**Module title: Calculating taxes, Fees and charge**

At the end of this module the trainer will be able to

* Assess goods and documents for duty and tax liability
* Calculate taxes**,** fees and charges
* Complete transaction records

**Introduction**

All imported goods to Ethiopia are subjected to customs duties and taxes, unless exempted by law.

Working out your fees and charges can be complex. There are numerous factors that you will need to take into account such as concessions, duty-free allowances, preferences, valuation, depreciation, and the goods and services tax (GST).

LO1:Assess goods and documents for duty and tax liability

**Examining** goods **and documents**

**Verification of Documents and Examination of Goods**

The proper customs officer shall verify documents and examine goods to assure the accuracy of information supplied in the document.

The owner of the goods or his authorized agent shall attend during examination of the goods. Where the owner or his agent fails to appear at the time of examination, the proper Customs Officer shall open and examine the goods in the presence of relevant officials.

Procedure of goods examination shall be prescribed by directives issued by the Authority.

Examination at the request of Importer

If any importer or his agent believes that the goods have suffered damage, short or pilfered in route may request for prior examination of the goods before the lodgment of goods declaration.

Where the request made in accordance with list no. 1above and its reason are justified by the Authority; goods examination may be carried out upon payment of service charge. Customs declaration shall, therefore, be filled in accordance with the examination report.

Service charges for prior examination of goods shall be prescribed by directives issued by the Authority.

**Delivery of Goods**

All goods listed in customs declaration shall be removed from the warehouse by the owner or his agent immediately upon the accomplishment of customs formalities.

Goods which are not removed from thewarehouse with in the period specified date shall be sold or disposed otherwise as deemed abandoned to the custom.

**Goods may include:**

* Air and sea cargo
* hand-held cabin baggage
* passenger and crew baggage
* 'per favor' items
* postal items
* unaccompanied baggage

**Determining class of** taxes, fees or charges

To understand the range of fees and charges – and which ones may apply to you, go to [types of duties](http://www.customs.govt.nz/features/charges/feetypes).

 Duty estimator to work out how much you will needs to pay. To get an understanding of how fees and charges are assessed, here are the rules governing accompanied and unaccompanied goods, and commercial imports and exports.

Unless exempted by law, items imported into Ethiopia are subject to a number of taxes. Government levies five kinds of taxes on import items. These taxes are assigned priority levels and are calculated in a sequential order. These taxes, in their sequential order, are;

* Customs duty,
* Excise tax,
* VAT,
* Surtax and
* Withholding tax.

Taxes on imported goods are collected by the Ethiopian Revenues and Customs. Authority (ERCA). These taxes provide considerable revenue to the government.

**Customs Duty**

Any good imported or exported would be subject to:

* Payment of duties and taxes according to the tariff of harmonized commodity description and coding system;
* payment of duties and taxes according to the preferentialtariff rate where goods are imported from the preferred country;
* Payment of duties and taxes at the rate in force on the daythe declaration of the goods are presented to, and acceptedby the customs office.

**Duty paying value**

The duty paying value of any import or export goods shall be the actualtotal costs of the goods.

Duty paying value of imports:

1) For the purpose of customs the duty paying value for imported goodswould be the sum of the transaction value, freight cost and insurancepremium that is paid to deliver the goods up to a prescribed customsport;

2) Transaction value and other related costs given by a supplier who isassociated in business with the importer shall be considered genuineunless the given price is influenced by their relationship;

3) Where a document which show the correct freight cost up to the firstcustoms port is not produced or the document produced is rejectedby the authority; the freight cost of identical goods transported at orabout the same time with the same means of transport would be takento calculate the cost of freight;

4) Goods imported with out insurance coverage or transported underinsurance coverage but the bill produced is rejected by customs, theinsurance cost paid for identical goods transported at or about thesame time with the same means of transport would be taken tocalculate the cost of insurance;

5) To determine the accurate value of the goods the following additionalcosts shall be considered

A. commission and brokerage costs incurred by the buyer;

B. cost of container and cost of packing the goods be it for labor or material;

C. value of goods and services supplied by the buyer free ofcharge or at reduced cost, to the extent that such value has notbeen included in the price actually paid or payable;

D. royalty and license fees related to the goods that is paiddirectly or indirectly by the buyer;

E. loading, unloading and handling charges paid up to the port ofimportation.

6) Where documents necessary to determine duty paying value of thegoods are not presented, or rejected by the authority, the transactionvalue of identical goods imported from the same country at or about thesame time shall be taken to determine the value of the goods;

7) Where the value of the goods cannot be determined, the transactionvalue of similar goods imported from the same country at or about thesame time shall be taken to determine the value of the goods.

**Deductibles from import value:**

1) The following adjustment costs shall be deducted from import values

a) Costs for damages in route;

b) Costs for damages in customs warehouse.

2) When it is requested and agreed upon by the customs office to destroyor dispose any dangerous goods deposited in the warehouse, thegoods shall be destroyed or disposed at the presence of customsofficer and the value of the goodsdestroyed or disposed should be deducted proportionally from the dutypaying value of the goods.

**Requirements for customs transit goods:**

**1) For commercial goods**

* Original bill of lading or proof of purchase
* Original or copy Pro forma invoice;
* Original receipt of pre-shipment inspection fee;
* Original and copy of bank permit;
* Deposit for goods imported with guarantee bond orcertificate for goods imported without guarantee bond.

**2) For duty free goods**

2.1 goods which do not require pre-shipment inspection

* Bill of lading (goods to be imported with bank permit);
* Copy of the original bill of lading (for goods to be importedwith out bank permit);
* Permit letter for duty free privilege or certificate for thetransportation of goods without guarantee;
* Document showing quality and quantity of transit goods;

**2.2 goods requiring pre-shipment inspection**

* Original bill of lading;
* Original or copy of the Performa invoice;
* Original receipt of the pre-shipment inspection fee;
* Original and copy of the bank permit.

**3) For goods to be imported on government budget**

* Original and copy of bill of lading or proof of purchase
* Original or copy Performa invoice;
* Original receipt of the pre-shipment inspection fee or copyof the receipt bearing the seal of customs offices;
* Original bank permit with its copy;
* Undertaking letter for a guarantee or permit for transitinggoods without guarantee.

**4) For transit of donation or gift goods original bill of lading or the fax copy of the original;**

* Original or copy document stating the type, the amount,and the value of goods;
* Letter of guarantee or permit for goods to be transitedwithout guarantee.

**Customs control**

For the implementation of the objectives of customs, the following goodsshall be under the supervision and control of customs:

* Imported goods from the time at customs port until thecompletion of customs formalities and received by theimporter;
* Goods under drawback procedure from the time ofdrawback claim until exportation;
* Goods entered into customs warehouse until removedfrom the warehouse;
* Goods of export from the time they entered into customsport until the completion of customs formalities and beexported;
* Goods in transit, from the time their movement is alloweduntil the completion of transit procedure;
* Goods found with out owner, abandoned, forfeited orcontraband goods until they are sold or disposed otherwise.
* The customs authority would be responsible for the damage on
* Goods under its control and supervision caused by its employees whiledischarging their official duties.

**Duty free privilege**

Ethiopians enjoying duty free privilege are classified in to five categoriesbased on the special rank, responsibility, mission and the length of theirstay in abroad. People in these categories and goods imported withoutpaying duties and taxes are the following.

**Category 1**

Ethiopian Diplomats returning from abroad up on completion of theirmission. These diplomats are:

a) Ethiopians who were working in Ethiopian embassies abroad;

b) Ethiopians who were assigned by the government with therank of diplomat to work at international and regionalorganizations where Ethiopia is a member;

c) Ethiopians competitively employed by their own in the aboveorganizations and have got a diplomatic status;

d) Ethiopians who are issued diplomatic passport and wereworking in foreign institutions recognized by the ministry offoreign affairs of Ethiopia;

e) Ethiopian returnees on special call made by the government. People under this category can import automobile; personal effects andhouse hold goods without paying duties and taxes. However, those who are under category 1 are not allowed to import automobile on dutyfree.

**Category 2**

Ethiopians who are included in this category are:

a) Those who have been working in any Ethiopian governmentoffice for more than three years;

b) Those who returned to invest their capital in their country andwho have got investment certificates;

c) Students who have been attending higher education for one ormore academic year;

d) Students who have been abroad for higher education and whoreturned home for research during academic seasons maybring with them part of what they are allowed to import whenthey return home after graduation;

e) returnees/refugees stayed for more than three years abroad;

f) Ethiopians employed in international regional organizations oncompetitive basis served for more than three years abroad. People under this category are allowed to import automobile, personaleffects and household goods without paying duties and taxes. Where as those people mentioned under are not allowed to import automobile onduty free.

**Category 3**

Ethiopian refugees, returnees, staff of international and regionalorganizations who do not have a diplomatic status and employees ofgovernment branch offices abroad who stayed for more than one year andless than three years. People in this category are allowed to importhousehold goods and personal effects on duty free but not automobile.

**Category 4**

This category includes Ethiopians who stayed abroad for more than threemonths and less than one year. These are refugees, returnees, employeesof government branch offices abroad, staff of international and regionalorganizations as well as Ethiopians who were out on business, seminar,education, visiting and medical reasons. Ethiopians under this category areallowed to import household goods and personal effects on duty freeexcluding automobile.

**Category 5**

Ethiopians who were abroad for less than three months for governmentbusiness education, visiting and medical reasons. People in this categoryare also allowed to import household goods and personal effects on dutyfree except automobile. Diplomaticinsular missions and theirofficials are entitled duty free rights. UN organizations, international andregional organizations and their officials and staff members are grantedexemptions from all customs duties and taxes for articles imported by themwith in the permitted time frame. Organizations established by foreign governments to render economic,technical and cultural assistance and their expatriates are grantedexemption from all customs duties and taxes for articles imported by theorganizations and their respective officials. Expatriates working in nongovernmentalorganizations are entitled duty free rights for articlesimported for their personal use. Investors of foreign nationals are alsoentitled to a duty free right for articles imported for their personal use.

**1, Customs Duty and its Rates**

The first of the five taxes levied on import items is customs duty. The term customs duty denotes taxes imposed on goods entering or leaving the country. ERCA collects customs duty only on import items as no tax on export is levied. The government waived taxes on export items on purpose- just to encourage export.Customs duty has 6 bands or groups of rates which are applied to imported goods

|  |  |
| --- | --- |
| These bands of rates are 0%, such as raw material, and producer’s goods. | |
| 5% up to 10%, | such as importation of agricultural production inputs |
| 20%, | such as semi finished goods |
| 30% up to 35%, | such as imported goods for personal use |

From these bands of rates one can see that the minimum customs duty rate is 0(zero) while the maximum is 35 percent of the CIF (Cost + Insurance + Freight) value of an imported item.

**Cost** stands for thetransaction value and other related costs or payment made in exchange for thepurchase of an item.

**Insurance** represents the money or premium that is paid to deliver the item to be imported up to a prescribed customs port.

**Freight** is moneypaid for the commercial means of transport for delivering the imported item up tothe first customs port.According to the Customs Tariff (Amendment volume 1, 1996 edition). To calculate the customs duty, the CIF is multiplied by tariff rate applicable to eachimported item.ERCA collects customs duty on a great variety of goods which can be classified intotwo categories. The classification is based on the primary purpose of the importedgoods. Those import items used for productive purpose, items to be re-exported andfor public use are classified in category one while import items for all other(nonproductive) purpose are classified in category two.

**Category 1**

Accordingly, raw materials, semi finished goods, producers goods, and import itemsfor public use such as minibuses, buses etc fall under category one. Raw materialscan be processed or unprocessed materials that would be used as industrial oragricultural input while producers’ goods are goods such as capital goods and othersimported by business organization for productive purposes. To encourage businessorganizations involved in activities such as producing goods and services, specialprivileges are granted to them including the exemption of customs duty and charge 5% up to a 20 percent customs duty rate applied to some of them. It’s considerable to preferable for the public purpose.

**Category 2**

Imported goods which are classified in category two are items such as consumer orfinished goods imported for personal use or for a nonproductive purpose. Taxed at a30% up to 35% customs duties.

**Export Tax**

Customs duty and other taxes on export items are waived purposely to encourageexport. However, the government levies export tax on specific semi-prepared hidesand skins of animals.

**2. Excise Tax**

Excise tax is the second of the five taxes levied on import items and it is one of the most well known forms of tax in Ethiopia. It is a tax levied on selected goods such as luxury goods and basic goods which are demand inelastic i.e. goods that shows no change at all in quantity demanded when price goes up or down. Moreover, excise tax is also applied to goods which are considered hazardous to health and that may cause social problems. Additionally, the government uses excise tax as a revenue-producing device.

**What are the excisable goods and their rates?**

In Ethiopia, both the federal and regional governments collect excisetax. ERCA is responsible for collecting excise tax for the Federalgovernment and collects excise tax levied on locally produced andimported items into the country. The minimum excise tax rate applied to excisable goods is 10% whilethe maximum is 100%. Excise tax has 10 bands or groups of rates atwhich excise can be charged. These band rates are

**Goods to be liable to Excise Tax (produced locally or imported)**

|  |  |
| --- | --- |
| 10% | Textile and textile products  - Textile fabric, knit or natural fiber of natural  silk, rayon, nylon, wool or other similar  materials  - Textile of any type partly or wholly made  from cotton, which is grey, white, dyed or  printed, in pieces of any length or width  (except Mosquito net and *Abudgedid*)  and including, blankets, bed-sheets,  counterpanes, towels, table clothes and  similar articles  - Garments |
| 20% | Clocks and watches  Dolls and toy  Personal adornment made of gold, silver or  other materials etc. |
| 30% | Salt  Water bottled or canned in a factory  Washing machines of a kind for domestic  Purposes etc. |
| 33% | Any type of sugar (in solid form) excluding  Molasses |
| 40% | Drinks:  - All types of soft drinks (except fruit juices)  -powder soft drinks  - Video decks  -Television and video cameras |
| 50% | Alcoholic Drinks:  - All types of beer + stout  - All types of wine |
| 60% | Some types of motor vehicles |
| 75% | - Cigarettes, cigar, cigarillos, pipe tobacco,  snuff and other tobacco products |
| 80% | -Dish washing machines of a kind for  domestic use |
| 100% | - Whisky  - Other alcoholic drinks |

**Who must pay excise tax?**

Excise tax on the above mentioned goods is levied whenever thesegoods are imported into the country or when they are locallyproduced. Therefore the excise tax on goods locally produced is paidby the producer whereas excise tax on imported items is paid by theimporter.

**What is the base of computation for excise tax?**

Each taxpayer is liable to compute his or her tax liability-the amount of money he or she owes. The base of calculation for goods locallyproduced is the cost of production multiplied by its excise tax rate.

The cost of production means;

Direct labor

Raw materialcost incurred in the production process,

Cost of indirect inputs andoverhead costs, But does not include depreciation costs ofmachinery.

In calculating excise tax payable on produce productslocally in a factory the taxpaid on import of inputs that are used to produce should be deducted.

Likewise, computation for goods imported into the country; cost + insurance + freight (CIF) + customs duty multipliedby excise tax rate. This is the base of excise tax.

When is the time of payment for excise tax?

Excise tax on imported items is paid at the time of clearing those goods from customs area.

**3. Value Added Tax (VAT)**

VAT is the third of the five taxes to be levied on import items. In Ethiopia, VAT is levied at a flat percentage rate of 15%. VAT is levied on every imported item. Importers are liable to pay 15 percent of the sum of cost, insurance, freight, customs duty and excise tax.VAT is a tax on consumer expenditure. It is collected on businesstransactions and imports. A taxable person can be an individual, firm,company, as long as such a person is required to be registered for VAT.Most business transactions involve supplies of goods or services.

**VAT ispayable if they are:**

* Supplies made in Ethiopia;
* Made by a taxable person;
* Made in the course or furtherance of a business;
* Are not specifically exempted or zero-rated.

**The Value Added Tax would be levied at the rate of 15% of the value of**:

* Every taxable transaction by a registered person;
* Every import of goods, except an exempt import;
* Import of services.

**4. Surtax**

Surtax is the fourth of the five taxes imposed on import items. Surtax wasintroduced in the Ethiopian tax system on April 9, 2007. The council of Ministersissued a regulation to levy 10 percent surtax on imported goods. The imposition ofsurtax was necessitated to build the financial capacity of the government forinterventions to solve the rise in the cost of living which is affecting consumers withlow and medium income level. Hence, the government required additional budget topay for the subsidy and this is financed by surtax on import items. Ten percent of the sum of cost, insurance, freight, customs duty, excise tax, andVAT is the base of computation for surtax on all goods imported into the country.However, the following items and services are exempted from payment of surtax. Fertilizer, Petroleum and lubricants, Motor vehicles for cargo etc.

**5. Withholding tax**

Withholding tax is the last tax on import items and was introduced in Ethiopia on

December 30, 2000. Proclamation No 227/2001 introduced withholding tax. The amount collected on imported goods shall be 3% of the sum of cost, insurance and freight (CIF value).

**Rates of withholding tax**

On imported goods at 3% of the sum of cost, insurance and freight (CIF). On payments made to taxpayers at 2% on cost of supply goods involving more than Birr 10,000 in any one transaction or contract and services involving more than Birr 500 in one transaction or service.

**Determining the** value**of the goods/services**

The World Trade Organization (WTO) Agreement on Valuationestablishes the basis for the customs valuation of international trade. The customs value is based on the transaction value of the imported goods, and is equivalent to the market price charged to the importer for the goods at the time of export.

For imports, valuation usually includes international transport insurance and freight.

***Value*** **of the goods may include:**  
value of the taxable import (VOTI)  
customs value  
prescribed weight

***Liability to pay*** **includes consideration of**:

* possible tax exemptions
* possible customs exemptions
* who has liability (ie owner or packer)

**LO2:** Calculate taxes, fees and charges

Taxes, fees and charges are calculated in accordance with relevant legislation, policies and guidelines.

***Taxes***, ***fees and charges*** **may include:**

* tariffs
* duty
* penalties
* infringement notices
* taxes, such as:
* Goods and Services Tax (GST)
* Luxury Car Tax (LCT)
* fees for service, such as:  
  treatment and return to sender charges
* document charges
* inspection charges

***Legislation***, ***organizational guidelines and procedures*** **may include:**

* Enabling and allied legislation and regulations, such as:

Customs Act 1901 and regulations

Customs Tariff Act 1995

Imported Foods Control Act 1992 and regulations

Export Control Act 1982 and regulations

A New Tax System (Goods and Services Tax) Act 1999

A New Tax System (Wine Equalization Tax) Act 1999

A New Tax System (Luxury Car Tax) Act 1999

Organizational policies and procedures

Work area standard operating procedures/work instructions

Procedures manuals

Occupational health and safety and environment legislation and guidelines

***Relevant systems*** are used to assess amounts payable.  
All calculations are made accurately and checked for consistency.  
**Example:** AtoKebede imported an automobile for personal usefoot car with 1300 cc. How do you think the total customs duty and other taxes can becalculated? To determine customs duty and other taxes on the automobile we must be the following seven key steps. The first step is to identify the dutypaying value of the automobile. The duty paying value of any import item is theactual total cost of the goods i.e. cost + insurance + freight. Once the duty paying value of the imported item is calculated, the next step is tocalculate customs duty payable on the automobile. Suppose the duty paying value ofthe imported item is 60,000 birr, the importer is liable to pay customs duty of 21,000 birr. This figure is obtained by multiplyingpaying value of the imported item i.e. 60,000 x 35%=21,000 having calculated customs duty next is the third step used to reflect how excise taxis calculated. In this step, the importer multiplies the sum of duty paying value andcustoms duty by excise tax rate (60,000 + 21,000) x 60%. This gives the importer48,800 birr which is the payable excise tax.The fourth step shows the way value added tax is calculated. In this step, theimporter multiplies the sum of duty paying value, customs duty, and excise tax by valueadded tax ( 60,000 + 21,000 + 48600) x 15%which is VAT calculation is 19440 birr which is VAT to be paid on the automobile.The fifth step, to calculate surtax, involves multiplying the sum of duty payingvalue, customs duty, excise tax, VAT, by surtax rate (60,000 + 21,000 + 48600+19440) X 10% which is surtax rate. Accordingly the payable surtax is 14904 birr.The sixth step is to calculate withholding tax. In this step, the importer multipliesthe duty paying value by withholding tax rate i.e. 60,000 x 3%. The result is 1800birr which is the withholding tax to be paid.The last step involves adding the payable customs duty, excise tax; value added tax,surtax, and withholding tax to arrive at the figure of the total payable customs duty and other taxes. Accordingly the calculation results in a sum of 105744 birr i.e.

Custom duty & other taxes are 21,000 + 48600+ 19440 +14904 + 1800=105744

Automobile total cost to growth = 165744 birr.

The formula for calculating customs duty and other taxes:

DPV =Cost + Insurance + Freight

DPV x CUDU =A

(DPV + A) x EXTA= B

(DPV + A + B) x VAT=C

(DPV + A + B + C) x SURTAX =D

DPV x WHT = E

Total payable = A + B + C + D + E

………………………………………………..

Where

DPV= Duty Paying Value

CUDU= Customs Duty Rate

EXTA = Excise Tax Rate

SURTAX= Surtax

WHT = Withholding Tax

**Tax Evasion**

A person who evades the declaration or payment of tax, commits an offence and in addition to any penalty may be prosecuted and be subject to a term of imprisonment of not less than five (5) years. If any amount of tax is not paid by the due date, the person liable is obliged to pay interest on such amount for the period from the due date to the date the tax is paid. The interest rate is set at 25% over and above the highest commercial banks lending interest rate that prevailed during the preceding quarter. A person who fails to file a timely return is liable for a penalty equal to 5% of the amount of tax underpayment for each month (or portion there of) during which the failure continues, up to 25% of such amount. The penalty is limited to 50, 000 Birr for the first month in which no return is filed.

**Stamp Duty**

The following instruments shall be chargeable with stamp duty:

* Memorandum and articles of association of any business organization, cooperative or any other form of association;
* Award; bond; Warehouse bond;
* Contract and agreements and memoranda;
* Security deeds;
* Collective agreement;
* Contract of employment;
* Lease, including sub-lease and transfer of similar rights;
* Power of attorney;
* Documents of title to property.

**Time and Manner of Payment**

The stamp duty would be paid:

* On memorandum and articles of association, before or at the time of registration;
* on awards, before or at the time of issuance of the award;
* on contracts or agreements, before or at time of signature;
* on leases or sub-leases, before or at the time of signature;
* on security deeds, before or at the time of signature;
* On documents of title to property, before or at the time issuance is effected.

LO3: Complete transaction records

Transaction record can be defined simply as keeping daily records of business financial activities. It is important that one makes a habit of recording the business transactions every day. It will helpto Ethiopian custom authority make precise and efficient transaction.

**Requirements of a good recording system**

The following criteria are essential to a good record-keepingsystem:

- Simplicity

- Accuracy

- Timeliness

- Consistency

- Understandability

- Reliability and completeness

There are several accounting systems that can be purchased and adapted to the individual business, or you may find it is better to use a system specifically designed for your business and one that meets the above-mentioned criteria.

**Commercial Record-Keeping Systems**

Record-keeping systems are currently available from varioussources in the marketplace: stationery stores, publishers andbusiness advisory services. These systems either are specificallydesigned for a certain type of business or are general enough tobe used by many different types of businesses. Systems areavailable for cash basis recording, accrual basis recording andfor both single and double entry.

***Records of transactions*** **may include**:

* Informal clearance documents (ICD)
* customs entry
* invoice
* demand for payment
* record of credit payment
* other forms of receipt

**THE ACCOUNTING CYCLE**

The accounting cycle can be described as follows:

1. A business transaction occurs; giving rise to an original document that is recorded in a book of original entries called a journal.

2. The totals from the journal are summarized and reported in a book of accounts, known as a general ledger.

3. The general ledger contains the individual accounts maintained by the business.

4. The individual accounts are listed in the form of debits and credits, known as the trial balance of the general ledger.

5. From this trial balance, after making certain adjustments, you prepare the business's financial statements.

**Electronic Records**: All requirements that apply to hard copy books and records also apply to business records which are maintained using electronic accounting software, point of sale software, financial software or any other electronic records system. The electronic system must provide a complete and accurate record of your data that is accessible to the IRS.

Whether you keep paper or electronic journals and ledgers and how you keep them depends on the type of business you are in. For example, a recordkeeping system for a small business might include the following items:

Business checkbook

Daily and monthly summary of cash receipts

Check disbursements journal

Depreciation worksheet

Employee compensation records

**Issuing transaction records:** Issuing transaction means to make a formal of transaction recordings. And transaction is issued from the custom at which it is committed. And after issuance of transactions the importer or his agent could be removed their goods from the warehouse.

**Retaining and storing copies of transaction records**

**What is record keeping?**

Record keeping is retaining and securely storing (physically or electronically) certain records a reporting entity creates or obtains while doing business. The purpose for retaining records is to:

* Enable a reporting entity to meet its legal obligations.
* Enable a reporting entity to manage its risks of being misused for money laundering and terrorism financing assist AUSTRAC and its partner agencies in investigating criminal activities. Reporting entity records are an essential component of the audit trail required to investigate money laundering, terrorism financing and other criminal activities.