

III. TRENDS IN GOLD BULLION SMUGGLING

1. Seizures of Smuggled Gold Bullion

< Seizures of Smuggled Gold Bullion >

The total number of seizures of smuggled gold bullion during the one-year period from January to December of 2019 was 61 (down by 94% from the previous year), and the total amount of seized gold bullion was approx. 319 kg (down by 84% from the previous year). The number of seizures and the seized amount both decreased significantly. However, after the consumption tax rate increase in October 2019, the number of seizures has been showing an increasing trend.

Seizures of smuggled gold bullion during the past 10 years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of seizures (cases)	15	17	18	12	119	465	811	1,347	1,086	61
Seized amount (kg)	92	63	79	133	449	2,032	2,802	6,277	2,036	319

(Note) Figures for 2018 and 2019 are provisional.

< Seizures of smuggled gold bullion by mode of transport >

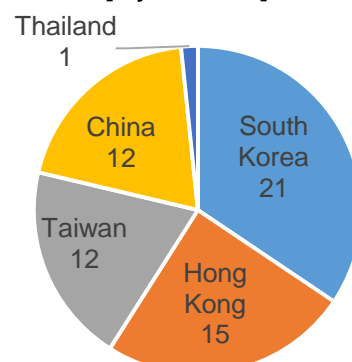
Out of the 61 seizures of smuggled gold bullion during the one-year period from January to December of 2019, approx. 90% or 57 cases were committed by air passengers. By source, all were smuggled from Asia, of which approx. 30% were from South Korea (21 cases), which accounted for the largest percentage.

Seizures of smuggled gold bullion (2019)

[By mode of transport]

Mode of transport	Number of seizures (cases)	Seized amount (kg)
Air passengers	57	161
Air cargo	2	132
Ship crews	2	26
Total	61	319

[By source]

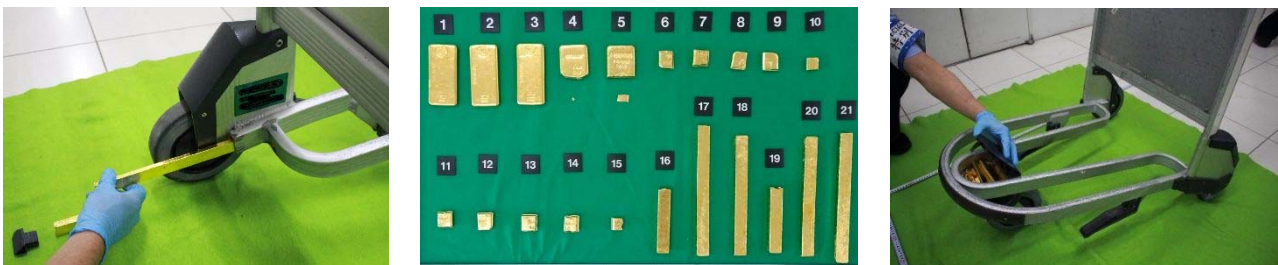


(Note) "Air passengers" includes crew members, and "ship crews" includes passengers and cases of trafficking by sea. "International cargo" includes unaccompanied baggage sent by air.

< Major seizures of smuggled gold bullion >

[Case 1] Smuggling by an air passenger (The first case after the consumption tax rate increase)

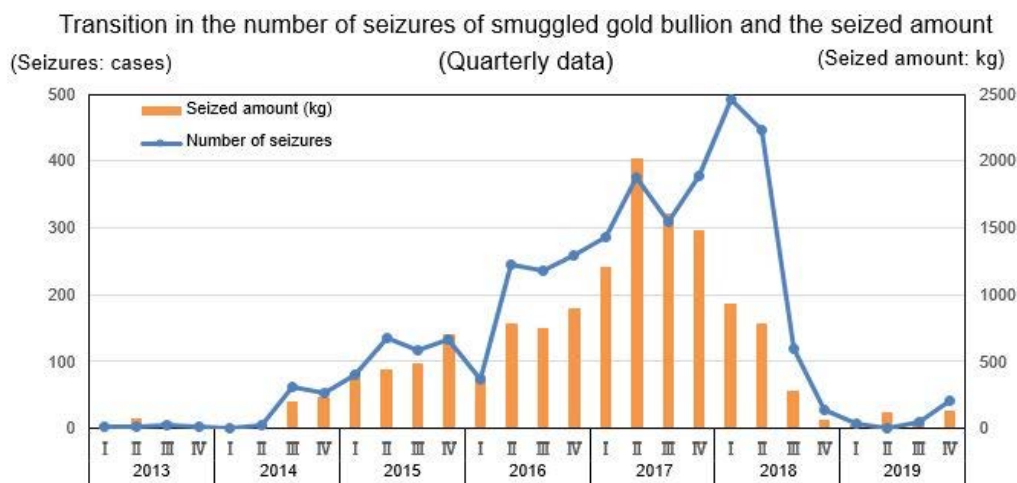
In October 2019, Customs seized approx. 9.5 kg of gold bullion concealed in a baggage cart used by a Korean man, who arrived at Fukuoka Airport from South Korea, and accused him of violating the Customs Act after investigations. (October 2019, Moji Customs)



[Case 2] Smuggling by air passengers (Attempted case and completed case)

In August 2015, Customs seized approx. 4 kg of gold bullion concealed in a brassiere worn by a Japanese woman (attempted case) and approx. 8 kg of gold bullion concealed in short-sleeved shirts with pockets covered with silicon mats by 2 Japanese men (completed case), who arrived at Narita Airport from Malaysia via Taiwan. Customs accused a total of 8 Japanese people, adding another 5 who were identified as accomplices, of violating the Customs Act.

Through investigations in criminal cases thereafter, Customs found the fact that approx. 20 kg of gold bullion was smuggled by using a similar modus operandi in June 2015, and accused 9 Japanese in total of violating the Customs Act. (December 2019, Tokyo Customs)



2. Mechanism of Gold Bullion Smuggling

Gold bullion smuggling is considered to be committed with the aim of selling gold bullion, which was smuggled without reporting and paying consumption tax, to domestic buyers and thereby gaining proceeds equivalent to the amount of consumption tax.

For example, when importing 5 kg of gold bullion at a price of 5 million yen per kg (25 million yen), it is necessary to pay 2.5 million yen (25 million yen \times 10%) as consumption tax at a customs office. However, if a smuggler evades consumption tax and a domestic buyer purchases gold bullion thus smuggled at a price including consumption tax (25 million yen), the smuggler gains the portion of consumption tax as his/her proceeds.

Such proceeds gained through gold bullion smuggling seem to be taken abroad and used for purchasing gold bullion again. Gold bullion smuggling is often committed in an organized manner.

On the other hand, smuggled gold bullion that was purchased by buyers is to be placed on a regular distribution channel, and the portion exceeding the domestic demand will be exported and traded in international gold markets.

Supposing that gold bullion smuggling is committed under this mechanism, proceeds from smuggling are likely to become a capital source of crime organizations.

Mechanism of gold bullion smuggling (example)

