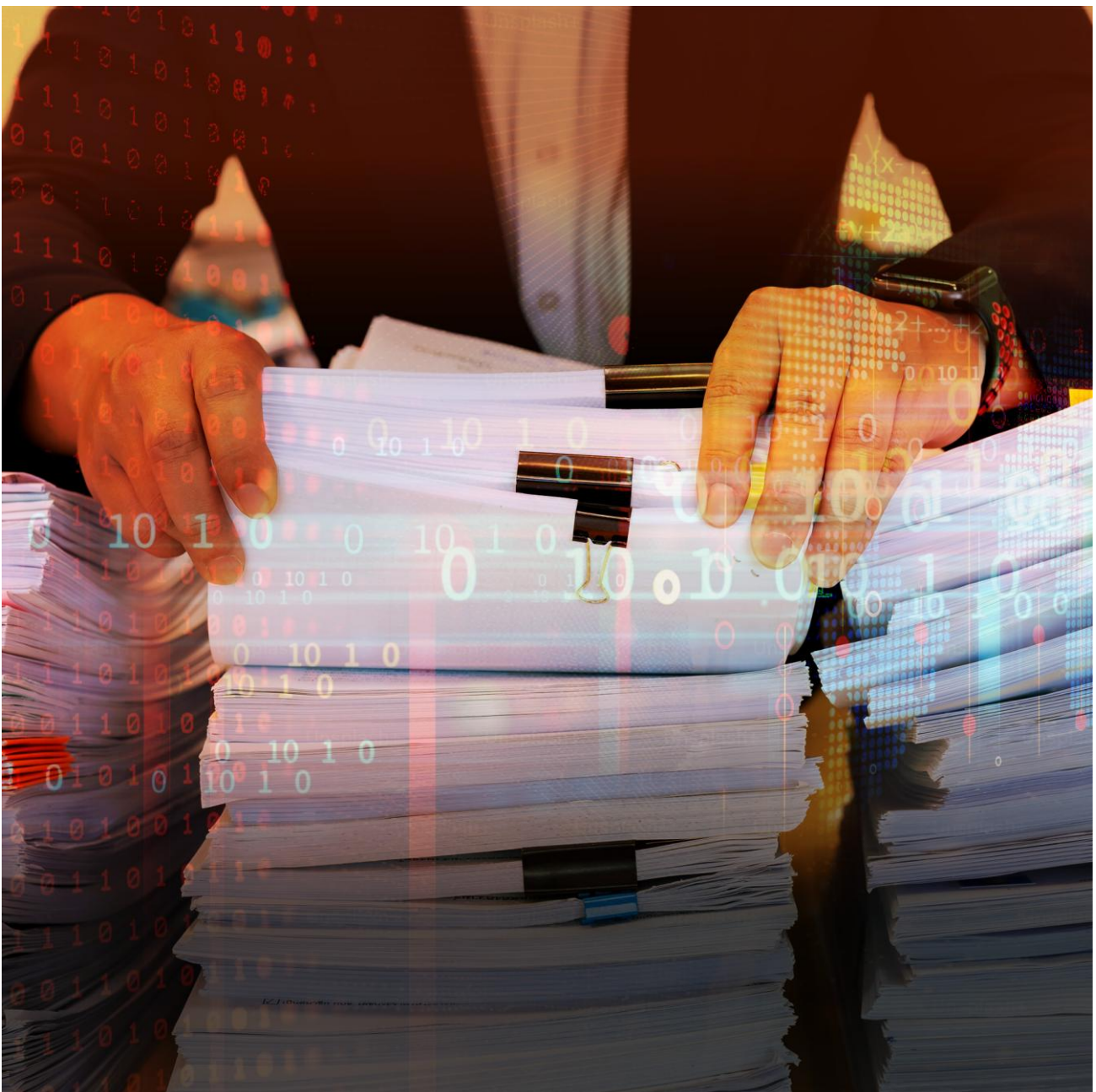


TAX & CUSTOMS

New Customs and Excise Audit Regulation: Optimising the Audit Process



A new regulation governing customs and excise audit was issued by the Minister of Finance in December 2024. This regulation, Minister of Finance Regulation No. 114 of 2024 on Customs Audit and Excise Audit ("**New Regulation**"), revokes the previous Minister of Finance Regulation No. 200 of 2011, as lastly amended by Minister of Finance Regulation No. 258 of 2016 ("**Previous Regulation**"). This update introduces significant changes to the customs and excise audit process, impacting businesses involved in import and export activities.

The New Regulation not only amends existing provisions but also introduces new ones to enhance the supervision of customs and excise audit mechanisms. These changes provide a more detailed and structured framework for the audit process.

This alert examines the key provisions of the New Regulation.

General Audit Period

The New Regulation amends the audit period for customs declarations from 2 years to 21 months. This amendment is intended to address the potential for customs declarations to fall outside the two-year audit window, which can occur given that the audit process typically takes around three months. The 21-month period begins at the later of:

- The last period of the previous audit; or
- The time when the importer commences activities related to customs or excise.

This "commencement of activities" refers to actions such as importing or exporting goods, warehousing goods under customs supervision, or engaging in other customs-related procedures. The 21-month period ends in the month before the issuance of the audit assignment letter.

For example, if an importer's last audit covered the period from 1 January 2023 to 31 December 2024, and they received a new audit assignment letter in January 2027, the new 21-month audit period will run from 1 April 2025 to 31 December 2026. This adjusted timeframe ensures that no customs declarations within the potential audit window are excluded solely due to exceeding the previous two-year limit.

Additional Auditor's Authority

The New Regulation expands the authority of auditors during the customs and excise audit process. Auditors are now explicitly permitted to:

- Request data from institutions other than the Directorate General of Customs and Excise. This may include requesting information from surveyor institutes, suppliers, or other government agencies to obtain a more comprehensive view of the importer's activities.
- Engage experts for the audit process, if needed. These experts could include industry specialists with knowledge of specific goods or sectors, technical experts to analyse complex transactions or laboratory experts to examine the specifications of imported goods.

These expanded powers are intended to enhance the effectiveness and thoroughness of customs audits. By accessing a wider range of information and expertise, auditors can gain a deeper understanding of importers' operations and identify potential areas of risk.

Audit Sampling Procedure

The New Regulation clarifies that auditors can use sampling techniques when examining an importer's data and conducting physical examinations or inventory stocktaking. Sampling involves selecting a representative portion of the importer's records or goods for examination, rather than reviewing every single transaction or item. This approach can make the audit process more efficient, especially for businesses with high volumes of imports or exports.

The New Regulation specifies that sampling should be conducted using "strategic risk-based" or other auditing techniques. This means that the selection of samples will be based on an assessment of the risk factors associated with the importer's activities. Factors that might be considered include the type of goods imported or exported, the importer's compliance history, and the value of the transactions.

Report of Audit Termination

The New Regulation introduces a new report format for audit terminations. Instead of the previous Audit Result Report or *Laporan Hasil Audit* ("LHA"), terminations will now be documented in an Audit Termination Report or *Laporan Penghentian Audit* ("LPA"). This change allows the officials to audit periods that were previously terminated. Under the previous regulation, audit periods halted and recorded in the LHA could not be audited again. However, with this update, terminated audit periods can now be re-audited, as they are now governed by the LPA instead of the LHA.

Key Takeaways

The New Regulation introduces several changes aimed at improving the efficiency and effectiveness of customs and excise audits. By shortening the general audit period, expanding auditors' authority, and clarifying the use of sampling techniques, the regulation streamlines the audit process and provides greater legal certainty.

In light of these changes, importers are advised to proactively review their customs compliance procedures to ensure alignment with the New Regulation. This includes understanding the new audit timeframe and ensuring that their record-keeping practices are robust.

Contacts

TAX & CUSTOMS



Nazly Parlindungan Siregar

PARTNER

D +62 21 2555 9952
nazly.siregar@ahp.id



Budi Herdiyanto

SENIOR ASSOCIATE

D +62 21 2555 9960
budi.herdiyanto@ahp.id

[Debora Eunike Munaiseche](#) also contributed to this alert.

Please feel free to also contact Knowledge Management at RTApublications@rajahtann.com.

Regional Contacts

Cambodia

Rajah & Tann Sok & Heng Law Office

T +855 23 963 112 / 113

kh.rajahtannasia.com

China

Rajah & Tann Singapore LLP

Shanghai & Shenzhen Representative Offices

T +86 21 6120 8818

F +86 21 6120 8820

cn.rajahtannasia.com

Indonesia

Assegaf Hamzah & Partners

Jakarta Office

T +62 21 2555 7800

F +62 21 2555 7899

Surabaya Office

T +62 31 5116 4510

F +62 31 5116 4560

www.ahp.co.id

Lao PDR

Rajah & Tann (Laos) Co., Ltd.

T +856 21 454 239

F +856 21 285 261

la.rajahtannasia.com

Malaysia

Christopher & Lee Ong

T +603 2273 1919

F +603 2273 8310

www.christopherleeong.com

Myanmar

Rajah & Tann Myanmar Company Limited

T +951 9253750

mm.rajahtannasia.com

Philippines

Gatmaytan Yap Patacsil Gutierrez & Protacio
(C&G Law)

T +632 8248 5250

www.cagatlaw.com

Singapore

Rajah & Tann Singapore LLP

T +65 6535 3600

sg.rajahtannasia.com

Thailand

Rajah & Tann (Thailand) Limited

T +66 2656 1991

F +66 2656 0833

th.rajahtannasia.com

Vietnam

Rajah & Tann LCT Lawyers

Ho Chi Minh City Office

T +84 28 3821 2382

F +84 28 3520 8206

Hanoi Office

T +84 24 3267 6127 | +84 24 3267 6128

vn.rajahtannasia.com

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