

C. Customs procedures and IMTS

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2.12. *Customs procedures and trade statistics.* Most of the international transactions of goods pass through the customs administrations of the exporting and the importing countries, and are subject to customs procedures. Customs records created as a result of the application of such procedures are the most prevalent and most important source of data for trade statistics.^[6] Further, the customs procedures are used to determine what movements of goods are to be included or excluded from international merchandise trade statistics. However, countries may not always strictly follow the standards and recommended practices of the RKC or may have other procedures or procedures in addition to those identified within it. Therefore, compilers should carefully review the details of the customs procedures and then decide on whether to include or exclude any given procedures, following the IMTS 2010 recommendations on the scope of recording (see IMTS 2010, para. 8.5).

2.13. *Inclusion and exclusion of goods based on specific customs procedures.* The most common customs procedure for imports is the declaration of goods for Clearance for home use, whereas for exports it is the procedure of outright exportation. Goods transactions under these customs procedures are, as a general guideline, to be included in the international merchandise trade statistics. Goods movements under the procedures transit, transshipments and temporary admissions are, in general, to be excluded. Boxes II.2 and II.3 below provide the list of customs procedures identified in the RKC under which, as a general guideline, goods are to be included in or excluded from trade statistics, assuming that the country follows the RKC in the definition and application of these customs procedures (see IMTS 2010, para. 8.5). Box II.4 provides examples of cross-border movements of goods that might not be covered by separate customs procedures but that should be included in international merchandise trade statistics.

2.14. *List of customs procedures under which goods are to be included in IMTS.* Box II.2 provides the list customs procedures identified in the RKC and whose application should result in the inclusion of cross-border movements of goods in imports or exports following the relevant recommendations of IMTS 2010.

Box II.2 Customs procedures covering goods to be included in IMTS

1. Imports

Clearance for home use (Specific Annex B, Chapter 1)

Specific Annex B of the RKC defines "clearance for home use" as the Customs procedure which provides that imported goods enter into free circulation in the Customs territory upon the payment of any import duties and taxes chargeable and the accomplishment of all the necessary Customs formalities. It further defines "goods in free circulation to" mean goods which may be disposed of without Customs restriction.

Customs warehouses (Specific Annex D, Chapter 1)

"Customs warehousing procedure" means the Customs procedure under which imported goods are stored under Customs control in a designated place (a Customs warehouse) without payment of import duties and taxes. Customs can establish public and private customs warehouses, for which Customs shall lay down the requirements for the establishment, suitability and management and the arrangements for Customs control. The arrangements for storage of goods in Customs warehouses and for stock keeping and accounting shall be subject to the approval of the Customs. As mentioned above, the authorized operations are strictly defined. Goods are allowed to stay in the warehouse for at least one year, unless the goods are perishable.

Free zones (Specific Annex D, Chapter 2)

"Free zone" means a part of the territory of a Contracting Party where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the Customs territory. National legislation shall specify the requirements relating to the establishment of free zones, the kinds of goods admissible to such zones and the nature of the operations to which goods may be subjected in them. Customs shall lay down the arrangements for Customs control, including appropriate requirements as regards the suitability, construction and layout of free zones, and have the right to carry out checks at any time on the goods stored in a free zone.

Inward processing (Specific Annex F, Chapter 1)

"Inward processing" is defined as the Customs procedure under which certain goods can be brought into a Customs territory conditionally relieved from payment of import duties and taxes, on the basis that such goods are intended for manufacturing, processing or repair and subsequent exportation. Specific Annex F further defines that inward processing shall not be limited to goods imported directly from abroad, but shall also be granted for goods already placed under another Customs procedure and that it should not be refused solely on the grounds of the country of origin of the goods, the country from which they arrived or the country of destination.

Processing of goods for home use (Specific Annex F, Chapter 4)

"Processing of goods for home use" means the Customs procedure under which imported goods may be manufactured, processed or worked, before clearance for home use and under Customs control, to such an extent that the amount of the import duties and taxes applicable to the products thus obtained is lower than that which would be applicable to the imported goods. The granting of the procedure of processing of goods for home use shall be subject to the conditions that:

(a) the Customs are able to satisfy themselves that the products resulting from the processing of goods for home use have been obtained from the imported goods;

(b) the original state of the goods cannot be economically recovered after the manufacturing, processing or working.

2. Re-imports

Re-importation in the same state (Specific Annex B, Chapter 2)

"Goods exported with notification of intended return" means goods specified by the declarant as intended for re-importation, in respect of which identification measures may be taken by the Customs to facilitate re-importation in the same state.

"Re-importation in the same state" means the Customs procedure under which goods which were exported may be taken into home use free of import duties and taxes, provided they have not undergone any manufacturing, processing or repairs abroad and provided that any sums chargeable as a result of repayment or remission of or conditional relief from duties and taxes or of any subsidies or other amounts granted in connection with exportation must be paid. The goods that are eligible for re-importation in the same state can be goods that were in free circulation or were compensating products.

3. Exports

Outright exportation (Specific Annex C, Chapter 1)

Specific Annex C states that "outright exportation" means the Customs procedure applicable to goods which, being in free circulation, leave the Customs territory and are intended to remain permanently outside it. The Customs shall not require evidence of the arrival of the goods abroad as a matter of course.

Outward processing (Specific Annex F, Chapter 2)

"Outward processing" means the Customs procedure under which goods which are in free circulation in a Customs territory may be temporarily exported for manufacturing, processing or repair abroad and then re-imported with total or partial exemption from import duties and taxes.

Drawback (Specific Annex F, Chapter 3)

"Drawback" means the amount of import duties and taxes repaid under the drawback procedure. "Drawback procedure" means the Customs procedure which, when goods are exported, provides for a repayment (total or partial) to be made in respect of the import duties and taxes charged on the goods, or on materials contained in them or consumed in their production.

Postal traffic (Specific Annex J, Chapter 2)

According to the RKC, clearance of goods in postal traffic "shall be carried out as rapidly as possible" and customs control shall be restricted to the minimum".^a

Relief consignments (Specific Annex J, Chapter 5)

The RKC stipulates that clearance of relief consignments for export, transit, temporary admission and import shall be carried out as a matter of priority. In the case of relief consignments the Customs shall provide for: (a) lodging of a simplified Goods declaration or of a provisional or incomplete Goods declaration subject to completion of the declaration within a specified period; (b) lodging and registering or checking of the Goods declaration and supporting documents prior to the arrival of the goods, and their release upon arrival; (c) clearance outside the designated hours of business or away from Customs offices and the waiver of any charges in this respect; and (d) examination and/or sampling of goods only in exceptional circumstances.^b

^a See the RKC, Specific Annex J, Chapter 2, Standard 3.

^b See the RKC, Specific Annex J, Chapter 5, Standards 2 and 3.

2.15. *List of customs procedures under which goods are to be excluded from IMTS.* Box II.3 provides the list of customs procedures whose application should result in exclusion of the goods from the international merchandise trade statistics, as goods entering or leaving a country under any of those procedures do not add or subtract from the stock of goods of the country.

Box II. 3 Customs procedures covering goods to be excluded from IMTS

Customs transit (Specific Annex E, Chapter 1)

"Customs transit" means the Customs procedure under which goods are transported under Customs control from one Customs office to another. The Customs shall allow goods to be transported under Customs transit in their territory:

- (a) from an office of entry to an office of exit;
- (b) from an office of entry to an inland Customs office;
- (c) from an inland Customs office to an office of exit; and
- (d) from one inland Customs office to another inland Customs office.

Goods being carried under Customs transit shall not be subject to the payment of duties and taxes. The Customs at the office of departure shall take all necessary action to enable the office of destination to identify the consignment and to detect any unauthorized interference.

Transshipment (Specific Annex E, Chapter 2)

"Transshipment" means the Customs procedure under which goods are transferred under Customs control from the importing means of transport to the exporting means of transport within the area of one Customs office which is the office of both importation and exportation. The Customs should accept as the Goods declaration for transshipment any commercial or transport document for the consignment concerned which meets all the Customs requirements. This acceptance should be noted on the document.

Temporary Admission (Specific Annex G, Chapter 1)

"Temporary admission" means the Customs procedure under which certain goods can be brought into a Customs territory conditionally relieved totally or partially from payment of import duties and taxes; such goods must be imported for a specific purpose and must be intended for re-exportation within a specified period^a and without having undergone any change except normal depreciation due to the use made of them.

National legislation shall enumerate the cases in which temporary admission may be granted and temporary admission shall be subject to the condition that the Customs are satisfied that they will be able to identify the goods when the temporary admission is terminated. The Customs shall fix the time limit for temporary admission in each case.

Temporary admission with total conditional relief from duties and taxes should be granted to the goods referred to in the Annexes to the Convention on Temporary Admission (Istanbul Convention) of 26 June 1990: ^b

- (a) "Goods for display or use at exhibitions, fairs, meetings or similar events".
- (b) "Professional equipment".
- (c) "Containers, pallets, packings, samples and other goods imported in connection with a commercial operation".
- (d) "Goods imported for educational, scientific or cultural purposes".
- (e) "Travellers' personal effects and goods imported for sports purposes".
- (f) "Tourist publicity material".
- (g) "Goods imported as frontier traffic".
- (h) "Goods imported for humanitarian purposes".
- (i) "Means of transport".
- (j) "Animals".

^a See also IMTS 2010, para. 1.43

^b Available from http://www.wcoomd.org/en/about-us/legal-instruments/~/_media/2D53E23AA1A64EF68B9AC708C6281DC8.ashx

2.16. *Cross-border movements of goods that might not be covered by specific customs procedures but that should be included in IMTS.* There are a number of cross-border movements of goods that might not be covered by specific customs procedures but that constitute significant trade and should be included in the international merchandise trade statistics. Examples of such movements of goods are provided in Box II.4.^[7]

Box II.4 Examples of cross-border movements of goods that might not be covered by separate customs procedures but that should be included in IMTS

- *Goods on consignment*
- *Border trade* (trade between residents of adjacent areas of bordering countries as stipulated by national legislation)
- *Barter trade*
- *International aid* (aid or donations given gratis between Governments or by international organizations)
- *Gifts and donations* (to be included if to significant scale as defined by national law)
- *Contracting projects* (exports of equipment or materials to be used for construction projects carried out by country residents)
- *Goods on lease* (imports or exports under a financial lease arrangement) (see IMTS 2010, para.1.28)
- *Equipment or materials invested by foreign-invested enterprises* (the import of equipment, parts or other materials by a foreign-invested enterprise as part of its total initial investment)
- *Duty-free shop* (the duty-free import of commodities for sale in specific shops to specific individuals according to specific customs regulations)
- *Seizure and subsequent resale by the State.*

2.17. *National application of the drawback procedure.* As indicated at the beginning of the present section, there might be differences in the application of specific customs procedures between countries, and trade statisticians need to be aware of how certain procedures are defined and applied in detail in their country. Box II.5 provides two country examples of the application of the drawback procedure

Box II. 5 Use of the drawback procedure: experiences of Brazil and Canada

Definition and application of the drawback procedure in Brazil

Drawback is a foreign trade policy in which manufacturers of Brazil are allowed to purchase, abroad or in the domestic market, raw materials and parts, without customs charges, to be used to manufacture goods that will be exported. The drawback enables companies of Brazil to be competitive, since they do not need to add on taxes to their exporting prices.

Excerpt from the Canadian Border Services Agency (CBSA) memorandum regarding the drawback programme

1. This programme will be of benefit to persons who presently, or will (a) import goods into Canada, (b) receive goods imported into Canada, or (c) export the imported goods from Canada, and wish to file a claim for a drawback (refund) of the duties paid.
2. When imported goods which are subsequently exported from Canada were (a) further processed, (b) displayed or demonstrated in Canada, (c) used for the development or production in Canada of goods for subsequent export, and (d) exported without having been used in Canada for any purpose other than for (a), (b), or (c), a drawback may be filed to claim the duties paid on the imported goods. This means a refund of the customs duties, anti-dumping and countervailing duties, or excise taxes, other than the Goods and Services Tax (GST)/Harmonized Sales Tax (HST), that were paid at the time of importation, may be claimed.

[6] See chap. III for a description of trade flows that might not be covered by customs and for which the use of non-customs sources of data might be needed.

[7] The RKC lists, inter alia, the most widely used regimes, such as clearance for home use and outright exportation (in some countries responsible for up to 90% of all declarations).