commingling

Flexibility of stockpiling period: Can be up to 3 years++

Flexibility of ownership: Own property or consignment

New Incentive Schemes (cont'd)

AEO

Actual Local Practice

- Minimum documents and/or physical examination
- Simplification of customs procedures
- Commercial services in the event of disruption of the logistics supply movement
- Ease of preliminary notification
- Advanced payment of customs duty settlement in periodic form
- Priority to be included in new programs initiated by the Directorate General of Customs and Excise
- Customs clearance services outside office hours of the Customs Office

Recent Developments in Duty Rate Changes

Safeguard Import Duty and Proposed Import Duty on Intangible Imports

Flat-Rolled Products of Iron and Non-Alloy Steel

- Considering the results of investigation by the Indonesian Trade Safeguarding Committee regarding the threat of serious losses potentially suffered by domestic industries due to increasing import of flat-rolled products on iron or non-alloy steel;
- The rates of safeguard import duty to be imposed during the first year is Rp2,891,858/ton and Rp2.186.030/ton in the second year.

Intangible Import Duty

- In relation to the plan for imposition of import duty on digital goods which enter Indonesia through electronic transmission, the government will first focus the imposition of import duty on industries which import the digital goods. Some examples of intangible goods are e-books, software

Recent Developments in Customs Laws

Voluntary Disclosures

- MoF Regulation - 67 Year 2016 (MoF-67) was established to accommodate the practice of international trade in order to provide legal certainty on customs value declaration based on the transaction value of imported goods.
- The purpose of MoF-67 is to optimally collect the potential state revenue from import duty and taxes on import through the mechanism of voluntary declaration and voluntary payment.
- MoF-67 establishes the mechanism for voluntary declaration in the customs declaration and payment of the price that should be paid for futures, royalty and proceeds.
- This regulation is effective from 26 May 2016.

Recent Audits Focus by Indonesian Customs

- Customs Value (e.g. Additional payment after importation i.e royalty, proceeds of subsequent sale)
- Certificate of Origin
- Compliance of CoO form
- Direct shipment

Top Tips for 2018...

1. Voluntary Declarations:

- Futures prices, royalties, license fees and proceeds as a component of Customs Value. If the goods' value could not be determined by the time of PIB submission, the importer shall declare a Voluntary Declaration which serves as a supporting document of and is delivered along with the hardcopy PIB once the goods are cleared at the destination port.
- It shall acknowledge all the goods imported with the estimated prices that should be paid and/or costs which must be added in the PIB.

2. Managing the Potential Risk & Exposure of Customs Audit

- Have correct tariff classification and customs value declared in the PIB
- Have correct recording regarding type and quantity of imported goods
- Have complete bookkeeping documentation
- Have effective internal control with traceability of imported items
- Maintain proper accounting record

3. Utilizing the new incentives schemes:

- Bonded Logistics Center (PLB)

Developments in Thailand

Enforcement trends in customs and trade

- New Customs Act has become effective on 13 November 2017
 - Period for Customs to carry out audit / investigation has been limited to within 5 years from date of import/export.
 - Assessment period limited to within 3 years from date of import/export. However, it can be extended by 2 and 5 more years under certain conditions.
- More customs cases could be brought to court as statutory penalties and fines when losing at court level are significantly reduced.
- Companies that have not been audited are likely to be sooner than later.
- With the cap of reward sharing, customs audit may be performed frequently.

New Excise Tax Act B.E. 2560 (w.e.f. 16 Sep 17)

- Key Features:

- New Act consolidates the excise tax regulations into a single excise tax code. Significant change is the tax base on which excise duties is calculated

Excise Duties	Previous tax base	New tax base
(i) Domestic products	Ex-factory price	“Recommended retail sales price” based on production cost, management cost and standard profit, all of which should not be lower than the price sold to end customers in normal market situation.
(ii) Imported products	CIF price	
(iii) Liquor	Last wholesale price	

- New requirement for manufacturers and/or importers to report their recommended retail sales price (including cost structure) to the Excise Department
- Impact on manufacturers and importers of goods subject to excise tax in Thailand (e.g. cars, perfume, alcoholic beverage, tobacco, playing cards, and petroleum products, etc)
- For certain product with 0% excise tax rate (e.g. oil and oil products including lubricant etc.), such products will be exempted from reporting the RRP to the excise department until the excise tax rate (ad valorem part) is adjusted to higher than 0%.

New Excise Tax Act B.E. 2560 (w.e.f. 16 Sep 17)

- Key Features:

- Recommended Retail Price (cont.)

- The manufacturers / importers require to inform RRP (exclusive of VAT) including cost structures of the product to the authority for further verification
 - Based on Ministerial Regulation in relation to recommended retail price B.E. 2560, the authority would consider the recommended retail price from the source as follows: -
 - If the manufacturers / importers inform the retail price which offered to general consumers (i.e. end-user in normal market conditions)
 1. Price as shown on the goods (sticker price), or
 2. Price as shown on the brochure / catalog, or
 3. Price as shown on the price list, or
 4. Price as inform to other public sectors e.g. Department of Internal Trade
 - The price which the manufacturers / importers suggested to the retail store to be set as the retail price for general consumers. In this case, the manufacturers / importers are also required to submit list of retail stores for verification purposes.

Thailand Export Controls

Overview

Legislation



- Trade Controls on Weapons of Mass Destruction Related Items Act (TCWMD Act) – currently in the process of drafting, expected to be effective on **1 January 2019**.
- Implementation of UNSC resolution 1540
- The Act will contain a Dual-use Items List (DUI List) and a HS code List

Administering Authority



- Ministry of Commerce is responsible for administering export control on DUI under TCWMD Act.
- Thai Customs Department will be enforcing export control on DUI under TCWMD Act.
- Various Controlling Agencies enforce and license specific product types e.g.:-
 - Ministry of Defence
 - Ministry of Industry
 - Ministry of Public Health
 - Ministry of Science and Technology
 - Ministry of Finance
 - National Broadcasting and Telecommunications Commission

Thailand Export Controls (cont'd)

Overview

License Issuing Authority



- Ministry of Commerce, supported by various Controlling Agencies e.g.: -
 - Ministry of Defence
 - Ministry of Industry
 - Ministry of Public Health
 - Ministry of Science and Technology
 - Ministry of Finance
 - National Broadcasting and Telecommunications Commission

Control Lists and type of licenses



- Control lists:-
 - Ø Dual-use Items List
 - Ø HS-Code List (Self-certify)
 - Ø Catch-all control
- Type of license:-
 - Ø Export License - For goods listed in the DUI List, apply via e-Licensing system
 - Ø Non-DUI Certificate – For goods listed in the HS-Code List, the exporter is required to self-certify that such item is not DUI and not related to WMD.

Thailand Export Controls (cont'd)

Overview

Scope of Control



- TCWMD Act set up a regime for the control of following activities: -
 - Ø Export
 - Ø Re-export (similar to EU regime, not US regime)
 - Ø Brokering
 - Ø Transit
 - Ø Transshipment
 - Ø Transfer items from free zone or bonded warehouse to overseas

Penalty



- 3 types of penalty :-
 - Ø Criminal charges
 - Ø Civil penalty
 - Ø Suspension of activities

Thailand Export Controls (cont'd)

Potential penalty regime – criminal penalties

Based on the latest draft of the TCWMD Act, the criminal charges regime is as follows;

Non-compliance	Potential penalties
1. Export DUI without proper license	Referencing to the draft of latest Export Control regulation, if exporting DUI without proper license, such exporter is potentially exposed to the following: - <ul style="list-style-type: none">• Imprisonment not exceeding 10 years; OR• Fine not exceeding THB 10 million; OR• Both
2. Illegally export DUI has been used as part of the WMD	The exporter is potentially exposed to the following: - <ul style="list-style-type: none">• Imprisonment not exceeding 20 years; OR• Fine not exceeding THB 20 million; OR• Both
3. Illegally export DUI has been used as part of the WMD which is a cause of death	The exporter is potentially exposed to the following: - <ul style="list-style-type: none">• Imprisonment not exceeding 30 years; OR• Fine not exceeding THB 30 million; OR• Both

Developments in Vietnam

Vietnam - Recent economic development

Competitiveness and productivity of 2017



68th in the World Bank's Doing Business (from 91st in 2015)



55th in the 2017 World Economic Forum's competitiveness index (from 60th in 2016)

(Source: World Bank Report 2017)

Vietnam Customs has adopted application of 5Es



• E-clearance



• E-payment



• E-C/O

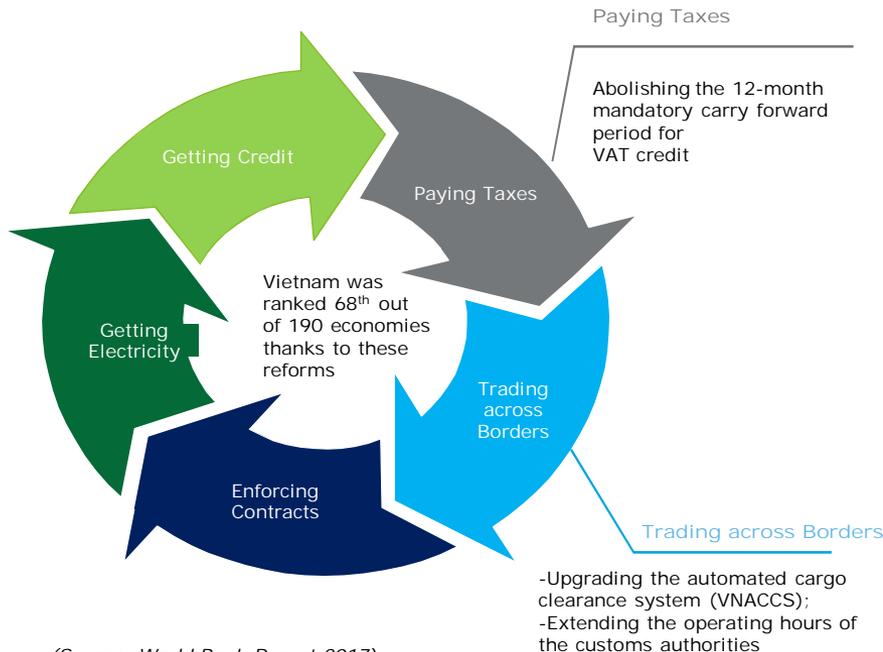


• E-manifest



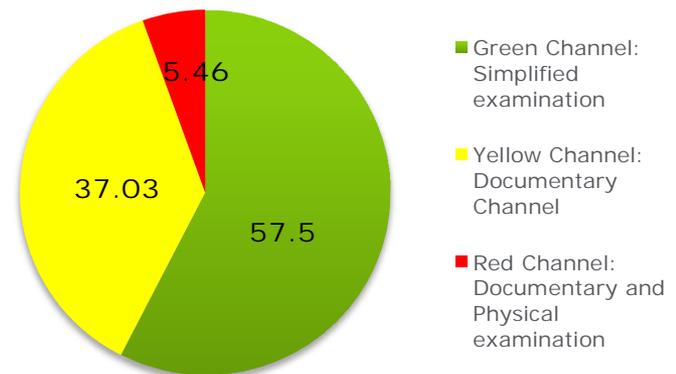
• E-permit

Vietnam's key reforms 2018



(Source: World Bank Report 2017)

Customs clearance of 2017

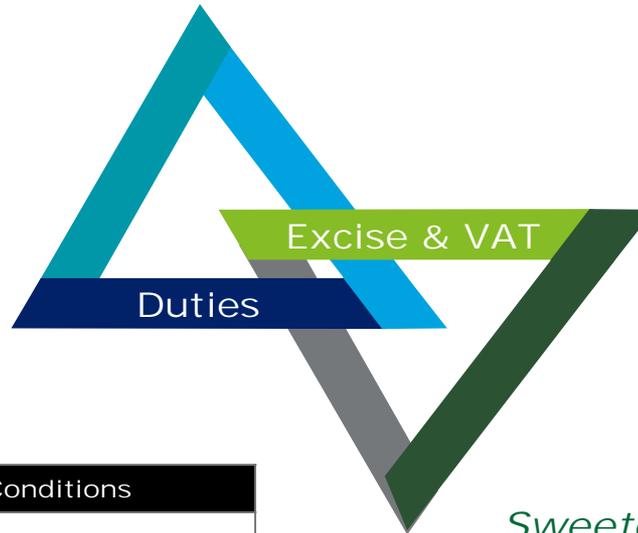


(Source: General Department of Vietnam Customs 2017)

Vietnam - Industries with tax & duty changes



Car and Automotive components



From 2018	Conditions
Duty rate for CBU imported from ASEAN decreases to 0%	RVC (40)
Domestic assemblers of cars under 9 seats shall enjoy 0% duty for 30 main sets of main components code 98.49.11 to 98.49.40	(i) emission standard level 4 (from 2018 to 2021) and level 5 (from 2022 onwards) and (ii) meet the prescribed output
- Duty of used cars under 9 seats & less than 1,000 cc are doubled (10,000 USD per unit); - Cars under 9 seats & more than 1,000 cc will be applied compound duty	NA
Other policies other than duty: - Type approval certificates required for car importers; - Label with energy required for cars from 7 to 9 seats; - Imported cars under emission standard level 4 shall not be registered.	



Sweetened beverage excluding dairy products



Drafted to be from 2019
Special excise to be taxed 10%
VAT: 12%

Vietnam - FTAs, TAs, RCEP take effect from 2018

#	FTA/TA/RCEP	Main type of goods	Effective year
1	VKFTA (Vietnam-Korea Free Trade Agreement)	Seafood, wheat flour, confectionery products, diesel fuel, jet fuel, paint, laundry detergent, plastics, iron and steel products, electrical and electronic machinery/ equipment	2018
2	VN-EAEU FTA (Vietnam-Eurasia Economic Union Free Trade Agreement)	Textile materials, leather shoes, electronic components, plastic, fertilizers, maize, wheat	2018
3	ACFTA (Agreement on Trade in Goods signed with the ASEAN and China)	Chicken, coffee, original tea, confectionery products, processed foods, chemicals, antibiotics, textile materials, fabrics, clothing, iron and steel products, electricity and electronic machinery and equipment, ships	2018
4	VCFTA (Vietnam-Chile Free Trade Agreement)	Plants and parts of plants, animal feeds, inorganic chemicals, organic chemicals, plastics, wood, iron and steel, machinery and equipment, vehicle parts	2018
5	VJEP (Vietnam-Japan Economic Partnership Agreement)	Fat, sugar, building stone, organic chemicals, plastics, rubber, wood, pulp, fabrics, pearls, iron, aluminum tin, hand tools, machinery and equipment, vehicle parts, musical instrument	2018
6	ATIGA (ASEAN Trade in Goods Agreement)	Pharmaceutical products	April 2019
7	AKFTA (Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Co-operation among the Governments of Member Countries of ASEAN and the Republic of Korea)	Automotive, motorcycle, motorcycle/auto spare parts, vegetable oils, tropical fruits, household electrical appliances, milk	2018
8	AANZFTA (Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area)	Seafood, confectionery products, jet fuel, paint, plastic Confectionery products, pharmaceutical products, paper, clothing, textile materials, chemicals, machinery and equipment, tool and spare parts, maize, pharmaceutical materials	2018
9	AIFTA (ASEAN-India Trade in Goods Agreement)	Animal feeds, pharmaceutical products, sugar, rice, wood, paper, chemicals, cosmetics, household electrical appliances, vegetable, iron and steel, milk	2022
10	AJCEP (ASEAN-Japan Comprehensive Economic Partnership Agreement)	Live animals and animal meat	2019

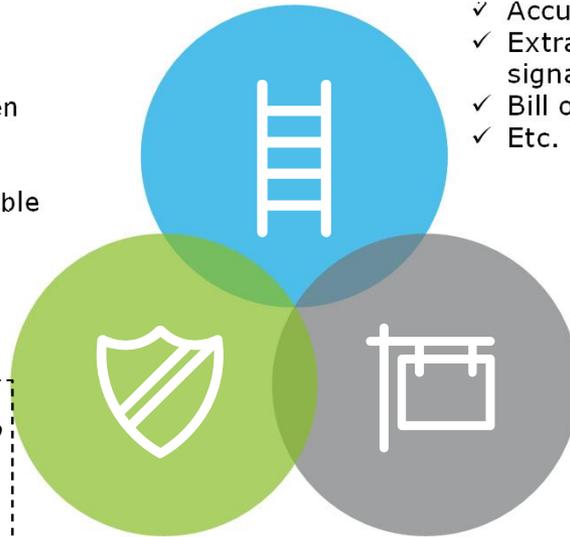
Vietnam - Recent focus of audits



Increased compliance requirements and strict enforcement from the customs authority:

Valuation

Valuation required extra focus of audit when
 (i) Declared value is lower than customs comparable value; or
 (ii) 20% higher than their highest comparable value in customs databases;



More internal checks are conducted by customs authorities from central to grassroots, which aim to assess, detect risks to timely collect taxes and/or conduct further on-site audits

Origins of goods

- C/O to be scrutinized / audited for below criteria:
- ü C/O submission must be declared on CDs;
 - ✓ Accurate form required;
 - ✓ Extra scrutiny on third party invoicing, valid signatures and stamps;
 - ✓ Bill of lading to be consistent with the origins;
 - ✓ Etc.

Classifications

- HS code to be rechecked for re-classification if:
- ü Information on CDs is not adequate;
 - ü Inconsistent declared HS code for same goods in customs database



Q & A

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