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All Traders and Declaring Agents



REVISION OF BANK GUARANTEE / INSURANCE BOND REQUIREMENTS

Existing Bank Guarantee System

Currently, traders are required to furnish a bank guarantee (BG) or insurance bond (IB) with Customs to cover the potential duty and GST payable for specific categories of transactions as a form of security.

2 The existing Bank Guarantee System is designed with the debiting and crediting mechanism. It will automatically debit and credit the guarantee amount for each transaction made by the trader. Hence, traders who make high volume or high value transactions over a short period of time may at times experience their declarations being rejected due to insufficient amount of BG / IB held with Customs.

Improved Bank Guarantee System

3 In our continuing efforts to facilitate trade, we have reviewed our current requirement for BG / IB. A simpler and effective multi-tiered system will be implemented from Nov 2003. The new system will work as follows:

- It will dispense with the current debiting and crediting mechanism.
- During the year-end guarantee review, customs will continue assess the quantum of the BG / IB required based on the existing average trade volume of the company. In addition, a new module will be included to assess the risk profile of the individual companies to grant reduction of the guarantee quantum. The compliance records, ie the frequency of the defaults payments and number of counts of customs offences of the companies in the past 12 months, from Sep of the preceding year to Aug of the current year, will be used as a basis to determine the reduction.
- Companies with exemplary compliance records for 2 consecutive years can expect a complete bank guarantee waiver in their 3rd year.

- Generally, companies with consistent average trade volume throughout the past two years can expect reduction of guarantee quantum required by Customs if they have maintained good compliance records during the period under review. However, if the overall trade volume of the company has increased during the past one year, the guarantee quantum required which is based on its average trade volume for the year, may also be increased correspondingly.

4 In addition, the current requirement for Shipping Agents to lodge the minimum guarantee quantum of \$1,000/- for their vessels uplifting duty-free sea-stores will be lifted with effect from 20 Nov 03.

Operational Details

5 For BG/IB that expires at the end of Dec 2003, Customs will notify traders the revised guarantee quantum required to be lodged with Customs by the third week of Nov 03.

6 For BG/ IB that expires at the end of 2004 or 2005, traders would also be notified in Nov 03 of the revised guarantee quantum required in year 2004. However, traders will be given an option to either maintain the same guarantee quantum currently lodged with Customs or to arrange for a new BG / IB with the lower quantum as determined by Customs.

7 As the annual guarantee review is conducted for BG/IB that expires at the end of the year, for BG/IB that expires in any of the month in 2004, customs will notify the traders one month before the BG/IB expiry date to extend their guarantee period till 31 Dec 04 so that they can be taken for review during the year-end review to qualify for reduction of bank guarantee quantum based on their compliance records.

Benefits to the Traders

8 The new system will allow traders greater flexibility in arranging their financing, while at the same time lower the business costs.

9 If you have further clarification, you may call our Customs Call Centre at Tel No: 6355 2000 followed by * and 0.


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HEAD DOCUMENTATION
for DIRECTOR-GENERAL OF CUSTOMS