

# Customs Post-Clearance Audit Operations

## Frequently Asked Questions

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Table of contents
Part 1 Post-Clearance Audit Process (Questions 1~7).....Page 1
Part 2 Customs Valuation (Questions 8~11).....Page 6
Part 3 Applicable Circumstances for Penalty Reduction and Exemption (Question 12).....Page 9
Part 4 Relevant Laws and Regulations (Question 13).....Page 10

### Part 1 Post-Clearance Audit Process (Questions 1~7)

Question 1: Why does Customs conduct a post-clearance audit and what is the legal basis?	Answer: To expedite the clearance of imported goods, Customs may release most of the goods following examination and payment of duty, according to required declaration matters filed by the duty-payer, then scrutinize declaration after release, where a notice of post-clearance audit is given within six months commencing from the date following the release of the imports and/or exports pursuant to Article 13 of the Customs Act. Regulations governing the scope, procedure, required documents, and other required matters regarding the post-clearance audit shall be prescribed by the Ministry of Finance.
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<p>Question 2:</p> <p>Shall Customs provide guidance to the trader before conducting a post-clearance audit?</p>	<p>Answer:</p> <ol style="list-style-type: none"><li>1. Customs shall issue an audit notice letter to the trader to request a self-assessment of compliance before conducting a post-clearance audit pursuant to Subparagraph 2 of Article 6 of the Operation Directions Governing Customs Post-Clearance Audit. The term “self-assessment” refers to Customs requesting duty-payers, exporters, or auditees to self-evaluate within six months to determine whether there are any inaccuracies or omissions in the declaration of import and export goods, and whether it involves tax evasion or other violations. Customs shall also provide related information, such as enforcement legal basis, violation penalties and penalty exemption to traders. During the self-assessment (about 2 weeks), traders shall self-evaluate and contact Customs to better understand the content of the law or to make revisions in cases where they are unclear about how to revise an incorrect declaration, in order to protect their own rights and interests. Customs should actively provide information and advice to traders via telephone to further explain and confirm whether traders are</li></ol>
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	<p>willing to correct inaccurate or incomplete information or to be voluntarily compliant at that time.</p> <p>2. A duty-payer or exporter, before Customs, national taxation authority, or any other law enforcement agency receives a tip-off or starts an investigation, who voluntarily files an application to Customs for correcting errors contained in a goods declaration, or provides evidential information, and repays any outstanding duties and statutory interest, shall be exempt from penalties within that scope pursuant to Article 45-3 of the Customs Anti-Smuggling Act.</p>
<p>Question 3:</p> <p>When traders receive a request from Customs to review their import and export declarations for the past six months to check for tax evasion or other violations, can they ask Customs to specifically identify which import or export items need correction?</p>	<p>Answer:</p> <p>During the self-assessment period, traders should conduct a thorough self-evaluation of their import and export declarations to check for any reporting errors. If they are unsure how to calculate the customs value of goods or have questions about the applicable regulations, they can consult Customs. If traders discover tax evasion or other violations, they should provide relevant information and voluntarily file an error-correction application or report to Customs.</p>

<p>Question 4:</p> <p>When traders discover errors in their declaration information during the self-assessment period and voluntarily reports to Customs, what information should they prepare?</p>	<p>Answer:</p> <ol style="list-style-type: none"> <li>1. Sales transaction documents (including contracts, purchase orders, quotations, or invoices, etc.).</li> <li>2. Documentation of the actual or payable price settlement (including bank remittance slips, advance payments, etc.) or other proof of payment.</li> <li>3. Correspondence documents related to the negotiation process of the transaction price with suppliers.</li> <li>4. Domestic sales invoices.</li> </ol>
<p>Question 5:</p> <p>What else should traders do after voluntarily providing evidential information?</p>	<p>Answer:</p> <p>After traders voluntarily provide evidential information, Customs will issue an audit notice letter. Traders will be requested to provide a letter of consent allowing Customs to obtain relevant remittance information from banking institutions. If necessary, Customs may conduct an on-site audit at the premises of traders. Please cooperate fully with Customs to fulfill your obligation to assist, thereby shortening the duration of the post-clearance audit.</p>

<p>Question 6:</p> <p>After conducting a post-clearance audit, how long does it take for Customs to close the case?</p>	<p>Answer:</p> <ol style="list-style-type: none"> <li>1. Customs may proceed with post-clearance audit within two years from the date following the release of the imports and/or exports under Article 13 of the Customs Act. According to the post-clearance audit result, any case in which duty is refundable or receivable shall be notified within three years from the date following the release of the goods.</li> <li>2. During the audit process, if the auditees would like to know the progress of the case, they may contact the Customs officer in charge at any time.</li> </ol>
<p>Question 7:</p> <p>Will the auditees be informed of the Customs' method of determining the customs value of their imported goods?</p>	<p>Answer:</p> <ol style="list-style-type: none"> <li>1. If Customs has reasonable doubts about the documents and information submitted by auditees, or if any discrepancies are found during the audit process, Customs will request auditees to provide explanations and engage in mutual communication. Before concluding the audit procedure, Customs will either explain via phone or invite the auditees to the Customs office through official correspondence. During this meeting, Customs will provide a detailed</li> </ol>

	<p>explanation of the methods and legal basis for determining the customs value of the goods, and give auditees an opportunity to express their opinions.</p> <p>2. Customs shall issue a memo for the recoverable duty and also inform auditees of the reasons for the recoverable duty and the legal basis for the assessment.</p>
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Part 2 Tariff Valuation (Questions 8~11)

<p>Question 8:</p> <p>How does Customs determine the customs value of imported goods?</p>	<p>Answer:</p> <p>1. The customs value of imported goods subject to ad valorem duties shall be determined and calculated on the basis of <b>the transaction value</b> under Paragraph 1 of Article 29 of the Customs Act.</p> <p>2. In the case that Customs is doubtful of the truth and accuracy of the transaction documents provided by the duty-payer, or that Customs still remains doubtful after the provision of such an explanation, or where the buyer and seller are related and such relationship influences the transaction value, or under any of the circumstances of Article 30 of the Customs Act, and it shall be deemed that the customs value cannot be determined under the provision of Article 29 of the Customs Act. The customs value of the imported goods shall be</p>
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	<p>determined sequentially under the provisions of Articles 31, 32, 33, 34, and 35, that is, based on the transaction value of identical or similar goods, a deductive value, a computed value, and using reasonable means on the basis of data available to Customs.</p>
<p>Question 9: What is transaction value?</p>	<p>Answer: The term “transaction value” means <b>the price actually paid or payable</b> for the imported goods sold from the exporting country to the Republic of China pursuant to Paragraph 2 of Article 29 of the Customs Act.</p>
<p>Question 10: What expenses should be included in the price actually paid or payable for imported goods (expenses to be added)?</p>	<p>Answer: The following expenses shall be added into the calculation of customs value under Paragraph 3 of Article 29 of the Customs Act, provided that such an amount is not already included in the price actually paid or payable for the imported goods:</p> <ol style="list-style-type: none"> <li>1. Commissions, brokerage, the cost of containers and the cost of packing incurred by the buyer;</li> <li>2. The value, apportioned as appropriate, of the following goods and services supplied by the buyer to the seller free of charge or at reduced cost for use in connection with the production or sale for export of the imported goods: <ol style="list-style-type: none"> <li>(1) materials, components, parts and</li> </ol> </li> </ol>

	<p>similar items incorporated in the imported goods;</p> <p>(2) tools, dies, moulds, and similar items used in the production of the imported goods;</p> <p>(3) materials consumed in the production of the imported goods; and</p> <p>(4) engineering, development, artwork, design, plans and similar items undertaken elsewhere than in this country and necessary for the production of the imported goods;.</p> <p>3. The royalties and license fees related to the goods paid by the buyer as a condition of the sale of the goods;</p> <p>4. The proceeds for use or disposal of the goods by the buyer accrues to the seller;</p> <p>5. The transport cost of the imported goods to the port or place of importation, and loading, unloading and handling charges associated with the transport; and</p> <p>6. The cost of insurance.</p>
<p>Question 11:</p> <p>What are the royalties and license fees? Should they be included in the customs value for the imported goods?</p>	<p>Answer:</p> <p>1. The term “royalties and license fees” referred to in Subparagraph 3, Paragraph 3, Article 29 of the Customs Act shall denote the payment to acquire the patent, the rights of trademark, copyright, or other intellectual property rights protected by legislation related to the imported goods, excluding charges for</p>

	<p>the right to reproduce imported goods in the R.O.C. (Paragraph 2, Article 12 of the Enforcement Rules of the said Act)</p> <p>2. The preceding royalties and license fees related to the goods being valued that the buyer must pay, either directly or indirectly, as a condition of sale of the goods being valued, to the extent that such royalties and fees are not included in the price actually paid or payable, in determining the customs value, there shall be added to the price actually paid or payable for the imported goods. (Subparagraph c, Paragraph 1, Article 8 of the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994)</p>
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**Part 3 Applicable Circumstances of Penalty Reduction and Exemption  
(Question 12)**

<p>Question 12:</p> <p>What are the benefits of traders voluntarily disclosing the actual transaction price or cooperating with Customs investigations?</p>	<p>Answer:</p> <p>1. Where a duty-payer or exporter, before Customs, national taxation authority, or any other law enforcement agency receives a tip-off or starts an investigation, voluntarily files an application to Customs for correcting errors contained in a goods declaration, or provides actual transaction value and evidential information during the</p>
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	<p>guidance and self-assessment period pursuant to Article 45-3 of the Customs Anti-smuggling Act, he/she is only required to pay the outstanding taxes and statutory interest within the scope of the correction without penalties.</p> <p>2. If traders only voluntarily disclose or fulfills its duty to cooperate with the investigation after a post-clearance audit by Customs, penalties cannot be remitted. However, in accordance with the relevant provisions of the “Reference Table for Fines and Multiples of Punishments of Customs Anti-smuggling Act,” traders may still be eligible for a reduced fine.</p>
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#### Part 4 Relevant Laws and Regulations (Question 13)

<p>Question 13:</p> <p>How can one inquire about the relevant regulations on post-clearance audit and customs valuation?</p>	<p>Answer:</p> <p>The following relevant regulations are placed on the website of the Customs Administration / Laws &amp; Regulations / Customs Laws &amp; Regulations (Directions).</p> <p>1. Regulations related to post-clearance audit:</p> <p>(1) Article 13 of the Customs Act.</p> <p>(2) Regulations Governing the Implementation of Customs Post-Customs Audit.</p> <p>(3) Operation Directions Governing Customs Post-Customs Audit.</p> <p>2. Regulations related to customs valuation:</p>
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	<p>Articles 29 to 35 of the Customs Act.</p> <p>3. Relevant regulations on penalty reduction, exemption and punishment:</p> <p>(1) Article 45-3 of the Customs Anti-Smuggling Act.</p> <p>(2) Reference Table for Fines and Multiples of Punishments of Customs Anti-smuggling Act – Paragraph 1 of Article 37 of the Customs Anti-Smuggling Act.</p> <p>(3) Article 37 of the Customs Anti-Smuggling Act.</p> <p>(4) Article 75 of the Customs Act.</p>
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