

DIALOGUE WITH LICENSED WAREHOUSE OPERATORS

AGENDA

- The Tiered Licensed Warehouse Scheme
- Valuation of Goods released from LW
- New Container Stuffing Procedures
- Questions and Answers Session

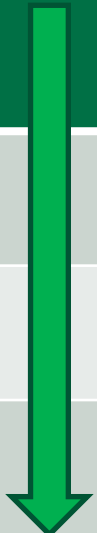
THE TIERED LICENSED WAREHOUSE SCHEME

WHY TIER THE LICENSED WAREHOUSE SCHEME?

- **TradeFIRST launched on Jan 2011**
 - All current and new licensees have to be assessed against five criteria categories
 - TradeFIRST enables Customs to focus our regulatory efforts in an environment where increased facilitation commensurate with increased compliance
- **Current Licensed Warehouse Scheme (LWS)**
 - Customs unable to vary the level of facilitation for the more compliant companies
 - New tiered-system would be in line with Customs' approach of facilitating companies under TradeFIRST
 - Transparent TradeFIRST criteria and commensurate benefits would incentivise licensees to improve their systems and processes

HOW WILL LW LICENSEES BE TIERED?

TradeFIRST Band	LW Type
Standard	I
Intermediate	II
Enhanced & Premium	III



•Higher
TradeFIRST
Score

•More
Facilitation

WHAT ARE THE QUALIFYING CRITERIA TO GO TO A HIGHER TYPE?

TradeFIRST Assessment Criteria Categories	Criteria
Company Profile	Company Financials
Inventory Management & Controls	Warehouse management system with good track & trace, stock monitoring, access control, and audit trail functions.
Compliance	Compliance records.
Procedures & Processes	Documented cargo handling SOPs for receiving, releasing, stocktaking, and discrepancy handling.
Security	Physical security measures on cargoes & premises, Business Partner Security and Business Continuity measures.

WHAT ARE THE QUALIFYING CRITERIA TO GO TO A HIGHER TYPE?

LW Type	Inventory System Criteria
Type I	Stock records (manual stock cards or Microsoft Excel spreadsheets) to monitor the tax suspended goods' balance and movement
Type II	Warehouse management system that contains Customs-required data fields (Date, Customs-assigned lot number, item description, HS code, customer's name, value of goods, Customs permit number, location, and inward/outward/balance quantity and unit of measurement)
Type III	Warehouse management system that contains Customs-required data fields, and possesses good track and trace, data backup and audit trail functions

WHAT ARE THE QUALIFYING CRITERIA TO GO TO A HIGHER TYPE?

LW Type	Cargo Handling SOPs Criteria
Type I	Documented cargo handling SOPs on: a. Incoming/outgoing cargoes; b. Discrepancy reporting; and c. Stocktaking
Type II	Same as Type I
Type III	Same as Type I & II Plus, detailed documented SOPs, including (1) checking and reviewing processes for cargo document flows, and (2) comprehensive cargo discrepancy reporting procedures that cover multiple scenarios

DETAILED BENEFITS FOR EACH LW TYPE?

- Permissible Items within the Licensed Area
- Consolidated Duty & GST Payment Permit
- Single Licence Type for Mixed Types of Dutiable Goods
- Number of licensed areas per licence
- Alcoholic Beverages Exhibitions
- Motor Vehicle Exhibitions

BENEFITS: PERMISSIBLE ITEMS WITHIN THE LICENSED AREA

LW Type	Licensed Area Only for LW Goods (duty & GST suspended)
Type I	Yes
Type II	Yes
Type III	Allowed to store any type of cargoes except for GST-suspended goods under the ZGS scheme. <ul style="list-style-type: none">•Duty & GST suspended (i.e. LW goods)•Duty & GST paid•MES goods•Locally manufactured dutiable and non-dutiable goods•GST paid items

BENEFITS: PERMISSIBLE ITEMS WITHIN THE LICENSED AREA (DETAILS)

- For Type I & II Licensees:
 - Maintain a separate demarcated area to store dutiable goods
 - No duty-paid goods are allowed to be stored in the demarcated area
- For Type III Licensees:
 - Don't need to physically demarcate the licensed area with painted lines, cage, fences, walls etc.
 - Must label the LW goods with their Customs-assigned lot numbers for identification (ongoing practice)
 - Must label the ex-LW goods that have been duty&GST paid with the words "tax paid"
 - Must remove tax paid goods from the licensed area on Budget day as duty rates may change

BENEFITS: CONSOLIDATED DUTY & GST PAYMENT PERMIT

LW Type	Consolidated Duty & GST Payment Permit
Type I	No
Type II	No
Type III	Yes, licensees can take out a weekly consolidated payment permit covering the local releases of dutiable goods from the licensed premises for the week (7 consecutive days). Licensees' warehouse management systems must be able to track these local releases

BENEFITS: CONSOLIDATED DUTY & GST PAYMENT PERMIT (DETAILS)

- For Type III Licensees:
 - Weekly consolidated payment permit covering the local releases of dutiable goods from their licensed premises for the week (7 consecutive days)
 - Benefit licensees with frequent local releases, and also in events of urgent local releases on weekends or public holidays
 - Inventory systems must effectively track all local releases to ensure accurate consolidated payment permit declarations
 - Useful for licensees that store their own goods and have regular local sales

BENEFITS: CONSOLIDATED DUTY & GST PAYMENT PERMIT (DETAILS)

- For Type III Licensees:
 - Service storage warehouses might not find it as useful as they cannot include multiple customer names in the “importer’s name” and “importer’s UEN” fields of the DP permit
 - A single DP permit can only contain the consolidated 7 day released LW goods from one customer
 - Type III licensee must inform their Account Manager the LW customers whose goods they would apply consolidated DP permits for
 - Type III Licensee to indicate "deferred payment" in the goods' delivery orders. The delivery orders have to be endorsed by the delivery person

BENEFITS: SINGLE LICENCE TYPE FOR MIXED TYPES OF DUTIABLE GOODS

LW Type	Single Licence type for mixed types of dutiable goods
Type I	No
Type II	Yes, licensees that store both liquor/tobacco products and MVs can operate under a single licence and pay a single licence fee annually (single site; LWV & LW must share the same postal code)
Type III	Yes, licensees that store both liquor/tobacco products and MVs can operate under a single licence and pay a single licence fee annually (multiple sites per licence)

BENEFITS: SINGLE LICENCE TYPE FOR MIXED TYPES OF DUTIABLE GOODS (DETAILS)

- Current
 - Separate licences required for the storage of (1) liquor/tobacco products under licence prefix “LW”, and (2) MVs under licence prefix “LWV”
- New
 - Type II and III licensees that already store both liquor/tobacco products and MVs are allowed to operate under a single licence and pay a single licence fee annually.
 - Type II and III LWV Licensees who wish to store liquor/tobacco products have to apply for a new LW licence and lodge BG as security for their intended liquor/tobacco transactions

BENEFITS: NUMBER OF LICENSED AREAS PER LICENCE

LW Type	Number of licensed areas per licence
Type I	One
Type II	One
Type III	Multiple licensed areas under a single licence and pay a single licence fee. Customs Removal Permits (RM) still required for movements between the licensees' multiple areas.

BENEFITS: NUMBER OF LICENSED AREAS PER LICENCE (DETAILS)

- Type III licensees
 - Allowed to operate multiple licensed locations under a single LW licence, and pay a single licence fee annually
 - Removal permits (RM) are still required for LW goods movements between the separate licensed areas
- Savings

Licence No. (Type III licensees only)	Av. Past Mthly Duty	Annual Licence Fee (2012 & before)	Av. Past Mthly Duty	Annual Licence Fee (2013 onwards)
LW900	>\$10 million	\$21,000	>\$10 million	\$21,000
LW901	<\$1 million	\$2,500		
			SAVINGS	\$2500

BENEFITS: NUMBER OF LICENSED AREAS PER LICENCE (DETAILS)

- The licensed areas' warehouse numbers would still be retained and would have to be declared in the "place of receipt code" and "place of release code" of the goods' Customs permits so that Customs would know the LW goods' locations
- Licensees have the option to use the same Customs lot number alpha prefix for both LW900 and LW901. Some may prefer to use the separate alpha prefixes prescribed to them as it helps them to differentiate their LW goods

Licence No. Type III licensees only)	Before 1 April 2012	After 1 April 2012
LW900	AAAA0001	AAAA0001 for both or status quo
LW901	BBBB0001	

BENEFITS: ALCOHOLIC BEVERAGES EXHIBITIONS

LW Type	Alcoholic Beverages Exhibitions
Type I	Allowed to temporarily remove tax suspended wines from LWs for approved exhibitions
Type II	Allowed to temporarily remove tax suspended alcoholic beverages from LWs for approved exhibitions
Type III	Same as Type II

BENEFITS: MOTOR VEHICLE EXHIBITIONS

LW Type	Motor Vehicle Exhibitions
Type I	Allowed to remove MVs from LWs for approved exhibitions for up to 1 month without SC's prior approval
Type II	Allowed to remove MVs from LWs for approved exhibitions for up to 3 months without SC's prior approval
Type III	Allowed to remove MVs from LWs for approved exhibitions for up to 3 months without SC's prior approval. Licensees are also allowed to modify (retrofit, re-spray, add/remove component parts) MVs within their LWs. The modified MVs' tariff classifications and duty rates must not differ from the original

VALUATION OF LW GOODS

VALUATION OF LW GOODS

CIF Value for Liquors

- There have been cases of low CIF values being declared in payment permits
- E.g. Less than S\$1/bottle of wine
- Licensees/Declaring agents declared these items as samples, replacement goods, free-of-charge items in the payment permits

What should be the Customs value for Replacement Goods?

- Replacement goods may be invoiced “free of charge” or at the original price by the supplier with an arrangement for giving credit to the buyer for the original goods damaged or lost or due to certain reasons. In such cases, the value of the goods should be the **original** price.
- For customs purposes, the value of the replacement goods would be the original value of the goods at which it was bought.

VALUATION OF LW GOODS

What is the treatment of samples, gifts, free-of-charge items?

- For transactions that do not involve cash payments, they cannot be regarded as sales.
- Examples of such goods imported are gifts, samples, free-of-charge items.
- These goods may be described as goods having no commercial values.
- If no value is shown on the invoice, the buyer has to obtain the **import value from the supplier.**
- The declared value by the supplier at the time of import should be based on the **transaction value of identical or similar goods** from the **same country of origin** that is **exported at about the same time.**
- The invoice may indicate “value for customs purpose only” to be assessed by Customs at the time of import clearance.

VALUATION OF LW GOODS

What is the treatment for “value for Customs purpose only”?

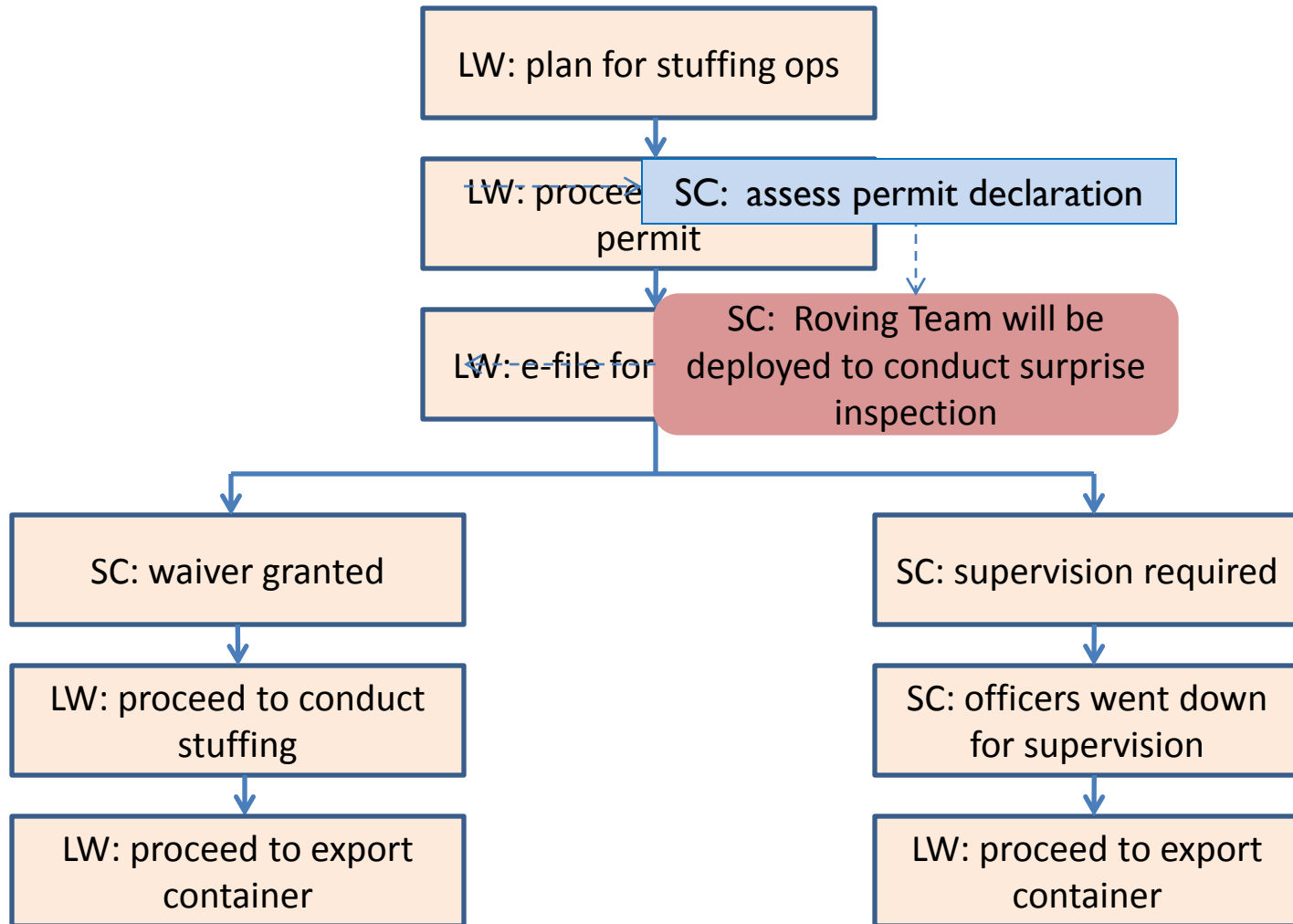
- In most circumstances, “value for Customs purpose” indicates that there is no sale of the goods.
- Whichever way the importer chooses to claim acceptability of the price in such cases, his conclusions should be supported by factual evidence.
- The importer must be able to explain how the price was determined between the parties and keep evidence on file to support his claim to use the transaction value method in determining the Customs value of the goods.
- The valuation control by Customs in this respect is to establish that the selling price is **not significantly different** from that which would be charged to **other unrelated buyers in Singapore**, given the identical circumstances under the **identical or similar goods transaction value**.

NEW CONTAINER STUFFING PROCEDURES

DOING AWAY WITH COMPULSORY E-FILE APPLICATION FOR STUFFING

- Initiative
 - Compliment the Tier Structure.
 - Encourage self-compliance.
- Changes
 - Licensees no longer need to apply for supervision.
 - No Customs Supervision, licensees can proceed with their own stuffing.
 - The N4 TradeNet permit condition will be removed from OO permit. – *“An e-file application must be made to Company Compliance Branch for supervision of stuffing of containers.”*

CHANGES TO THE CURRENT FLOW



ROVING INSPECTION

- Customs will turn up for inspection without prior notice to licensees.
- Officers might request for CCTV footages of the container stuffing, all relevant documents, and verify the physical stocks if necessary.
- Goods must be covered by proper Customs permit prior to container stuffing.

WHAT IS THE NEW REQUIREMENT

- Licensee/authorized declaring agent to indicate the planned stuffing date and time (at least AM or PM) in the Trader's Remarks field of the OO permit during permit declaration.

WHAT REMAINS UNCHANGED

- Continue to update Company Compliance Branch with the following information, immediately after the stuffing operation was done.
 1. Container number;
 2. Shipper's seal number;
 3. Outward permit number;
 4. Stuffing date and time;
 5. Any other remarks
- Any other existing conditions as stipulated.