



# **Administering Advance Rulings on Customs Valuation Effectively**

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**WTO Committee on Customs  
Valuation Meeting**

17th November 2020

# Advance Rulings in Malaysia

- ✓ Royal Malaysian Customs Department (RMCD) has implemented advance rulings on customs valuation since April 2007.
- ✓ Malaysia not only aims to meet the requirements of Article 3 of the World Trade Organization's Trade Facilitation Agreement, Standard 9.8 and 9.9 of the General Annex to the Revised Kyoto Convention but also goes beyond the requirements to become a world-class customs administration.
- ✓ However, the implementation of advance rulings on customs valuation is not without its challenges.
- ✓ Unlike classification, customs valuation methods of the same goods may vary from one consignment to another due to changes in the nature of the transactions.



# Advance Rulings in Malaysia (cont.)

- ✓ The significant complexity in the business model and workflow process increase the difficulty of examining circumstances surrounding the sale.
- ✓ The cross-checking of information and verifying the agreement based on third-party information is not feasible.
- ✓ Malaysia does not publish advance rulings on customs valuation because all information related to customs valuation is bound by confidentiality and shall not be disclosed to other parties under Section 125A of Customs Act 1967.

# Importance of Advance Rulings

- ✓ Advance rulings are a proven trade facilitation tool for traders by enhancing the certainty and transparency of customs valuation methods and anticipated duty liability.
- ✓ Traders can obtain precise and legally binding information in advance of the actual transaction and for analogous future transactions over a specified period. This is crucial to enable the traders to conduct just-in-time operations more efficiently.
- ✓ Meanwhile, customs administration is benefited from advance knowledge of the expected importations, which is useful for profiling and risk management purposes.
- ✓ Advance rulings also offer greater consistency in decisions relating to valuation issues.

# Importance of Advance Rulings (cont.)

- ✓ Advance rulings reduce the likelihood of customs administration's interventions on valuation issues and lead to a swifter clearance of goods.
- ✓ Advance rulings encourage co-operation and build trust between customs administration and traders.

# Various Measures to Administer Advance Rulings Effectively

- ✓ It is crucial to ensure the applicants submit a written request containing all necessary information so that advance rulings are issued within a reasonable and time-bound manner.
- ✓ In this respect, the Director-General may decline to make an advance ruling, if in his opinion:
  - (a) the information given by the applicant is insufficient;
  - (b) the application is for a hypothetical situation; or
  - (c) a review or an appeal is pending involving the subject matter referred to in the application.

# Various Measures to Administer Advance Rulings Effectively (cont.)

- ✓ RMCD executed informed compliance through engagement with the traders.
- ✓ For instance, Private Customs Consultative Panel that headed by the Director-General of Customs and major industry associations including the Federation of Malaysian Manufacturers, Freight Forwarder Association, Chartered Tax Institute of Malaysia, *etc.*
- ✓ Another programme is the Smart Partnership Programme between RMCD and traders. It is a reciprocal win-win programme to exchange information regarding the technical issue faced by the traders. It also provides a platform for RMCD to understand the arrangement, business model and workflow process that adopted by the traders.



# Various Measures to Administer Advance Rulings Effectively (cont.)

- ✓ For the sake of capacity building, RMCD provides training, such as outreach programme to the operational customs offices, products knowledge training programme to Customs officers, as well as Knowledge, Skill and Ability (KSA) Programme to the internal staffs (which is akin to mentor-mentee).





# Various Measures to Administer Advance Rulings Effectively (cont.)

- ✓ RMCD is moving towards the Ubiquitous Customs (uCustoms) System.
- ✓ It is a fully integrated Customs modernization solution that delivered a “single window” for goods clearance, including advance rulings at the pre-clearance stage.
- ✓ Under the Ubiquitous Customs (uCustoms) System, all customs-related applications and declarations are processed under a single system to ensure shorter clearance time, higher efficiency, simpler and more consistent procedures for importation and exportation transactions.

# Various Measures to Administer Advance Rulings Effectively (cont.)

- ✓ It is easily accessible by all traders to track the movements of goods through customs at every step, from the arrival of the goods at customs control to the payment of the applicable duties and taxes and removal of the goods from customs control.
- ✓ For customs valuation purposes, there are three different Integrated Tariff Modules, namely Integrated Tariff (Rulings and Appeals) Module, Integrated Tariff (Tariff Management) Module and Integrated Tariff (Valuation) Module.
- ✓ Integrated Tariff (Rulings and Appeals) Module is currently progressing towards completion.





# Thank you for your attention

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