

## Malaysia Royal Customs and the e-Eksais System: Review and Prospect

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### ABSTRACT

*The e-Eksais system is a pre-Internet solution for faster processes involving the excise duties and sales tax payment between automobile manufacturers and the Malaysia Royal Custom (MRC). Being the second most important revenue raiser agency to the government, MRC had developed the e-Eksais system to provide efficient process in collecting billions of excise duties and sales taxes from local automobile manufacturers. The system utilises the electronic data interchange (EDI) to expedite the vehicle release process of and payment of excise duties from manually to electronics forms. The system claims to benefit the manufacturers' clients and MRC in staff and cost efficiency. The e-Eksais service is getting matured where the take-up and usage of e-Eksais is almost extended to most local automobile manufacturers and dealers. However, the state of the art of the MRC's information and technologies clients systems needs to incorporate a Web-based system to allow for wider usage and a low cost means of interacting with MRC.*

**Keywords:** *e-eksais, excise duties payment, staff-cost-efficiency, web-based system*

## Kastam DiRaja Malaysia dan Sistem e-Eksais: Ulasan dan Prospek

### ABSTRAK

*Sistem e-Eksais ialah suatu penyelesaian pra-internet bagi mempercepatkan proses yang melibatkan pembayaran untuk duti eksais dan cukai jualan di antara pengilang kenderaan dan Kastam DiRaja Malaysia (MRC). Sebagai agensi penajaan hasil yang kedua terpenting kepada kerajaan, MRC telah membangunkan sistem e-Eksais bagi menyediakan proses yang cekap untuk mengumpul berbilion pendapatan melalui duti eksais dan cukai jualan dari pengilang kenderaan tempatan. Sistem ini menggunakan pertukaran data elektronik (EDI) bagi mempercepatkan proses pelepasan kenderaan dan bayaran sebagai duti eksais dari bentuk manual kepada bentuk elektronik. Sistem ini mengakui bahawa ia akan menguntungkan pelanggan pengilang dan MRC dari segi staf dan kecekapan kos. Perkhidmatan e-Eksais semakin manjedai matang apabila penerimaan dan penggunaan e-Eksais telah dipanjangkan kepada hampir kesemua pengilang kenderaan dan penjual tempatan tempatan. Namun demikian, keadaan sistem maklumat dan teknologi pelanggan di RMC perlu menggabungkan sistem berasaskan sesawang bagi membolehkan sistem tersebut membenarkan penggunaan yang lebih meluas dan saluran interaksi kos rendah dengan RMC.*

**Keywords:** *e-Eksais, bayaran duti eksais, kecekapan-kos-staf, sistem berasaskan sesawang*

### INTRODUCTION

The administrative processes in most public sector agencies' were first developed around manual and paper-based form. Then, in the post-war period came the electronic system with high usage of computers and work processors to simplify the administrative processes until recently, the existence of the Web

kinds of information and communication technology (ICT) systems. A transition from manual and paper-based processes to electronic and web-based systems is not easily transferable. As in the United Kingdom, the transition came with difficult and traumatic experience in which it required substantial changes in the managerial and organizational cultures of public sector agencies [1]. Particularly true for the Internet era, the convulsive effects which the Internet has had on the organization is another nightmare of organizations both public and private sectors.

Like in many advanced countries, the government of Malaysia has been the chief player in the electronic government (e-government) field. To begin with the government had invested a total of RM532 million in ICT in 2000, which constituted 9 percent of a total is RM 3.8 billion ICT investment in the country [2]. From this sum of money, RM 435 million was ear-marked for funding e-government's programmes and projects in 2001-2005 to boost government organization's presence on-line. This amount is still a relatively small slice of the broader investment in IT projects. However, the government had announced in 2006 that further improvement of government's delivery system as one of desirable move must be taken seriously by all the government agencies [3]. Just two years behind the UK government, the e-government in Malaysia was implemented in April 2001 to encourage effective public sector agencies involvement in embracing ICT. This paper focuses specifically on how Malaysia Royal Customs (MRC) has transformed their administration of customs and excise assessment forms and duties payments from automobile manufacturers from a paper-based process to electronic process, the e-Eksais. This paper presents the E-Eksais system which particularly looks into the collection of excise duties and sales tax from local automobile manufacturers and dealers.

## **THE MALAYSIA ROYAL CUSTOMS – SOME BACKGROUND**

The MRC was established in 1948 for the Malay Peninsular and was conferred 'Royal' status by the Yang Di Pertuan Agong for the contribution to the country as chief revenue raiser department and competent tax and duties administrator in 1963. MRC is responsible to collect revenue under the provision of Section 6(1) Excise Act 1967 and Section 6 Sales Tax Act 1972.

In 2006 and 2005 respectively, the MRC had collected a total of RM23.2 and RM25.2 billion in sales tax, import duties, excise duties, service tax, export duties, general revenues from the Prevention Unit [4]. A total of RM4.7 and RM6.0 billion were collected in 2006 and 2005 respectively from excise duties collected from local automobile manufacturers. From this amount, RM3.6 million or 76% of local excise duties on automobile manufacturers were paid using the e-Excise in 2006 and RM3.4 or 57% in 2005. These percentages of electronic payment transactions represent almost 15 per cent value of total revenue collected by MRC. Overall, the MRC is a crucial player in collecting revenue for the government and ranks second after the Inland Revenue Department as the government revenue raiser in collecting revenues from goods and services.

Ranked in significance order of their contribution to total revenues collected by the MRC every year - sales tax, import duties, excise duties, service tax, export duties – are monies paid by manufacturers, importers, exporters, dealers and individual customers group. Currently, there are four items charged with the excise duties by the government of Malaysia- automobiles (including cars and motorcycles), liquor, cigarettes and poker cards. At present, the e-Eksais is the only system that collects excise duties from the automobile sector.

## HOW THE ‘E-EKSAIS’ PROJECT STARTED?

The e-Eksais is a system which links the Customs Administration, the automobile manufacturers and the RHB Bank. The manufacturers are able to submit electronically applications for clearance of vehicles and pay the excise duties electronically. The Information Technology Department (ITD) is the backbone of the project which was established in 1995.

Before the e-Eksais project, the MRC’s experience with IT was marked with the Customs Information System (CIS), introduced in 1995 for the customs declaration processing system of import-export to facilitate the movement of goods in and out the country. The CIS utilises the electronic data interchange (EDI) which is an interface system that handles the vast bulk of revenues collected at ports, airports and borders. MRC has significant success with the EDI in the import-export area and this has formed part of the reasons for the automobile excise duties collection to utilise similar computing technology.

In the pre-e-Eksais system, the vehicle release process of and payment of excise duties could be described as filling of burdensome paperwork and uniformly used forms (is known as Customs Form 7). The old system had troubled with documentation and caused a slowdown in the release and payment processes.

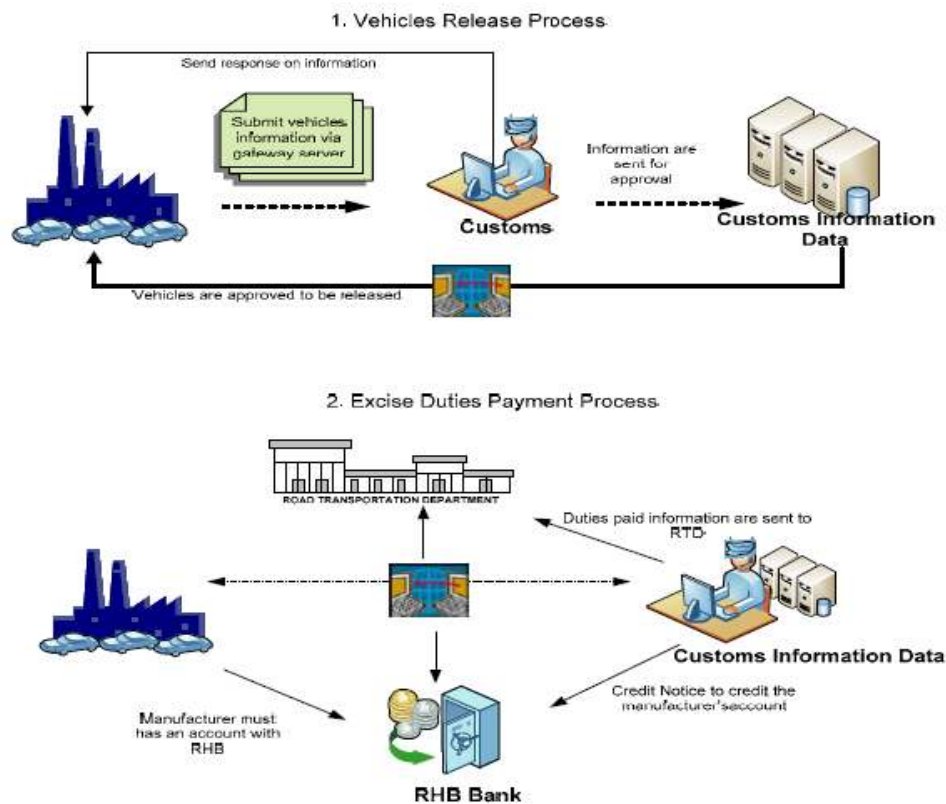
### How e-eksais works

The current e-Eksais application is applicable for two components in the system - the vehicle release process and excise duties payment process. In the vehicle release process, an automobile manufacturer must file all data on vehicles using the electronic solution utilising EDI providing information on the quantity of vehicles to be released from the plant. This information is sent directly to the MRC system where the clearance preparation could begin immediately checking of clients’ profiles. The release process is designed and operated by MRC in a manner that fully minimises the opportunity for corrupt activities occurring – the Customs officer making the release does not physically interface (e.g. in person, via phone or other communication medium) with the manufacturers and he or she is not charged with any revenue collection duty. Once the approval was authorised, comes the excise duties process - the calculation of the excise duties followed by the instruction to pay is issued to the clients. The calculation is done by the Customs personnel. By being digital in nature the automated function is performed by computers virtually instantaneously. The Credit Notice (instruction to pay the amount of excise duties by MRC) is sent electronically to the RHB Bank and only after the acknowledgement of the electronic fund transfer (EFT) is made then the vehicles are legally permitted to be transferred from the plant to sales destinations..

Electronic Funds Transfer (EFT) provides for electronic payments and collections where money is transferred from one bank account directly to another without any paper money changing hands. It also uses the EDI concept which has replaced a great deal (but not all) of the check writing that has dominated the payments system. Payment is remitted electronically from the manufacturer’s account to the MRC’s billing bank, usually less than an hour after the instruction payment is made. EFT is safe, secure, efficient, and it only cost the manufacturer RM 0.50 to issue an EFT payment.

Upon the notification of the payment transfer is made, the notification on the released vehicles will be sent electronically to the manufacturers. At the same time information is sent to the Road Transport Department for the vehicles to be registered. One must not fail to note that the implementation of the E-Eksais system is not only in getting the service delivery right but also it is build based on the idea of integrating other government agencies services and clients needs. This expedited release processing is critical to build success through the establishment of fast release processing work using intelligent information processes to reduce cost and expedite processing in seconds or minutes – not hours or days. Previously, the MRC claims that the release process and the excise duties payment process took one day

each for the process to be completed. Under e-Eksais, the processes is done only in an hour for a group of 300-400 sets of declaration forms sent electronically!



**Figure 1**  
**The current e-eksais processes**

All MRC offices at the states in which the automobile manufacturers and dealers are located are providing the e-Eksais services. As this stage, the MRC has made one step to employ the pre-Internet forms of electronic communication with no physical forms and paperwork in the processes.

## **BENEFITS OF THE E-EKSAIS**

### **Staff efficiency**

E-Eksais reduces staff costs on the manufacturers' side while cutting overtime expenses for MRC. These savings are typically derived from the process improvements where technology speeds up the processes thus reduce manpower involved. For the manufacturers or dealers, the process of filling up of the forms becomes faster which they are no longer required to submit the forms manually. On the other hand, once the submission of the forms are transmitted electronically, the need for the Customs officers to key-in data is also reduced. It is a fully automated tasks without needing any human staff intervention. There is significant staff savings from the e-Eksais operations including the impact on staffing and patterns of reemployment. Table 1 explains three types of savings incurred by the e-Eksais system.

MRC could reduce ten Customs officers in both processes - releasing the vehicles and clearing the excise duties payment on the vehicles, equivalent to more less RM46,000 a year. And this figure is only for one Customs station. There are 19 customs stations with e-eksais system nation-wide.

### Extended business clientele

As the e-Eksais service matures, the focus of the MRC is to focus the attention from simply providing access to service in electronic form to actively managing take-up and usage of these options by the business clients. In the first year of the e-Eksais, only Proton, EON, UMW Toyota and Perodua were the primary clients but the number increased as more manufacturers and dealers agreed to used the system (see Table 2). By June 2007 there were 25 manufacturers and dealers using the e-Eksais. It took six years

**Table 1**  
**Staff and Costs Saving for MRC and Manufacturer**

MRC – Staff Saving per Year			
Activity	Before	After	Saving
Releasing automobiles from the plant	2 senior officers and 4 customs officers	Only one senior officer	5 manpower
Payment for the excise duties	3 senior officers and 4 customs officers	Only one senior and customs officers	5 manpower
MRC – Costs Saving per Year			
	Overtime expenses were paid for senior and customs officers	No overtime required	RM46,000 per year
MRC – Time Saving per Day			
Releasing automobiles from the plant	1 day	20 minutes	23 hours and 40 minutes
Clearing the payment of excise duties and notifying manufacturer	1 day for 300 – 400 forms	31 minutes	23 hours and 31 minutes
Manufacturer – Staff Saving per Year			
Releasing automobiles and making payment	1 clerk for forms' stamping job, 1 officer for endorsing the forms and 3 clerk for sorting out forms	Electronically done signature not required	5 manpower
Manufacturer – Cost Saving per Year			
Assume that production of cars is 10,000 a month	Declaration from charge, dispatching expenses and courier service costs	Required Telekom line (RM17,000 per year)	RM393,000
Manufacturer – Time Savings per Day			
	7 days were required for filling and printing the forms, receive cars with Road Transportation Department	Within 1 day process	6 days

Source: MRC Head quarter, Putrajaya.

to have the system taken by the clients. For all the new manufacturers and dealers coming into the market they are now encouraged to utilize the e-Eksais system which is capable of handle high transaction volumes at very low individual transaction costs. The system also costs the medium size businesses the

same to interact electronically with MRC. Technology can lead to transformational change in MRC. The effort MRC made to re-defined internal processes to create a faster services is an advantage to the government and the clients. The MRC is planning to extend the e-Eksais system to the other three excise duties payers -- liquor, cigarettes and poker card manufacturers. Potentially, the system could help to increase government collection revenue.

**Table 2**  
**Lists of Manufacturers/Dealers Using The E-Eksais System According to Year**

Year	List of MRC's client manufacturers	Number of accumulated clients
2001	Proton, EON, UMW Toyota, Perodua	4
2002	Nil	4
2003	Allied Pacific Motor	5
2004	Inokom, Naza Motor	7
2005	BMW, Boon Siew Honda, Hong Leong Yamaha, Honda Malaysia, Suzuki Assemblers, Tan Chong Motor, Daimler Crysler	14
2006	Oriental Assemblers, Hicom Teleservice (Ford/ Volvo), Modenas, Kawasaki, Naza Bikers, MZ Motorrad, Proton Edar	21
2007	Mofaz, Ssyang Yong, ACE, DNC Asiatic	25

Source: Bahagian Teknologi Maklumat, Ibu Pejabat Kastam Putrajaya

## **A MODERNISED 'E-EKSAIS' DELIVERY SYSTEM**

### **Prospect for a web-based system for MRC?**

The current e-Eksais system however is not currently Web-based although MRC is evaluating migration options to the Web-based for the import-export area particularly. In its current form MRC believes that there is not yet safe to invest in new Web technology where the security of information is of particular concern for their customers and for MRC itself. Similar problem is also facing by the UK Customs and Excise where according to the government's version of an industry-led system of 'trust rating', most of Customs and Excise's information exchanges are rated as level 1 (0 as the lowest security level to 3 the highest level). This security issue hinders businesses customers to divulge confidential information over the internet. In the banking industry even the HSBC Bank claims that a significant portion of their business customers see security concern as a barrier to using on-line banking via the Web-based services.

MRC is right to be concerned about the security however opportunities to incorporate Web-based system in MRC should be taken as part of priority business changes in the future. In the stage where the government is now planning to implement the government service tax system (GST) in the near future, the GST registration, declaration and payment shall be made available for thousands of business clients by Web-based system. Small business may not afford to purchase industrial software or to pay a registered agent to do their GST transaction. Therefore, a Web-based system is desirable as a viable solution for them. If the security of information is the main concern the Web service provider must issue the clients with a digital certificate before they can be offered secure filing or payment on-line. The trust level of the future involve parties must be ensured. The implementation of a Web-based system requires complex changes in how The Royal Customs operates. The ITD in the MRC has to further develop a detailed business case to support the Web-based system of interacting with the MRC and the transition to electronically handling carry significant risk implementation risks. The success is expected to benefit their clients as well as the generating revenues to the government.

MAMPU as the monitoring agency of e-government projects must develop the target so that the delivery of public sector agencies including MRC should focus on the take-up of services delivered by the Web-based system. MAMPU serves for the E-Government Steering Committee (EGSC), which provides policy direction and approves e-government programmes and activities. Similarly to this role in the UK, is the Office of the e-Invoy, the key central agency responsible for e-government and runs programmes to ensure that all central government agencies meet the Prime Minister's target's "to migrate the majority of the customers to the new environment by 2005".

## CONCLUSION

The MRC have had significant success with the EDI system and is among the government revenue raiser agency to utilise most developed information and communication technologies to their business clients after the Internal Revenue Department. The e-Eksais system surely is a success project under the e-government efforts by public sector agency. It had proved of the staff-cost- efficiency savings and efficiently secured the government revenues from the automobile manufacturing industry. Nevertheless, the rapid technology changes demand MRC to move its delivery system to consider the Web-based provision in order to benefit larger business users particularly the medium and small companies. The implementation of the GST in the a few years time as announced by the Prime Minister must push MRC to evaluate its current operation.

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Note:

Special thanks to Cik Zaidah bt. Mohd. Noor, Penolong Kanan Pengarah Kastam, Information Technology Unit, MRC Head quarters, Putrajaya.