

RM5b tax loss from duty-free islands

> Govt believes alcohol, cigarettes being smuggled out

KUALA LUMPUR: The government suspects that tax-free cigarettes and alcohol are being sold in areas in the country that are not duty free.

Speaking at the Dewan Negara yesterday, Second Finance Minister Datuk Johari Abdul Ghani said the government lost about RM5 billion in duties from the sale of tax-free cigarettes and alcohol which were not recorded.

Transactions of a whopping 3.3 billion cigarette sticks and 22.2 million litres of alcohol have gone unrecorded at tax-free islands Labuan, Langkawi and Tioman in 2015.

"In these tax-free zones, 3.3 billion sticks of cigarettes were taken in. Local consumption among residents is about 136 million sticks. Local and foreign tourists consumed about 209 million cigarettes, thus leaving some 3.3 billion sticks missing. They have not been recorded. The duties for the missing cigarettes is RM1.3 billion," Johari said based on estimates compiled by Customs in

2015.

Similarly for alcohol, RM3.9 billion in duties was lost due to sales of 22.2 million litres of alcohol that has gone unrecorded.

"A total of 27.7 million litres of alcohol was taken into Labuan, Langkawi and Tioman. From this amount, 3.5 million litres were used by local residents and two million litres by tourists, thus leaving 22.2 million litres unaccounted for," he said, adding that some RM3.9 billion in taxes was lost due to the

alcohol that has gone unrecorded.

"We don't know where it has gone. Customs has an estimated amount that would have been consumed by residents and tourists. The missing amount is suspected to have been sold in

areas that are not duty free."

Johari said the Customs Department has restructured the sales of cigarettes and alcohol

beverages to prevent further leakages in duties.

He added vehicles which were given temporary duty/tax exemption in Customs Major Areas would have to pay a deposit for engine capacity of 2500cc and less in the form of general bonds while for 2501cc and above, they would have to provide bank

guarantees worth 50% of the CIF (cost, insurance and freight) value.

He said the move was aimed at tackling the problem of people who failed to return their vehicles to the duty-free islands after 90 days in a year.

We don't know where it has gone. Customs has an estimated amount that would have been consumed by residents and tourists. The missing amount is suspected to have been sold in areas that are not duty free."