

Client Alert

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For further information, please contact:

Adeline Wong

Partner
+603 2298 7880
adeline.wong@wongpartners.com

Ivy Tan

Associate
+603 2299 6505
ivy.tan@wongpartners.com

Kelvin Hong

Associate
+603 2299 6446
kelvin.hong@wongpartners.com

Implementation of the uCustoms System

Background

Sistem Maklumat Kastam ("**SMK**") is the current operating system for customs declaration for import and export of goods. In a modernising initiative, the Royal Malaysian Customs Department ("**Customs**") is seeking to replace the SMK with the Ubiquitous Customs system, otherwise known as the uCustoms: a single-window, fully integrated, end-to-end system for customs clearance procedures. The uCustoms has been in the works for a number of years and as it progresses towards completion, we are pleased to provide an update on the status of the uCustoms and what businesses can expect of it.

SMK and the Promise of uCustoms

1. Integrated End-to-end Solution for Customs Clearance

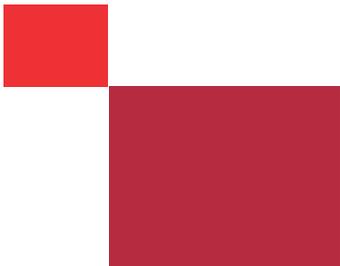
Currently, the SMK processes customs declarations, but it is not a fully automated nor fully integrated system. Whilst customs declaration are made through the SMK, other import and export related procedures such as the procurement of import or export permits from Permit Issuance Agencies and applications for certificates of origin are not integrated within SMK. Instead, some of these functions are outsourced to DagangNet, a third-party service provider which is operated independently of SMK.

The uCustoms system seeks to provide a comprehensive platform to cover end-to-end customs-related processes, where all customs-related applications and declarations are processed under one single system to ensure shorter clearance time, higher efficiency, simpler and more consistent procedures for import and export transactions. It is anticipated that applications for import and export permits, Strategic Trade Act-related permits, customs facilities, certificates of origin, and payment of duties and taxes will be done through the uCustoms platform as a single window once fully implemented.

2. Focus on User-Friendliness and Transparency

A key driver in the creation of the uCustoms was to enhance user-friendliness of the system. To this end, the uCustoms system will have the following features:

- it will operate 24/7;
- it will be offered free-of-charge;
- it will be easily accessible from a variety of devices as a web-based programme; and
- it will be accessible by all players who are involved in the import and export clearance process. Businesses can register as users on uCustoms and be able to track the movement of goods through customs at every step, from the arrival of the goods at customs control (including





the submission of manifest by the vessel operator and customs declaration) to the payment of the applicable duties and taxes and removal of the goods from customs control.

In view of the above, the uCustoms is expected to enhance transparency in the customs processes and reduce the risk of fraud and corruption taking place as a result.

3. Shift towards a Self-Assessment System

To administer customs clearance and assessment through uCustoms, four designated Strategic Centres will be established, each with their own specific mandates; namely:

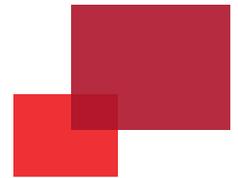
- **National Targeting Centre (NTC)** which will handle risk management, profiling and targeting of high risk vessels, cargo and passengers;
- **National Clearance Centre (NCC)** which will handle the clearance and assessment for low-risk declarations, as well as to process medium and high-risk declarations;
- **Customs Examination Area (CEA)** which is a complex for cargo clearance inspections at all entrances and exits managed by the Special Inter Agency Taskforce; and
- **Customs Call Centre (CCC)** which will operate as a helpdesk and provide support to uCustoms users and the business community.

We understand that the above Strategic Centres will be located in the Customs headquarters and only limited Customs officers will be based at the state ports, save for CEA officers who conduct physical inspections of cargos. As most customs clearances are processed and assessed electronically through the headquarters without physical inspection by Customs at the borders, there will be a shift towards a self-assessment system whereby Customs will process declarations made by importers and exporters primarily based on documentary evidence provided to ensure quicker clearances and potentially focus more on post-importation audits.

uCustoms Implementation Timeline

According to the Mid-Term Review of the 11th Malaysian Plan issued last year, the uCustoms was targeted to be fully implemented in early 2019. Given the complexity of the system, however, the full implementation of the uCustoms has been dogged by delays. Having said that, the pilot implementation of uCustoms has already begun and the scope of the implementation is gradually expanded. Effective from 5 March 2019, customs declaration for imports and exports through Port Klang are expected to be submitted through uCustoms unless they fall within certain exceptions, such as, cargos less than a container load (LCL), goods subject to preferential tariff rate or duty and/or tax exemptions, or goods subject to import and export permit or licence.

Customs has also called on businesses to register on the uCustoms and actively provide trainings to educate businesses on the implementation of the uCustoms to prepare businesses for the full roll out.



Conclusion

The introduction of the uCustoms system is much welcomed as its benefits are potentially extensive and are touted to include consistent and streamlined procedures, user-friendly system, cost and time savings on cross-border movement of goods, and increased transparency. On a macro scale, it will improve the ease of doing business in Malaysia, and its competitiveness and attractiveness as a trading hub.

As Malaysia's national single window, the uCustoms will eventually, once fully implemented, be linked to the ASEAN single window which is envisaged to integrate the national windows of all ASEAN countries with an aim to further ease and smoothen customs processes for imports and exports within ASEAN, in fulfilment of the ASEAN Economic Community initiatives.

www.wongpartners.com

Wong & Partners
Level 21
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur