Content

Title：	Operation Directions Governing Customs Auditing Operations in Free Trade Zones Ch
Date：	2023.04.12
Legislative：	1. Promulgated by the Customs Administration, Ministry of Finance, Letter No. 0936001338 on September 30, 2004. 2. Points 1 and 9 through 13 amended and promulgated by the Customs Administration, Ministry of Finance, Order No. 09710049661 on March 13, 2008. 3. Points 2, 6, 7, 9, and 10 amended and promulgated by the Customs Administration, Ministry of Finance, Order No. 09810280581 on January 4, 2010. 4. The entire text of 13 points amended and promulgated by the Customs Administration, Ministry of Finance, Order No. 1041021099 on September 16, 2015. 5. The entire text of 13 points amended and promulgated by the Customs Administration, Ministry of Finance, Order No. 11010178441 on September 28, 2021. 6. Points 8, 10, and 11 amended and promulgated by the Customs Administration, Ministry of Finance, Order No. 1121004756 on April 12, 2023.
Content：	1. These Operation Directions are prescribed to carry out the auditing operations pursuant to Article 19 of the Act for the Establishment and Management of Free Trade Zones (hereinafter referred to as “the Act”) and Article 27 of the Regulations Governing Customs Clearance for Goods in Free Trade Zones (hereinafter referred to as “the Regulations”). 2. These Operation Directions are aimed at conducting audit of the autonomous management being performed by free trade zone enterprises (hereinafter referred to as “FTZ enterprises”) in respect of its goods control and management, online operation of customs clearance, and book-keeping management. The auditing areas cover the goods and data storage premises of FTZ enterprises and their consigned contractors, FTZ operators, and the gate-guards of the FTZs. 3. These Operation Directions are carried out by the Joint Audit Task Force established by the competent local Customs taking charge of the FTZ. 4. The audit set forth in these Operation Directions will be performed by remote audit and on-site audit. 5. Customs may carry out remote audit to FTZ enterprises with online operation and book-keeping management in accordance with the bulletin books format.

FTZ enterprises shall provide Customs with descriptions about the operation of the aforementioned book-keeping systems and shall have the obligation to maintain the systems and ensure the immediacy, correctness, and completeness of the data.

6. Customs inspection of containers (goods) of FTZ enterprises and goods (products) carried by personnel into and from the FTZ shall follow the procedures as below:
(1) Customs officers shall wear uniforms or show credentials sufficient to justify their identification.
The inspection of opening those containers (goods) into and from the FTZ shall be conducted in the presence of the controllers. The inspection of goods (products) carried by personnel shall be processed pursuant to Article 11 of Customs Anti-smuggling Act;
(2) Customs officers may chase those who do not cooperate and flee while conducting the inspection of goods (products) carried by personnel or vehicles into and from the FTZ;
(3) Customs officers shall issue a "Notice of Audit Matters and Cargo Inspection Record" to those who have had inspection conducted by way of opening the containers into and from the FTZ;
(4) If any irregularities or deficiencies are found, customs officers shall fill in a "Notice of Audit Discrepancy" in duplicate and signed by the auditee. One shall be given to the auditee and another shall be attached to the audit report for further review by supervisors;
(5) After the inspection is completed, the auditors shall submit a report on the results and number the report sequentially.

7. Customs on-site audit shall be conducted during customs office hours in principle and follow the procedures as below. However, this stipulation shall not apply to cases under special circumstances that have been approved by the supervisor of the Joint Audit Task Force.
(1) Notify the auditee in written form with the reasons, time, location, contact person, name, phone number, accounting books, transaction records, and legal basis for audit and inform the management authority and the local competent customs office;
(2) Convene a meeting and invite relevant personnel and attendees to join if necessary;
(3) May ask the attendee to fill in the questionnaire depending on the needs of the case;
(4) On-site audit shall be conducted by no fewer than two customs officers, and relevant officials may be invited if necessary;
(5) The auditors shall show the Customs Audit Certificate of the Ministry of Finance or other credentials sufficient to justify their identification and confirm the identity of the interviewee in advance. If the respondent is an agent, the identity and authority of the agent should be confirmed;
(6) Before the audit is finalized, the auditee shall be given the opportunity to state his or her opinions on the facts and evidence found, and customs officers shall pay attention to all matters favorable and

unfavorable to the auditee, and if the facts presented are favorable to the auditee, he or she shall be asked to give evidence on the facts; if necessary, a closing meeting may be held;
(7) Customs shall issue a receipt for the documents provided by the auditee and shall return them to him or her within fourteen days following the date of which they have been fully submitted, except in cases of suspected tax evasion or omission. If there are special circumstances that have been approved by the customs supervisor, the time for the return may be extended according to actual needs, and the auditee shall be notified of the reason for the extension of the date of return. However this stipulation shall not apply to documents provided in photocopies;
(8) After the audit is completed, the auditors shall submit an audit report on the audit results.

8. When conducting audits, Customs may exercise the following powers:
(1) Inquire, transcribe, photograph, photocopy, and/or copy the auditees' records, documents, transaction records, accounting books, and computer-related files or databases related to goods for operational use or machinery, materials, and equipment for its own use; perform inspection/examination, inventory; obtain samples, catalogs, or instructions of the goods.The inspection/examination of the goods or obtainment, management, and return of samples shall be handled pursuant to relevant regulations on the Regulations Governing the Examination of Imported or Exported Goods and the Directions of Examination on Imported or Exported Goods;
(2) Access the auditees' premises, production and operation sites, and storage places of goods, accounting books, transaction records, or evidence to investigate the online operation of customs clearance, accounting activities, and goods control and management activities;
(3) Question the representative, the legal agent, or other relevant personnel of the auditees, and make conversation records;
(4) Goods and relevant accounting books that are found to be in violation of Customs Anti-smuggling Act may be detained, and the seizure receipt shall be delivered;
(5) Request the relevant authorities, enterprises, or organizations to provide related information or other documents regarding the goods;
(6) Other powers stipulated by laws and regulations.

9. The audit matters regarding online operation of customs clearance are as follows:
(1) Audit the report of foreign goods for storage;
(2) Audit the report of goods for export;
(3) Audit the report of goods transported to another FTZ;
(4) Audit customs clearance for goods transported to tax areas or bonded areas;
(5) Audit customs clearance for goods from tax areas or bonded areas for storage in the FTZ;
(6) Audit the report of goods traded within the FTZ;

(7) Audit matters related to repair, test, inspection, exhibition, contracted processing of goods, commissioned matters related to the repair, test, inspection, and processing of goods;
(8) Audit the report of the storage of goods (products) prescribed in Paragraph 1, Article 15 of the Act;
(9) Audit the report of goods (products) exported to foreign countries prescribed in Paragraph 1, Article 16 of the Act;
(10) Sampling inspection of the autonomous management performed by FTZ enterprises in respect of machinery and equipment for its own use written-off from the property account after five years from the date of its entry into the FTZ;
(11) Sampling inspection for management of goods under monthly consolidated declaration into and from the zone/factory.

10. The audit matters for book-keeping management are as follows:
(1) Audit of the goods and finished products for operational use, and machinery, equipment and materials for its own use;
(2) Audit of the goods related to repair, test, inspection, exhibition, and contracted processing in tax areas ;
(3) Audit of bill of materials;
(4) Audit of consumable materials written off against the quantity used thereof;
(5) Audit of disposal of waste articles, scraps, and the useful portion thereof;
(6) Audit of measures to be taken upon theft or damage (from disasters) of goods (products);
(7) Audit of inventory operations, inventory lists, final financial statements, inventory statistics, and analysis tables of converting products into raw materials;
(8) Audit of dedicated account and storage space for the goods which are prohibited to be imported from Mainland China as well as tobacco and alcohol products;
(9) Audit of electronic log files for warehouse entry in the FTZ;
(10) Audit of the storage of goods (products) prescribed in Paragraph 1, Article 15 of the Act;
(11) Audit of the records of the revolving use of the deposit furnished by FTZ enterprises for the goods transported to tax areas on a monthly consolidated declaration basis;
(12) Audit of other matters which shall be followed.

11. The audit matters related to the control of goods are as follows:
(1) Audit of gate access control (including FTZ enterprises, FTZ warehouses, and FTZ gates);
(2) Audit of the management of the operations related to the production/manufacture, logistics, and warehousing of goods, and other activities within the premises of a factory (or any other shop floor);
(3) Audit of cargo sealing and procedures to write off the account;
(4) Audit of report of short discharge, over-discharge, short loading, or

over-loading of cargoes;
(5) Audit of cargo processing, reconditioning, packaging, marking affixing or correcting, and/or shipping carton/box serial number processing;
(6) Audit of sample inspection, sampling, and survey operations;
(7) Audit of inspection of empty containers into and from the FTZ;
(8) Audit of storage of computer data related to customs clearance, book-keeping, management, and control of the goods;
(9) Audit of report of any illegal, law-violating and/or irregular events;
(10) Audit of compliance with regulations governing labeling of origin of goods;
(11) Audit of conveyance related to cross-zone movement of containers (cargoes) carried by the dedicated transportation means (dedicated fleet vehicles) of the FTZ or means of bonded transportation;
(12) Audit of other matters which shall be followed.

12. Customs auditors shall attend to the following matters:
(1) Receiving and processing confidential reports, notifications, and general reports from FTZ enterprises;
(2) Handling of the FTZ enterprises in accordance with Paragraph 3, Article 24 of the Regulations to notify Customs of the following cases:
A. Where cargo containers (or goods) are lost due to theft or stealthy substitution.
B. Where the seal is lost, damaged, broken and missing, or suspected to have been forged or altered, or the serial number of the seal is inconsistent with that as indicated in the "Container (Cargo) Note and Entry/Exit Permit" (hereinafter referred to as the "Container (Cargo) Note"), or the reading and comparing functions of electronic (paper) seals are abnormal;
C. Where the Container (Cargo) Note has been obliterated and/or altered;
D. Where the cargo container (or goods) is found to have been sandwiched with other articles, or has a false bottom;
E. Where the cargo container (goods) delayed its arrival at or failed to enter the FTZ as scheduled;
F. Where the description of goods into and from a warehouse is inconsistent with that originally reported;
G. Where any goods prohibited from storing in the FTZ are found;
H. Where any goods in storage are found damaged as a result of flood, typhoon, fire or any other natural disaster;
I. Where the inventoried quantity of any goods is inconsistent with the booked balance of the same goods;
J. Where the labeling of origin of goods is found to be obviously inconsistent;
K. Upon discovery of any other illegal, law-violating, and/or irregular events.

13. The results of the customs audit shall be handled in accordance with the following provisions:
(1) If the auditees have any cases in which duty is recoverable or

	refundable, Customs shall handle it pursuant to the relevant regulations; (2) If the auditees are found to have violated the Act, the Regulations, or other laws, they shall be penalized pursuant to the provisions; (3) Those who are found in violation of other laws and regulations should be referred to the relevant competent authorities; (4) When Customs conducts an audit and discovers a case of serious violation of regulations, Customs may coordinate the management authority of FTZ, the tax collection authorities, and other relevant authorities to assist in the investigation or form a special team to conduct the audit.

Data Source：Ministry of Finance, R.O.C. Laws and Regulations Retrieving System