

RPT Revenue Package



CASE STUDY: MAURITIUS VALUATION CONTROL PROGRAMME



**WORLD CUSTOMS ORGANIZATION
JUNE 2012**

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1. INTRODUCTION

Background to development of current programme

In 2006, the Customs Department of the newly-created Mauritius Revenue Authority (MRA) continued with the ongoing reform and modernization programme which had been started earlier, continuing its path to become an efficient and effective organization by implementing best recommended practices.

In order to address delays in clearance caused by the number of human interventions and bureaucracy, as highlighted in complaints received from importers/brokers, existing procedures were reviewed and streamlined. These had the effect of reducing cargo dwell time and meeting the general needs of the country, and in particular importers.

As recommended in the Revised Kyoto Convention (RKC)¹, use of latest technology and tools has been introduced to enhance the efficiency and effectiveness of border control. Non-intrusive tools, such as X-ray scanners and K-9 units, have been implemented in order to reduce physical examination by officers.

New arrangements were set up to minimize unauthorized access to offices by the stakeholders and contacts between brokers/importers and Customs officials were reduced. Dedicated booths for interview were provided to this end.

Since Mauritius implemented the WTO Valuation Agreement in 2000², other improvements, including new procedures for valuation control, have been initiated. In addition, controls were restructured and a post-importation control unit was created.

It was also recognized that a misunderstanding of the differing roles of investigators and auditors made the start of post-import auditing difficult. Staff members were not familiar with the different principles which led to conflict. They have since been trained and educated to address this problem. The role of the investigators and auditors has been clearly demarked in the operation manuals to avoid conflicts and duplication.

Brief overview of reform programme

Under the reform programme, with the implementation of the Customs Management System in 1998, all Customs declarations are made electronically. The declarant enters goods via the TradeNet Server (MNS) which is the link to MRA's Customs Management System (CMS). MNS also routes messages between Customs and external stakeholders (e.g. declarants, banks, shipping/airlines, etc.). After CMS performs validation checks, payment is made either electronically or in cash.

Previously, hard copies of the Customs declarations, along with specified supporting commercial documents, were lodged at the Custom House. However, since January 1, 2012, commercial documents are now scanned and attached to the electronic declarations which are sent to Customs. The documents are kept by the importers/exporters and are to be produced on demand by Customs.

Automated filtering of declarations is made by CMS, according to sensitivity/risk which assigns declarations to the appropriate channel:

¹ Mauritius became a contracting party to the RKC in September 2008

² Mauritius became a WTO Member on January 1, 1995



- Red (physical examination)
- Yellow (for documentary check and other agency requirements)
- Green (delivery allowed after face-vetting of documents)
- Blue (fast track/minimal control at border; trader retains supporting documents and is controlled by Post-Control Audit Unit)

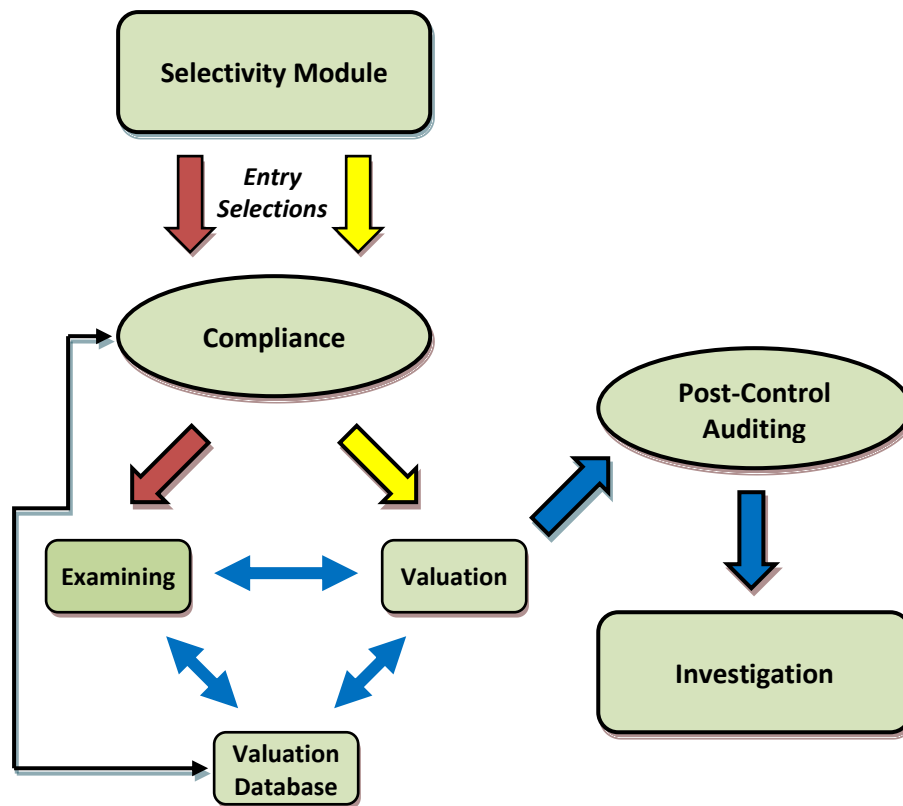
Post-importation controls are conducted at two levels: one on a transactional basis and one on an entity basis.

A Post Clearance Review of Declaration Unit (PCRD) has been set up to review import declarations (excluding those for the Freeport, Blue Channel, Ex-Warehousing declarations) after clearance, on a transactional basis. Export declarations are not subject to PCRD review.

A Post-Control Audit Unit (PCA) has been set up to carry out audits on importers' past transactions to ensure they are compliant with the Customs laws. A fast track system (blue channel) has been introduced for compliant importers who have previously been audited and who satisfy the prescribed conditions (a type of simplified procedure). These privileged importers, who pay electronically, do not have to submit hard copies of their declarations and commercial documents, avoiding the need for the importer/exporter/declarant to travel to the Customs Office. Clearance is given electronically. Their consignments are subject to a low rate of random physical inspection (currently 2%). See further details below.

Any person intending to import or export goods is required to complete a registration form, giving details of their business (EO 1 – see [Annex IV](#)). The importer or exporter is identified by a unique reference number, normally the Tax Account Number, which is allocated to each importer or exporter.

OVERVIEW OF THE VALUATION PROCESS



- All validated import declarations go through the Risk Management Module
- Compliance supervisors send all declarations targetted by the Risk Management Module for control to the Valuation Unit
- After consulting the Valuation Database, compliance officers also send other declarations to Valuation Unit where suspected undervaluation is observed
- The Valuation Unit refers cases of repeated undervaluation to Post-Clearance Auditing for follow-up action



2. ORGANIZATIONAL AND LEGAL FRAMEWORK

Organizational framework - see organigram in [Annex I](#).

Legal Framework

- Customs Act - Act 47 of 1988 – January 1, 1989: Sections 18 to 19 cover Customs valuation.
- Section 16 provides details of documents which should be delivered with the Customs entry.
- Government Notice No. 107 of 2003: Regarding valuation of used machinery and equipment. The key provision states in the application of Section 18F of the Customs Act that the determination of value of used machinery and equipment shall be based on the Free On Board (FOB) value of such goods when new, reduced by not more than 15% for each year of use (based on Article 7 of the WTO Valuation Agreement) which states that where the Customs value of the goods cannot be determined under the provisions of Articles 1 to 6, inclusive the value of those goods shall be determined in accordance with the fallback method of valuation.
- Government Notice No. 108 of 2003: This is a regulation made under the Excise Act to assess the FOB value of second-hand/used motor vehicles. Basically, it provides a formula to determine the value based on some prescribed criteria. The value of imported second-hand vehicles that attract excise duty must be determined under this regulation.

MRA has developed an automated second-hand car valuation application which is accessible to the public. The assessed FOB value is obtained directly from the application by inputting a few essential elements including make, model, engine capacity, and year of first registration, and this value may be printed and used when making an entry to Customs. This does not constitute an infringement of the principles of the WTO Valuation Agreement as excise duty, rather than Customs duty, applies to these goods in Mauritius.

Key extracts are reproduced in [Annex II](#); the full text is available [here](#).

3. CURRENT VALUATION CONTROL SYSTEM

Valuation controls at border

In November 2003, the previous risk management system (based on "non-selected" and "selected" status) was replaced by the channel system. Currently, there are four channels: the Green channel, which only subjects imports to a cursory document check; the Yellow channel, in which products are subject to permit or inspection requirements of different government departments and detailed document verification; the Blue channel, for the fast track of qualified importers; and the Red channel, which involves both a detailed document verification and mandatory physical inspection.

These channels are automatically assigned by the CMS, based on a combination of criteria such as product selectivity, sensitivity, value, previous offenses, and consistency of data. Customs officers are only allowed to modify the channel from Green to Yellow, from Green to Red, or from Yellow to Green or Red. In the Yellow channel, declarations may be turned Green after satisfying documentary checks. The status of Red channel declarations cannot be changed. Customs officers responsible for checking the documents and for conducting physical inspection are selected by the computer system.

Over the years, there has been a gradual shift away from exclusive checks to risk-based checks. Examining officers are assigned by the CMS to examine targeted consignments. When undervaluation is suspected, they also send declarations to the Valuation section, following an examination of the goods.

Statistics

- Currently, around 85% of consignments are cleared without physical examination. The target is to increase this figure to 90% by 2014.
- Some random physical checks are also conducted.

Valuation controls in the post-clearance environment

Post-clearance checks are carried out at two levels: audit and transaction driven verification checks.

➤ Post-Clearance Review of Declarations (PCRD)

The PCRD unit conducts desk-based documentary checks and verifications and is part of the control procedures of the MRA to ensure compliance. The PCRD unit has devised a series of topic-specific checklists (e.g. classification, valuation, etc.) which are available to officers working at the PCRD. With respect to valuation, reference is made to the database to compare declared values and to follow up in cases of doubt. In such cases, supplementary documentation is requested from the importer including:

- Order/confirmation of order
- Sales contract and agency or distribution agreement
- Pro forma invoice
- Export price list from seller
- Catalogue & technical literature, process of manufacture
- Any bank statement, including bank transfer, letter of credit, etc.
- Any other documents related to the sale of the goods

Unresolved queries are then referred to Post-Clearance Audit or Investigation units for appropriate action.

➤ Post-Clearance Audit (PCA)

The objective of the PCA within the Assessment Section is to carry out a complete compliance review, preferably at the importer's premises, through the examination of books and records, business systems and all relevant Customs commercial data kept by importers, with a view to ensure that all imports are accurately declared at Customs. Other objectives include the detection of infringement related to duties and taxes; to ensure compliance with all Customs laws and procedures by its stakeholders; to consolidate intelligence, information and data on importers prone to risk and to disseminate information to other departmental units and the MRA.

The Audit Team compiles and analyzes all Customs data; e.g. data from CMS, COR (Customs Offense Reports), statistics, and information on valuation, tariff and origin relevant to the targeted importer. Other critical information relevant to the importer is retrieved from the Risk Management Section (RMS). Full procedures relating to the conduct of the audit are provided in MRA's Standard Operating Procedures manual.

Where suspected valuation fraud is detected, the PCA section sends the case for investigation to the Investigation Unit of the Surveillance and Enforcement Section.

A Value Declaration form is used as part of a questionnaire, which must be completed by the person to be audited on his first visit (see [Annex III](#)). It is not used for every import declaration as it was observed that this would increase the burden on trade, increasing costs and therefore reducing the competitiveness of Mauritius. Furthermore, when an adjustment is made to the value resulting from a valuation control exercise, the basis for the adjustment is given in writing to the importer as a requirement of national legislation.

Statistics

- 14 million Mauritius rupees (MUR) have been collected from an exercise on royalties which should have been included as part of the Customs value. It was also noted that freight charges had not been included in the Customs value. Though its impact is not significant, it was additional revenue which was recoverable by capturing this information through CMS from the shipping lines on the manifest.
- 29 million MUR were recovered by Post-Clearance Review (PCRD) following the incorrect declaration of the value of used machinery and equipment imported from related parties.



Risk management system

The Risk Management Section (RMS) is responsible for the collection of import data for analysis and treat identified risks.

The section is divided into three units:

- Information Unit
 - Identifies information source and builds networks
 - Collects information
 - Records and evaluates information
 - Retrieves and processes information from external shared databases
 - Disseminates information and intelligence to appropriate recipients

- Analysis and Profiling Unit (APU)
 - Identifies risk areas
 - Analyzes all intelligence to look for trends, patterns, likelihood in relation to trade and other Customs activities
 - Uses intelligence products to identify potential emergence of new risks, trends and profiles
 - Builds profile on trade, importers, brokers, declarants, passengers, origin of goods
 - Detects patterns and changes in identified sectors and highlights methods of non-compliance through qualitative, semi-quantitative or quantitative analysis
 - Prepares evaluation reports on identified risk and its probability, potential consequences and their magnitude
 - Prescribes treatment for identified risks
 - Monitors and reviews the proposed compliance measures

- Selectivity Unit
 - Manages the Selectivity Module in the CMS
 - Inputs the criteria, established by the Selectivity Committee, in the Customs Management System (CMS) using sensitivity, entry selections (ESEL) and random physical check (RPC) tools and runs daily reports for monitoring
 - Reviews existing and enforced criteria that are not producing results and alerts the Selectivity Committee to proceed with further action
 - Responsible for the implementation of risk treatment plans for risks identified by the Analysis and Profiling Unit

Use of price data as a risk management tool

- Valuation database - Background

A Valuation Database Unit (VDBU) is responsible for maintaining the database. No one outside this team can input data or edit the database. All sections (Compliance, Valuation, Examining, Post-Clearance Auditing and Investigation) have read-only access to the Valuation Database to support decision making at their respective levels. Personal passwords are required which control the level of access. The database currently contains 50,000 items.

Prices are sourced from invoices for live or recent declarations. Photocopies of all invoices were forwarded to the VDBU team from the seaport and other clearance points. As of January 1, 2012, invoice data can be drawn from the system, as follows:

Importers/declarants send their declarations together with scanned copies of specified import related commercial documents to the Custom Management System (CMS). These scanned invoices/documents can thus be downloaded from CMS by the Valuation Database Unit for maintenance of the database.

Prices are also obtained from the price lists of compliant importers (i.e. those who are approved to use the fast track procedure). Information is also forwarded by the Risk Management section.

The VDB unit filters all information received, rejecting the information if insufficient data is available (e.g. lack of a description). Emphasis is given to high duty rate goods and frequency of transactions.

For new commodities, data is sorted and invoices are short-listed. The officer in charge of the VDB unit approves the short-listed invoices.

Outdated entries are identified and deleted and the database is updated with new information.

The valuation database includes the following data:

- HS code
- reference date
- source type
- source reference
- description of goods
- quantity
- currency invoiced
- supplier code
- importer code
- country of origin
- unit price
- model/part number
- make
- FOB

Photos of the goods, taken during physical examinations, are also available in the database.

The Mauritius Revenue Authority also accesses websites which list prices of internationally-traded commodities, such as Parkers and the London Metal Exchange, amongst others, to collect intelligence.

➤ Application of database

Based on assessed risks, the declared value of some commodities is compared against the values available in the database. If any significant variance is observed – typically greater than 5% - the declaration is forwarded to the Valuation Unit for control of this specific consignment. At this stage the importer is requested to support his declared value with



additional documentary evidence. In the case of a delay in the production of the documents, an importer's consignment may be released against subscription of security. Further control is exercised on the entity on a post-audit basis.

A manual has been produced, "Guidelines on the Development and Procedures for Maintenance of the National Valuation Database set up by the MRA Customs Department and to be used as a Risk Assessment Tool." This manual is largely based on the text developed by the Technical Committee on Customs Valuation in 2003, "Guidelines on the Development and Use of a National Valuation Databases as a Risk Assessment Tool." MRA's guidelines state that the database is used as a valuation risk management tool. It is made clear in the manual that it is neither to be used as a minimum value database nor as a substitute value. See [Annex V](#).

Research is also undertaken into the value of raw materials as a comparison to the declared value of manufactured items. For example, the price of plastic granules per kilogram, used as a raw material in the manufacture of imported plastic chairs, was found to be higher than the price per kilogram of the finished product. This indicates a valuation risk.

➤ Technical description of database

Data is manually input into an Excel spreadsheet (individual .xl file). It is then converted to CSV format and uploaded into CMS and a system reference number is automatically generated by the system.

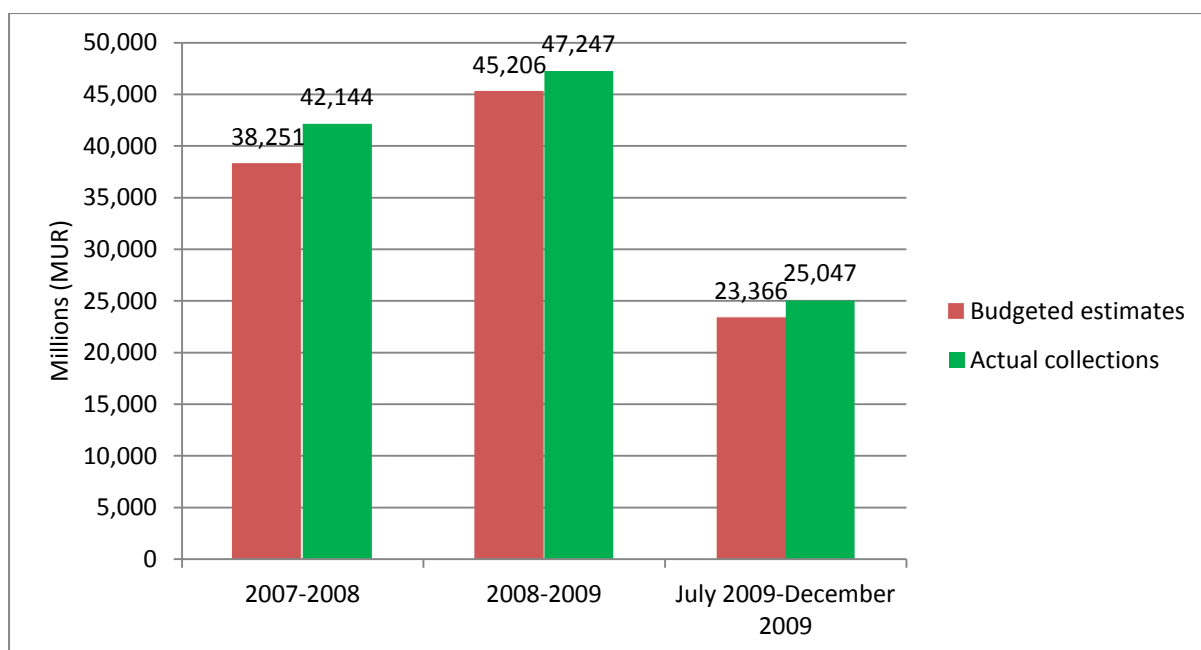
4. MONITORING MECHANISM (SAFEGUARDS AGAINST MISAPPLICATION OF DATABASE)

Older data is deactivated and, once deactivated, can only be seen by the administrator. Typically, this takes place on a monthly basis.

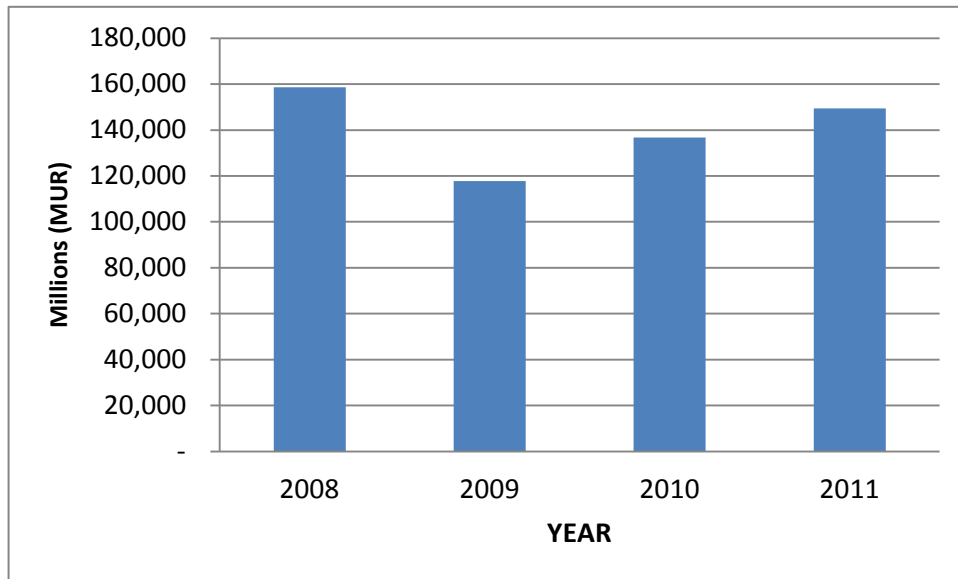
The “Guidelines on Development and Procedures for Maintenance of a National Valuation Database,” issued by MRA, make it clear that a database value cannot be directly applied as a substitute Customs value. Management checks are conducted to ensure no misuse takes place.

5. IMPACT EVALUATION

From 2008 to 2011, 31.5 million MUR were collected by PCA following compliance review and the examination of the books and records of importers. Revenue collection during the period from July to December 2009 totaled 25 billion MUR, 7% above projections.



VOLUME OF IMPORTS IN MILLIONS



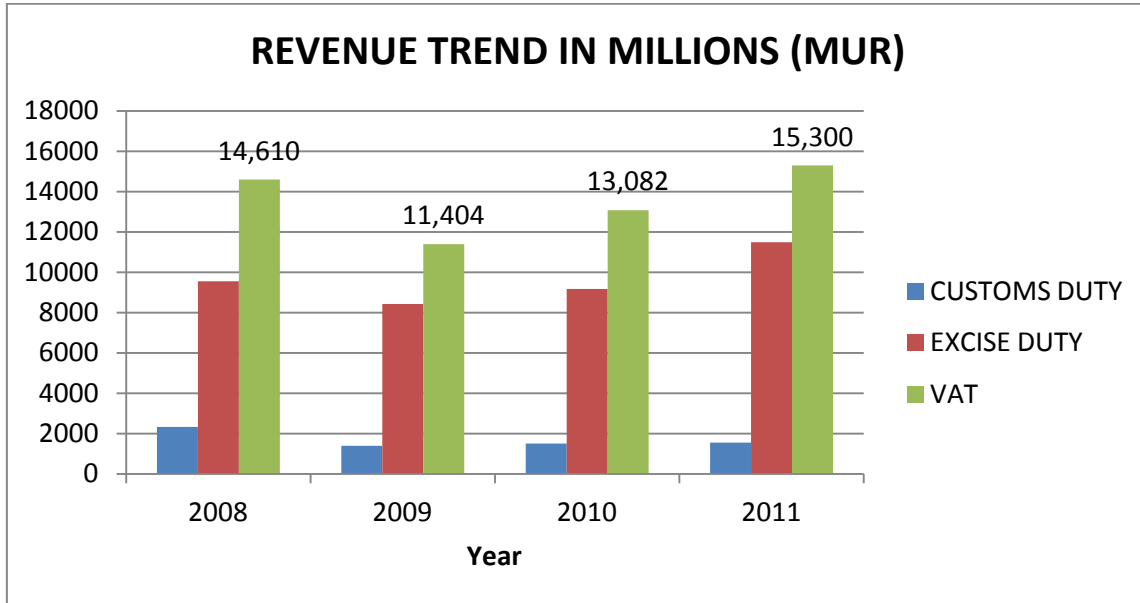
TARIFF RATES

Customs duty rate (%)	No. of tariff lines	Percentage
0	5,553	93.01
5	6	0.1
10	38	0.67
15	311	5.21
30	58	0.97

CLEARANCE TIME FOR JANUARY-FEBRUARY 2012

Average dwell time for cargo (hrs)	Sea	Air
Import- Green	8 min	14 min
Import- Yellow	2½ hr	39 min
Import- Red	22¾ hr	11½ hr
Export	3 min	32 min





NUMBER OF DECLARATIONS PROCESSED

Year	Import	Export	% Red	% Green
2008	236,021	102,503	18	82
2009	223,239	99,883	16	84
2010	226,087	97,159	17	83
2011	225,619	99,666	19	81

Declarations referred to Valuation Section

More than 90% of declarations processed are not referred to the Valuation Section.

Advance Ruling

Upon request, rulings on matters pertaining to valuation and classification are provided to importers.



6. FUTURE PLANS

The future plans for the Mauritius Revenue Authority include:

- Following an external audit report in relation to high investment in scanning equipment and to ensure better a return on that investment, and greater consistency, it was proposed to set up of a team of officers to audit and interpret past scanned images of previous consignments to ensure consistency
- To use scanned images as a supporting tool for post clearance verification
- Paperless Customs control
- Single window concept
- Risk management tools to support post-clearance verification. Information is collected on prices of imported goods and analyzed against the declared values at importation, which could indicate valuation risks.

The overall objective of the Scanning Unit is:

- To review scanned images from the scanning section
- Give assurance that scanned images are interpreted correctly
- Ensure that all containers selected for scanning have been scanned
- Recommend necessary actions where image inspection conclusion seems incorrect
- Reconcile remarks input to the scanning system with remarks input to CMS

7. SUMMARY

The Mauritius Revenue Authority has undertaken a major Customs modernization programme over recent years, with further developments in the pipeline. The introduction of enhanced risk intelligence and risk analysis techniques has led to more selective targeting. At the same time, the focus of Customs controls has moved away from the frontier to the post-importation environment as the most effective means of assessing and improving compliance. This in turn has led to reduced interventions at the time of clearance and improved trade facilitation. Additional simplifications are available to importers who pay electronically.

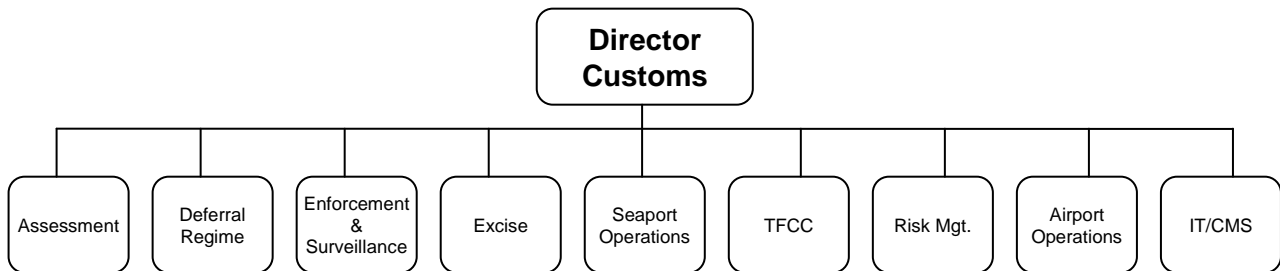
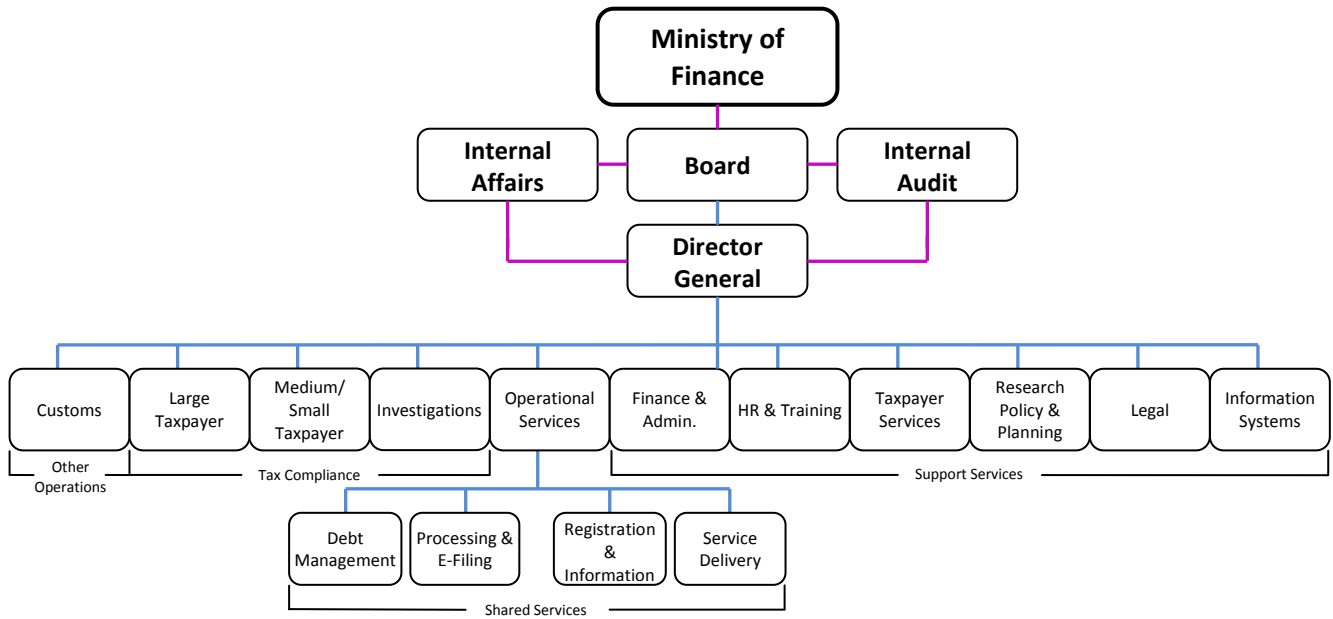
With regard to valuation control, the Valuation Database has been established as a risk assessment tool and clear guidelines have been published to ensure staff members are aware that value data is not improperly applied as the Customs value. There are plans to introduce the efficiency of the teams responsible for risk management and valuation.

References

- <http://www.gov.mu/portal/sites/mra/download/DoingBusiness2010.ppt>
- <http://www.gov.mu/portal/sites/mra/index.htm>
- [WTO Trade Policy Review for Mauritius; 2008](#)



ANNEX I: MAURITIUS REVENUE AUTHORITY - ORGANIGRAMS



ANNEX II: MAURITIUS CUSTOMS VALUATION LEGISLATION

Customs Act; Act 47 of 1988 – January 1, 1989

Key provisions:

16. Delivery of documents with entry

(1) With the entry of any goods, there shall be delivered, subject to section 16B, to the Director-General the original invoices, bills of lading, airway bills or other documents of title acceptable to the Director-General, bills of parcels, price lists, policies of insurance, letters and other documents showing the value of the goods at the place at which they were purchased together with the freight, insurance and other charges on the goods.

(2) Invoices required under subsection (1) shall be submitted to the Director-General in duplicate.

(3) All invoices and certifications shall contain such particulars as may be prescribed, and the Director-General may refuse to accept any invoice or certification which does not comply with the prescribed requirements.

18. Mode of ascertaining ad valorem duties (*w.e.f. January 1, 2000*)

(1) Where duty is leviable on goods by reference to their value, the value of the goods shall be the transaction value of the goods as determined in accordance with section 18A.

Et seq...

19. Under- or overvaluation of goods (*w.e.f. January 1, 2000*)

(1) Where the Director-General finds that goods have been declared at a value different from their true value he may, on the basis of the information provided by the importer and on such other information as is available to him, determine the value of those goods and the importer shall pay duty, excise duty and taxes, if any, on the values so determined.

(2) On determination of the value of any goods under subsection (1), the Director-General shall give to the importer notice in writing of the basis of the valuation.

(2A) Where, in the course of determining the value of any goods, the Director-General finds that it is necessary to delay the final determination, he may, subject to subsection (2B), authorize in writing delivery of the goods provided that -

(a) the duty, excise duty and taxes on those goods as declared on the entry are paid;

(b) a deposit is made or a bank guarantee is furnished for an amount representing the difference between the amount of duty, excise duty and taxes computed by the Director-General and the amount paid; and

(c) such samples of the goods as may be required are produced to the Director-General.

(2B) Where the Director-General authorizes the delivery of goods pursuant to subsection (2A), the importer shall, not later than 28 days after the date of authorization, submit to the Director-General in respect of those goods, such documents as may be required in writing by the Director-General, including sales contracts, bank transfers, orders, letters of credit and pro forma invoices.

(2C) The Director-General shall, within 14 days of the receipt of the documents required under subsection (2B), make the final determination of the value of the goods and notify the importer in writing of the determination and the additional amount of duty, excise duty and taxes payable, if any, on those goods.

(2D) Where the Director-General issues a notice under subsection (2C) requiring payment of an additional amount of duty, excise duty and taxes, the importer shall, not later than 7 days after the date of the notice, pass an amendment bill of entry and pay the additional amount due.



(2E) Where the additional amount due is paid, the Director-General shall, not later than 14 days after the date of payment, refund the deposit or release the bank guarantee made or furnished under subsection (2A) (b).

(2F) Where the importer does not submit the documents required under subsection (2B) within the time limit specified in that subsection -

(a) the value of the goods on which the amount of duty, excise duty and taxes has been computed under subsection (2A) (b) shall be deemed to have been determined as the final determination of the value of the goods;

(b) the deposit or the bank guarantee made or furnished under subsection (2A) (b) shall be forfeited or realized, as the case may be; and

(c) the importer shall be notified in writing by the Director-General of the final determination.

2(3) Where the importer disputes the value of the goods determined by the Director-General, the importer may ask for a review of the notice under subsection (2), (2C) or (2F) (c), within 28 days of the date of the notice and shall for the purpose lodge with the Clerk to the Assessment Review Committee, in accordance with section 19 of the Mauritius Revenue Authority Act, written representations specifying precisely the reasons thereof.

(4) Any dispute on valuation of goods pending immediately before the commencement of subsection (3), insofar as it relates to a notice under subsection (2) shall, on the commencement of that subsection, be deemed to have satisfied the requirements for the lodging of a review before the Assessment Review Committee under that subsection.

10F Determination value of used machinery, equipment and vehicles

In the application of section 18F of the Act, the determination of value of –

(a) used machinery and equipment shall be based on the FOB value of such goods when new, reduced by not more than 15% for each year of use, subject to a maximum total reduction of 60%; etc.

GN No. 107 of 2003

THE CUSTOMS ACT
Regulations made by the Minister under section 163 of the Customs Act

1. These regulations may be cited as the **Customs (Amendment No. 2) Regulations 2003**.
2. In these regulations -
principal regulations" means the Customs Regulations 1989.
2. The principal regulations are amended by deleting regulation 10F and replacing it by the following new regulation –

10F. Determination value of used machinery, equipment and vehicles

In the application of section 18F of the Act, the determination of value of -

(a) used machinery and equipment shall be based on the FOB value of such goods when new, reduced by not more than 15% for each year of use, subject to a maximum total reduction of 60%;

(b) second-hand motor vehicle or used motor vehicle shall be based on the FOB value of the vehicle when new, reduced by -

- (i) 9% for the first month of use; and
- (ii) 1% for each subsequent month of use, up to a maximum of 56%.

4. These regulations shall be deemed to have come into operation on July 23, 2003.

Made by the Minister on July 22, 2003.

GN No. 108 of 2003

**THE EXCISE ACT
Excise (Valuation of Motor Vehicles) Regulations 2003**

Regulations made by the Minister under section 57 of the Excise Act

1. These regulations may be cited as the **Excise (Valuation of Motor Vehicles) Regulations 2003**.
2. In these regulations -
"Act" means the Excise Act.
3. The value at importation of a second-hand motor vehicle or used motor vehicle shall be the sum of -
 - (a) the assessed FOB value of the vehicle when new, reduced by -
 - (i) 9% for the first month of use; and
 - (ii) 1% for each subsequent month of use, up to a maximum of 56%; and
 - (b) the amount of insurance and freight payable.
4. For the purposes of these regulations, "assessed FOB value" means -
 - (a) where a motor vehicle of the same make, model, engine capacity, engine model and transmission system is or has been imported new, the value determined by reference to the FOB value of the motor vehicle when new;
 - (b) where a motor vehicle of the same make, model, engine capacity, engine model and transmission system is not or has not been imported new, the value determined by reference to -
 - (i) the FOB value of the motor vehicle when new, provided by the motor vehicle manufacturer; or
 - (ii) where the value under subparagraph (i) is not available, the retail market price data in the country of exportation of the motor vehicle when new, published in guidebooks or other similar publications on motor vehicles approved by the Comptroller, reduced by 25%.
5. These regulations shall be deemed to have come into operation on July 23, 2003.

Made by the Minister on July 22, 2003.



ANNEX III: MRA VALUATION DECLARATION FORM



MAURITIUS REVENUE AUTHORITY

CUSTOMS DEPARTMENT

Valuation Declaration Form

Please answer all the questions below and mark N/A for any questions not relevant to your business.

Name of Importer: _____

Tax Account Number: _____

1. Provide a complete list of all your suppliers stating name and address of supplier/buyer as entered on the commercial or seller's invoices.
2. Indicate which suppliers provide for a pro forma invoice?
3. Indicate also the common delivery terms with respect to each supplier?
4. Which companies provide for a contract of sale?
5. What is the normal contract period?

6. Are there any previous Customs decisions/valuation ruling concerning any of your imported goods?

Yes No

7. Is the company/importer related to any of its suppliers/sellers in the meaning of provisions of Customs legislation (as per section 18 of the Customs Act 1988)?

Yes No

8. If yes what is the extent of this relationship?

9. Has this relationship influenced the price of the imported goods?

Yes No

10. Are there any restrictions as to the disposition or use of any of your imported goods?

Yes No



11. Are price lists being issued by suppliers?

Yes No

12. If Yes, provide list of suppliers that do so.

13. Does the company pay any commissions?

Yes No

14. If Yes, what is the nature of this commission(s)?

15. Does the company pay any brokerage fee?

Yes No

16. Does the company pay for any cost of packing?

Yes No

17. Does the company pay for any cost of containers?

Yes No

18. Is the company supplying any assists?

Yes No

19. Does the company pay any royalties and license fees pertaining to the imported goods?

Yes No

20. Does the company incur costs of insurance?

Yes No

21. Are there any deductions after importation concerning costs of transport, charges for constructions, maintenance or technical assistance?

Yes No

I, _____ (Importer/Director) hereby declare that the particulars given above are true & correct and I am aware that any inaccuracy constitutes an offence under the Customs Act (1988).

Signature: -----

Date: -----/-----/-----



ANNEX IV: IMPORT/EXPORT REGISTRATION FORM (“EO 1”)

IMPORTER AND/ OR EXPORTER

EO 01

(application made through a customs house broker or a freight forwarding agent)

Please indicate whether holder of a freeport certificate Yes No If Yes, please submit a copy of certificate.

Please tick (✓) as appropriate in box/es below:

Part 1 – Line of Business			
001 <input type="checkbox"/> animal products	002 <input type="checkbox"/> vegetable products	003 <input type="checkbox"/> foodstuffs	004 <input type="checkbox"/> mineral products
005 <input type="checkbox"/> chemicals	006 <input type="checkbox"/> plastic products	007 <input type="checkbox"/> leather products	008 <input type="checkbox"/> wood products
009 <input type="checkbox"/> textiles	010 <input type="checkbox"/> footwear	011 <input type="checkbox"/> ceramic/glass	012 <input type="checkbox"/> stones
013 <input type="checkbox"/> jewellery	014 <input type="checkbox"/> metal	015 <input type="checkbox"/> machinery/equipment	016 <input type="checkbox"/> vehicles/vessels/aircraft
017 <input type="checkbox"/> optical articles	018 <input type="checkbox"/> arms/ammunitions	019 <input type="checkbox"/> toys/sports goods	020 <input type="checkbox"/> others, <i>specify</i>

Part 2 - Other business addresses (eg. Store/ warehouse, factory etc...)	
1	(Please specify).....
2	(Please specify).....

Part 3 – For applicants other than individuals, please provide particulars of responsible persons (Directors, Secretary, Accountant, Managers, etc...)						
SN	Names, Designation and Address	NIC and e-mail address	Contact Numbers			
1		_____	Tel		Office	
			Mob		Fax	
2		_____	Tel		Office	
			Mob		Fax	

Part 4 - Other Information	
Name of Customs House Broker/Freight Forwarding Agent :.....	
Declarant code:.....	
Signature:.....	Customs Access Pass no:.....
Status:	Date:/...../.....

Part 5 - Declaration	
I,, hereby declare that the particulars and information in this form (full names of signatory in BLOCK LETTERS) and in any accompanying sheets are true and correct.	
Signature:.....	Date:...../...../.....
Designation:.....	Company seal:

ANNEX V: MRA VALUATION DATABASE GUIDELINES

Guidelines on the Development and Procedures for Maintenance of the National Valuation Database set up by the MRA Customs Department and to be used as a Risk Assessment Tool

Introduction

Valuation Database (VDB) is a risk assessment tool which may be used by Customs Administration along with other risk tools to assess potential risks regarding the truth or accuracy of the declared Customs value for imported goods. The information in the database should be recent data reflecting a Customs value and other pertinent information for previously imported goods. The values may not be used to determine the Customs value for imported goods, as a substitute value for imported goods, or as a mechanism to establish minimum values. In addition, recognizing that differences in prices, including substantial declines, are a part of international trade, a difference between the declared value and the database value(s) is not by itself a reliable indicator of potential risk with respect to the truth or accuracy of the declared value.

The MRA Customs Administration has set up a VDS unit which has established a monitoring mechanism to ensure that the database is being used as a risk assessment tool and that the information stored is updated on a regular basis.

The agreement on implementation of Article VII of the GATT 1994, more commonly known as the WTO Agreement on Customs Valuation (the Agreement), introduces a fair, uniform and neutral system for the Customs valuation of imported goods, which is consistent with commercial practices and precludes the use of arbitrary or fictitious Customs values.

The basis for the valuation of goods under this system is, to the greatest extent possible, the transaction value of the imported goods which is the price actually paid or payable for the goods when sold for export to the country of importation, adjusted in accordance with the provisions of Article 8 of the Agreement.

Where the Customs value cannot be determined using the transaction value method, the Agreement provides for five other methods, to be used in turn.

Customs has the right to satisfy itself as to the truth or accuracy of the value declared. The application of an appropriate risk assessment and management procedure enables Customs to exercise this right in a pragmatic manner. Such procedures may use, inter alia, a valuation database.

The data contained in a valuation database should be treated in accordance with the applicable confidentiality provisions.

Within the context of Customs controls, Chapter 6 of the Guidelines on the General Annex to the Revised Kyoto Convention (Customs controls) includes the following definitions of the concepts of risk assessment and risk management:

Risk assessment: "The systematic determination of risk management priorities by evaluating and comparing the level of risk against predetermined standards, target risk levels or other criteria."

Risk management: "The systematic application of management procedures and practices which provide Customs with the necessary information to address movements or consignments which present a risk."

In the context of Customs valuation, application of the above concepts requires that risk assessment mechanisms must be selective and targeted. It is not appropriate to apply simple statistical or price indicators to all imports on a comprehensive basis, as a means to measure potential risk with regard to the truth or accuracy of Customs value. The development and use of a valuation database must take account of the abovementioned risk assessment and management procedures.

Use of a database

A database management system will enable the MRA Customs Department to compare the declared value to previously accepted Customs value(s). Recognizing that price variations are a normal part of international trade, the results of any such comparison do not in themselves represent a comprehensive or sufficient indicator of potential risk. Therefore, while an abnormally large difference between the declared value and the databases value(s) for that product could constitute a potential risk factor, any such difference must be considered along with other potential risk factors, such as the lack of supporting documentation, prior problems with the importer, etc., in determining what further action, if any, is appropriate with regard to the declared value.

Where the application of appropriate database technology indicates the existence of potential risk in well-defined circumstances, Customs may apply a number of measures. For example, Customs may place the operations of a particular importer under scrutiny and take appropriate monitoring action. In other cases where there are concrete indications that the declared values represent a risk with respect to their truth or accuracy, and after taking into account all the relevant risk factors Customs has doubts about the truth or accuracy of the declared value, it could follow the procedures set forth in Decision 6.1 of the WTO Committee on Customs Valuation. Such procedures start by asking the importer to provide further evidence to support the declared value.

Customs cannot reject the declared value based solely on a difference between the declared value and the database value(s). Rather, the value(s) stored in the database should, alongside other indicators applied by Customs, serve only as an indicator of potential risk and represent(s) no more than initial indicative information helping to reinforce or dispel Customs' doubts about the truth or accuracy of the declared value.

The database can also be used as a risk assessment tool to perform cross-checks in order to target specific import declarations for examination.

Normally, a valuation database should form part of a more extensive database embracing risk assessment linked to other aspects of the import/export operation, such as origin, tariff code number, importer's profile, exporter's profile, etc.

The use of the database in the risk assessment context may occur at any stage: prior to the lodging of the import declaration, at the time when the declaration is lodged (verification of the data entered in the declaration), throughout the clearance process and/or after the goods have been released.

Limitations regarding the use of a database

MRA Customs Administration may not:

- Use a database to determine the Customs value of imported goods, as a substitute value for imported goods or as a mechanism to establish minimum values;
- Reject the declared value solely on the basis of a difference between the declared value and the database values;



- Disregard the requirements of article 13 of the WTO Valuation Agreement (concerning release of imported goods upon sufficient guarantee) in order to employ a valuation database; or
- Use a valuation database as a substitute for other techniques, such as post importation audit, to assess the truth or accuracy of the declared value.

Data to be included in the database

Within the framework of a risk assessment policy for valuation, the data to be included in a valuation database may vary and depend on the state of development of the risk management policy of the MRA Customs Department.

The usefulness of a valuation database as a risk assessment tool depends on the reliability and relevance of the data for the purposes of determining the truth or accuracy of the declared value. Therefore, the data should include the Customs value for previous importations determined in accordance with the Agreement. The data may also include the applicable method of valuation (for example, transaction value, computed value, etc.) and elements included in the Customs value (for example, assists, royalties, selling commissions, etc.). Other data from the **import declaration and the declaration of facts form**, such as whether the parties are related, may also be included.

The data to be included in the database is generally the data found in the import declarations and supporting documents of previous importations. The database may also include other pertinent and reliable data for risk assessment purposes.

In an automated database, virtually all of this data could constitute keywords providing search access. For example, doing a search on "country of origin" should, at least, make it possible to find information about all importations of goods from the country concerned during a specified period; at best, it should provide a range of information about the type of goods exported from that country, etc.

Validity of the data and maintenance of VDB

In order to properly perform its function as a risk assessment tool, data in the database should be recent and up-to-date. What is considered recent and up-to-date may depend on the commodity involved, the frequency of price fluctuations, and other pertinent factors. Usually, data from the last six to nine months would be considered ideal but other data may change within three months due to new technological trends and new products emerging on the market. The updating of the data in the VDB also depends on importation of the same product with a new price in a given timeframe, which may at times take more than a year or two.

Possibility of cross-checking

The database can also be used as a means of performing cross-checks in order to target those importations which are likely to contain a potential risk and, from that starting point, select the import declarations concerned for examination.

Thus, for example, if it has been established in the past - under the provisions of paragraphs 1 (d) and 2 of Article 1 of the Agreement, and paragraph 4 of Article 15 thereof - that a buyer/importer is related to his supplier/seller, that this relationship has influenced the price, and that this has caused the declared value to be rejected, there could be a function in the system which selects all future declarations concerning transactions between that

buyer/importer and that supplier/seller, so that Customs will be in a position to check whether the relationship still exists and, if so, whether it is still producing the same effects.

Similarly, if it has been established in the past - under the provisions of paragraph 1 (a) of Article 8 - that commissions (other than buying commissions) have been paid in connection with a transaction between a buyer/importer and a supplier/seller, and the declared value was adjusted as a result, the system should be able to select all future declarations for transactions between that buyer/importer and that supplier/seller, so that Customs can check whether this type of payment is still being made and, where appropriate, adjust the declared value accordingly.

The same would apply to several other provisions of the Agreement (conditions of application of Article 1, goods and services supplied by the buyer, royalties, proceeds of resale, etc.).

Addition and deletion of entries in the Valuation Database

The following steps are involved in the **addition** of lines in the VDB:

Invoice collection, sorting and short-listing.

1. Approval of short-listed invoices by technical officer in charge/team leader
2. Processing of invoices
3. Process verification
4. Additions of lines

The **deletion of active lines** in the VDB consists of:

1. Identification of outdated entries
2. Deletion of those entries

A. Addition of lines in the Valuation Database

I. Invoice Collection, sorting and short-listing

- Copies of invoices from declarations submitted at the reception desk (headquarters); PATS, Airport; and processed at Bond Section are received at the unit
- These copies are then sorted and short-listed

II. Approval of short-listed invoices

The technical officer in charge/team leader scrutinizes and selects copies of the invoices.

Concurrently, he queries the VDB, paying attention to the following:

- a) Clear description of commodities (brand, model, size, material, etc. where applicable)
- b) High-risk commodities
- c) Commodities not available
- d) Update of the existing information
- e) Importers audited and found to be compliant
- f) Importers whose declared values are generally found to be acceptable (based on analyses) and approval for processing of declarations obtained; and
- g) Comparison of declared values of identical/similar commodities already available on the database.

III. Processing of invoices

After approval, the technical officer in charge/team leader designates an officer to process the selected documents. The officer ensures that the copy of the invoice contains the



declaration number. If not, he queries the CMS with relevant criteria (e.g. importer code, an approximate range for importation date).

The following information is verified, and where necessary, recorded on the invoice:

- a) Reference date
- b) Source type
- c) Source reference
- d) Importer code
- e) Country of export
- f) Currency
- g) Commodity description and the brand, model, size, part no. (where applicable)
- h) Countries of origin of various items on the invoice
- i) The quantities of different items imported and the statistical units of importation (e.g. pieces, kg, etc.)
- j) The declared FOB value which shall be taken as follows:
 - a. Where the delivery terms are not FOB, the officer shall convert them to FOB or record the "conversion function" to FOB for use on Excel file at a later stage.
 - b. In exceptional cases, where delivery term is not FOB, and conversion to FOB is not possible, the officer shall ensure that delivery term (CIF, C&F, etc) is mentioned in the description field of the commodity so as to draw attention of users.

The officer shall also, when required, search on the Web to obtain clear descriptions of commodities, to confirm brands and model numbers (where applicable), or to obtain additional information.

He shall serially number items to be processed. This facilitates quick counter verification processes and also quick reference, where applicable.

He shall query the CMS Valuation Database for verification of the existence of supplier code which shall be recorded (if existing).

He shall create the supplier code on the CMS Valuation Database in case the code does not exist. The code shall then be noted.

The officer shall then record all relevant information previously noted in appropriate fields of the Excel file (format available which is compatible with CMS Valuation Database).

He shall, while describing commodities, and as far as possible, maintain a standard descriptive method for identical and similar commodities so as to facilitate queries and refining of queries. For this purpose, viewing existing identical and similar items on the database prior to processing IS necessary.

He shall ensure that the delivery term (CIF, C&F, etc.) is mentioned in the description field so as to draw the attention of the users in a case where the delivery term is not FOB and conversion to FOB is not possible.

He shall convert all values to FOB by making use of the "conversion function" recorded earlier.

He shall thereafter determine correct HS codes of commodities referring to the Customs Tariff and/or the WCO Harmonized System Commodity Database.

He shall, upon determination of HS codes, complete the Excel file and save it in an appropriate folder.

He shall share the file on the network drive and hand over all related documents to the technical officer in charge/team leader.

IV. Process verification

The technical officer in charge/team leader shall designate a second officer, other than the one who processed the file on Excel, for cross-checking of processed information.

This officer shall ensure the correctness of reference date, source type, source reference, importer code, country of export, currency, commodity description, value (FOB or otherwise appropriately mentioned), brand, model, size, part number, country of origin, quantity, unit code, supplier code and HS code. He shall also make necessary corrections, where required.

V. Addition of lines

After ascertaining that the processed information is correct, the first officer (responsible for processing the Excel file), shall save a copy of the file in the CSV format. The officer shall then upload the CSV file to CMS.

B. Deletion of outdated entries from Valuation Database

VI. Identification of outdated entries

The technical officer in charge/team leader shall regularly select old input forms and give instructions to an officer to carry out queries on the Valuation Database with defined criteria for the identification of records to be deleted.

He shall authorize deletion of outdated entries provided that information on identical and similar commodities (including same origin) remains available.

VII. Deletion of entries

The technical officer in charge/team leader shall, upon identification of records to be deleted, designate an officer for the appropriate actions.

Deletion of complete form (system reference) shall be applicable for system reference with all lines to be deleted.

The officer shall delete the complete system reference (form cancellation) and provide reasons for form cancellation as required by the CMS.

He shall, as far as deletion of only a few lines from a systems reference is concerned, delete appropriate lines and also provide reasons for deletions as required by the CMS.

When information on the database cannot be updated for any particular reason, (e.g. unavailability of new information, cessation of production/importation of old models), causing that information to become outdated, the technical officer in charge/team leader shall identify such information and forward same to section head for deletion approval or any other appropriate decision.