

Customs

Introduction

In the humanitarian sector, particularly during emergencies, knowledge of import and export procedures is a key part of the supply chain process. The Customs Department in most countries administers the customs and excise laws of a country through an approved legislation.

The core business of the Customs Services involves enforcement of prohibitions and restrictions, collection and accounting of revenue, security and trade facilitation, and compilation of trade statistics for economic planning.

How well this aspect is managed will influence the effectiveness and timely response to needs, especially in a rapid on-set emergency. Understanding this aspect and knowing how to manage it, is essential in ensuring that goods can move efficiently and in a timely manner. Effectiveness of the emergency response often depends on customs. Understanding of the various customs management issues is essential.

To enable this process, it is important that staff carrying out importing and exporting activities understand the particular procedures, rules and regulations that need to be followed to facilitate the movement of goods in and out of specific countries.

Customs and Humanitarian Aid

Any goods coming in and going out of a country have to go through certain government control procedure and formalities. Humanitarian organizations are sometimes at an advantage during emergency responses since the United Nations often assumes the lead role in making appropriate arrangements with governments regarding quick access to emergency supplies. The logistics of emergency relief is contingent upon the above-mentioned arrangements and the Logistics Cluster plays a role in each of these. The Logistics Clusters on behalf of the UN Resident Coordinator (UNRC)/ UN Humanitarian Coordinator (UNHC) may try to leverage these advantages for all humanitarian organizations in an emergency.

Some of the problems encountered by humanitarian organizations during emergencies are:

- complicated customs procedures cause delays resulting in congestion at port of entry (airport, road borders, sea port) that affects turn-around time for feeder vessels and railway wagons, so affecting the flow of goods;
- complex and non-transparent administrative requirements, often pertaining to documentation; and
- High costs for processing trade information.

Import/Export General Procedure – How to prepare yourself in an emergency

- Receive information and description of disaster;
- liaise with programming team on assessment of needs;
- use assessment outcomes to determine needs;
- identify source of the supplies in collaboration with pre-positioning entities both in-house and external;
- clarify import/export regulations into and out of disaster area;
- apply for authorities and waivers for the exports and the imports;
- expedite exemptions: where exemptions are already given, immediately authorize shipment of consignments ensuring all the correct paperwork is in place and that the shipping instructions are appropriate;
- prepare for receipt, storage and inspection of the consignments in country;
- have all documentation ready before consignment arrives, along with truck transport;
- arrange for port clearance; and
- As soon as consignment arrives, arrange for inspection and clear the consignments through customs: for food aid ensures there is an independent party.

Scope

Role of Customs

Customs covers issues related to import and export. Import is the purchase and shipment of goods into a country, whereas export is the movement and shipment of goods out of the country.

In its efforts to achieve, respond effectively and efficiently to the aforementioned challenges and reduce the gap between reality and limited resources, the customs department has to strategically pursue the following:

- enhance staff professionalism, integrity and productivity;
- Compilation of trade statistics.

The department collects and collates trade data on all imports and exports that the government uses for planning purposes.

- protects society and the environment using proactive enforcement approaches;
- Prohibitions and restrictions are enforced through import and export controls.

The customs department is the only government agency mandated to take full control of trade imports and exports and in doing so it:

- protects public safety, health and morality by barring international trade in illegal substances and materials e.g. narcotic substances, arms and ammunitions, endangered animal species, hazardous wastes, pornographic materials, and expired, counterfeit or sub-standard goods;
- liaises with other law enforcement agencies nationally and internationally to prevent trans-border crimes e.g. movement of drugs, stolen motor vehicles and smuggled goods;
- enhances voluntary trader compliance through quality client service; and
- Facilitates legitimate trade through improved and integrated processes applying modern technology.

Customs administrations all over the world apply almost the same procedures and processes, and speed of clearance depends largely on what controls are required by legislation and the degree to which information and communication technology is applied.

The Customs department is charged with the responsibility of facilitating international trade by providing expedited clearance of goods through simplified and harmonized customs procedures as envisaged under the Revised Kyoto Convention:

- support professionalism of customs agents and other trade chain participants;
- Revenue collection and accounting.

The customs department collects the following types of duties:

- import duties - on imported goods which are dutiable as per the Import Duty Schedule published and revised periodically;
- Export duties - on certain exports that may be spelled out in the Export Schedule.

The department also collects certain fees and levies upon importation, based on agency basis, such as:

- import declaration fees - on imported products;
- petroleum development levy - on petroleum products;
- foreign motor vehicle permit fee - on foreign motor vehicles;
- sugar levy - on sugar imports;
- horticultural crop development levy - on horticultural produce; and
- Revenue stamps - for certain transaction documents which, by law, require affixing of stamps.

The specific activities by customs related to humanitarian organizations are:

- applying for duties and taxes exemption;

- Requesting for customs clearance and customs clearance process.

Entities involved

- Customs Services Department;
- respective governmental authorities and departments such as the Ministries of Health, Agriculture, Ministry of Foreign Affairs, Ministry of Finance, Disaster Mitigation unit/office, Ministry of Communication, etc. depending on the nature of items/goods;
- Independent Inspection Company.

Point to note: the specific import-export procedure will vary from country to country. See Logistics Cluster web site: www.logcluster.org and select Customs Information Guide and training module.

Most countries have tried to enhance the capability of customs to perform its core functions by carrying out comprehensive business process improvement (BPI) and implementing full automation by way of electronic declaration of entries/importation transactions.

Customs General Process

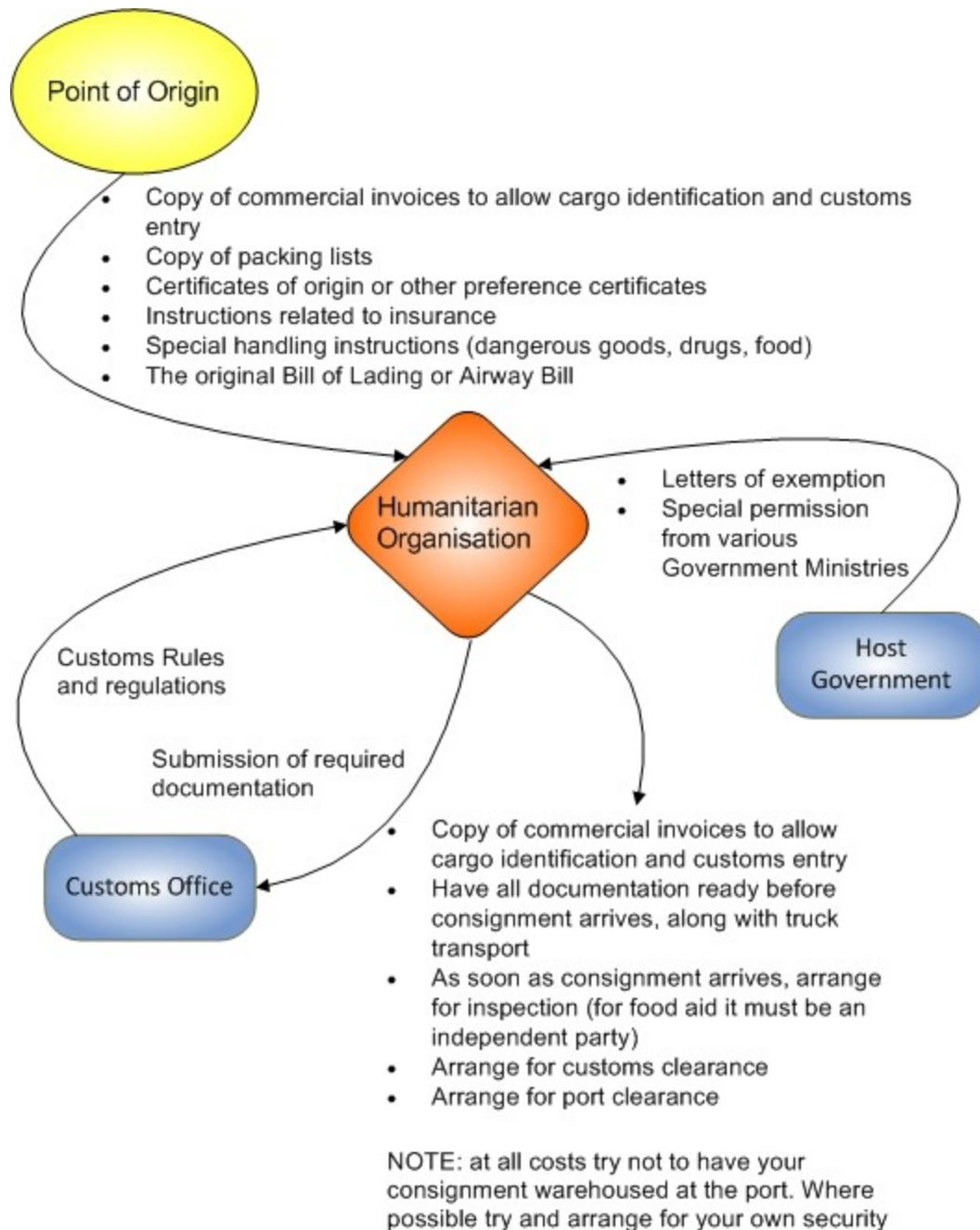
It is important to understand customs procedures and the requirements for importation and clearance through customs.

To import any commodity from another country, an importer will have to enlist the services of a clearing agent/company, who is duly registered and licensed by the customs authorities to process the import documentation through customs. Normally the customs authorities would have a list of licensed clearing agents on their website database who are authorized to conduct the business of a customs agency.

Guidelines / Requirements

A thorough analysis and understanding of all customs guidelines and requirements including the necessary documentation will help logisticians to better facilitate import and export of goods.

Import documentation required:



Additional documentation sometimes requested are:

- details of any previous customs controls on goods being shipped;
- import document; the original bill of lading or Airway Bill (AWB and [MAWB](#));
- in countries like In Kosovo and Iraq , the original Purchase Order is also required;
- certificate of analysis, declaration for dangerous goods.

Once a logistician has identified the needs/requirements and confirmed if they qualify for importation, knowledge of the following will speed up and facilitate the clearance process:

- international contracts of sale – [INCOTERMS 2000 version](#) - basis of customs valuations;
- sea-freight /airfreight/road-freight/rail freight /courier valuations;
- insurance cover;
- knowledge of the customs border stations/border points of entry and the systems in use for compliance;
- mandatory pre-importation documents-inspections/permits /exemptions, etc;
- mandatory cargo arrival importation documentation;
- customs clearance-entry and declaration of imports as per the customs tariff schedules in force.
- various customs provisions such as:
 - temporary importation for use and re-exportation at a later date;
 - provisional customs release-customs release cargo pending perfection of the documentation at a later pre defined date, e.g. pending exemption letter, certain permits, etc;
 - entry of export cargo;
 - entry of transit cargo, under security bonds;
 - entry of transshipment cargo under security bonds;
 - re-importation of cargo after temporary exportation for repair of maintenance;
 - seizure and destruction of prohibited cargo; and
 - customs penalties/fines for incorrect declaration by consignees or their appointed clearing agents.

- clearance with other authorities such as health, bureau of standards, border security agencies, and any other relevant government departmental requirements;
- obtain pre import documentation such as permits and licences in the country of importation;
- entry and computation of duty and taxes-customs will assess duty payable depending on the value of the item(s) and the duty rate applicable as per the country's tariff laying out the duty rates of imported items in force. Where importers qualify for exemption from duty/tax payments, official waivers should have been obtained and sent to the customs station of entry/where the importation is expected to arrive and enter. The exemptions can either be obtained under specific exemptions 'privileged persons and institutions or – general exemptions 'exempt goods'.
- the country's quality standards as set out by the national bureau of standards(or similar as this is country dependant) which importers have to comply with in entirety.

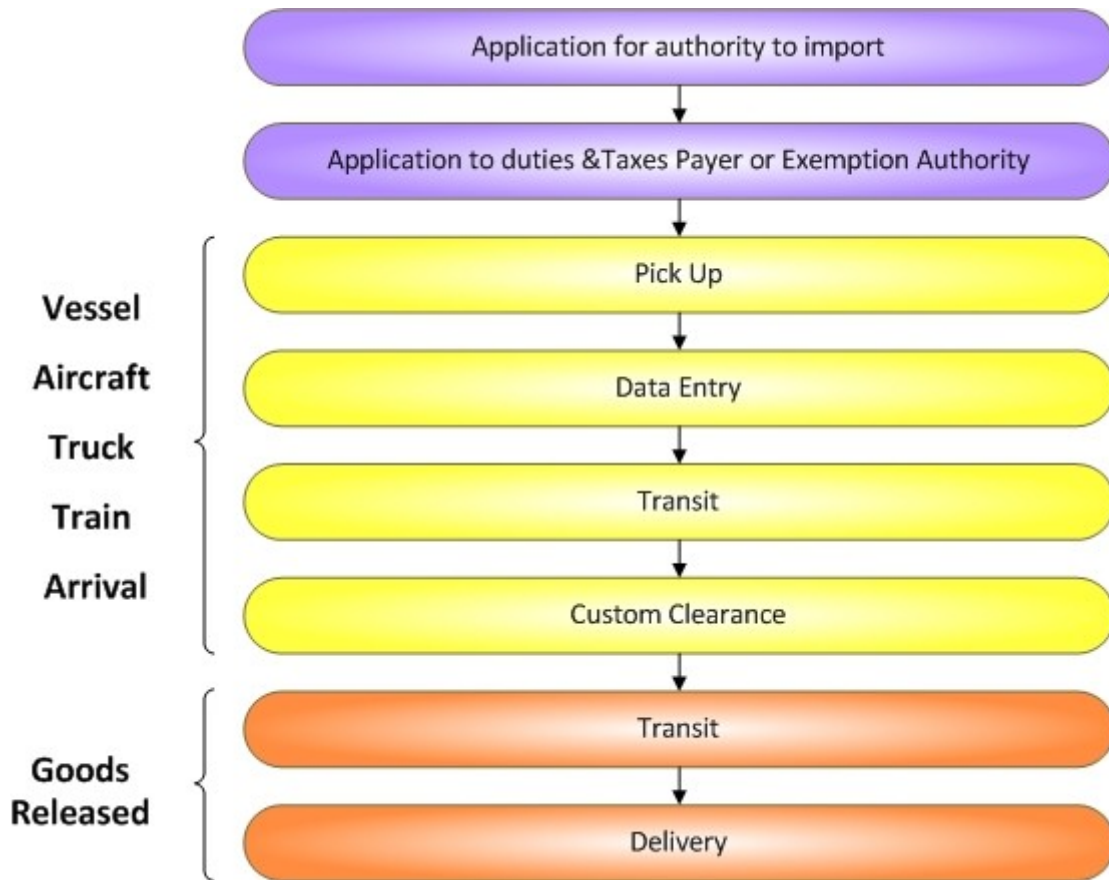
Computations

The import duty payable on the importation varies as per the following bands:

1. Import duty: a % of the CIF value of the vehicle.
2. Excise duty: a % of the (CIF value + import duty).
3. VAT: a % of the (CIF value + import duty + excise duty).
4. Import declaration fees: a % of the CIF value or a specific minimum amount whichever is higher, is payable.

Some gifts and donations to charitable organizations for their official use or for free distribution to poor and needy persons, or for use in medical treatment, educational, religious or rehabilitation work or other government approved projects, may be granted duty remission on application in writing to the Commissioner of Customs Services.

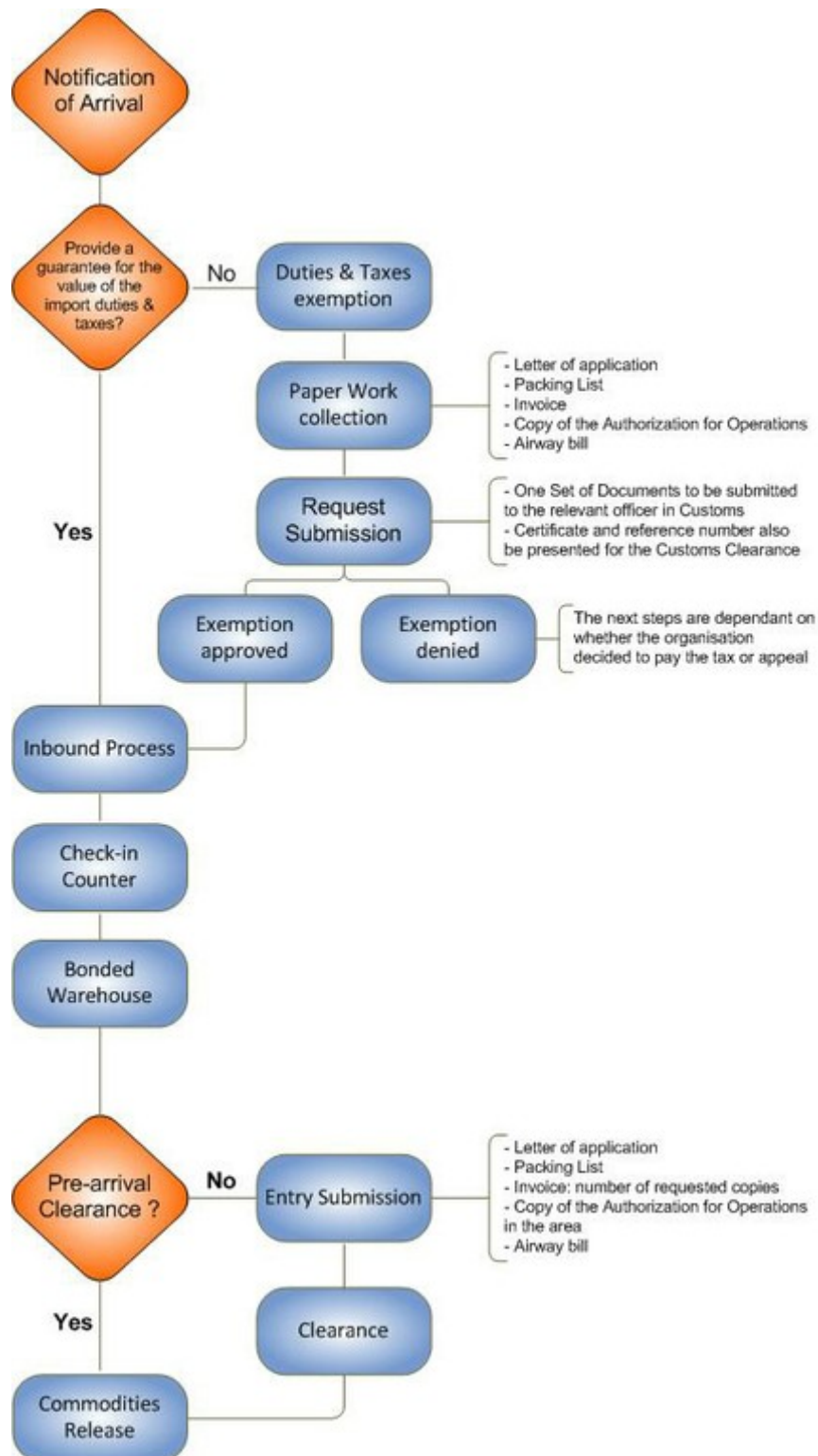
When goods arrive or are destined to arrive there is a specific process that the Logistician must go through. Some of the key aspects of the process are as follow:



In addition to specific country customs laws and regulations, some existing international legislature is also applicable. See some examples below:

Customs Clearance

The chart below shows the main steps in a customs clearance process. The consignee or clearing agent should verify the country specific requirements and tailor the flow to suit the specific country provisions.



What does it involve?

Control of goods:

- verification of documents, identifying the cargo, electronically or paper-based;
- the cargo goes through a physical inspection by the customs officers.

There is a common misconception that exempted goods/materials are free from customs formalities. As any other type of cargo, all the relevant operations must be carried out by the persons concerned and by customs in order to comply with the customs law. Every shipment must be documented, and in the case of the exempted goods/material, this includes an additional requirement, which is the certification or proof of its status as exempted.

If the importer (or the customs broker acting on his behalf) fails to get the paperwork (including the duties and taxes certificates) ready by the time customs clearance should begin (either before the arrival of the commodities, in the case of pre-arrival clearances, or after, upon arrival), the submission procedure will be delayed and the customs release will just not happen in time or at all.

The consequences can be delays in the delivery to the beneficiaries or financial with costs such as storage fees accruing and [demurrage](#). Within a short period of time, large amounts money accumulate and the receiver is held accountable.

Duties and Taxes Exemption

At the on-set of an emergency, especially a rapid on-set emergency, there are ad-hoc pieces of legislation in the form of a decree issued by the relevant Ministers' Office. Because of their ad-hoc nature, these decrees would usually lack detailed instructions on the practical implementation. The absence of guidelines on how to apply the decree is due to the fact that most countries are not ready for emergencies in the specific area of customs. Only 14 countries have signed Annex J of Chapter 5 of the Revised Kyoto Convention (International Convention on the Simplification and Harmonization of Customs Procedures), a chapter specifically dealing with relief consignments. It is communally known as “Blank Waiver for Relief Consignments” and will last only for a limited period of time, covering the relief assistance phase.

Governments use and rely on the customs service to control the physical movement of goods, people and conveyances across country borders and frontiers. The customs departments do this by implementing and administrating a range of government policies.

The decision of exempting the goods imported into a territory for humanitarian purposes, from the payment of duties and other taxes, is entirely the decision of the country's authorities. Whether a specific donated item or commodities can be imported into a country without any taxes payment depends on the local government's decision about:

- national humanitarian aid import policy;
- goods qualified under that policy; and

- actors granted with tax-free status.

It is essential that donors and decision-making organizations at origin are aware about the implication of taxes on operating costs.

The customs department, relevant ministry or Ministry of Finance might not qualify every single entity as “of public interest” or “charitable” and grant the duty waiver privilege. Humanitarian organizations dealing with local counterparts must make sure that the local counterpart receiving the goods:

- is a registered duty-free entity (request and paperwork done in advance);
- Is the one taking care of the application and submission of the Exemption Certificates and obtaining documents for every shipment that will prove before the Customs Authorities that no Customs duty or tax is unpaid.

For that purpose, the local counterpart must have the capacity to know the procedures, focal points and regulations within their administration, in order to lodge the application correctly.

If they have not got this specific knowledge (what commodities are prohibited or restricted, quotas, etc.) or are just not familiarized with the requirements and paperwork, it is useful to ask advice at ministries, other NGOs already operating, consultancy firms, and tax experts. Certain items such as medicine and communications equipment may require specific certification and authorization.

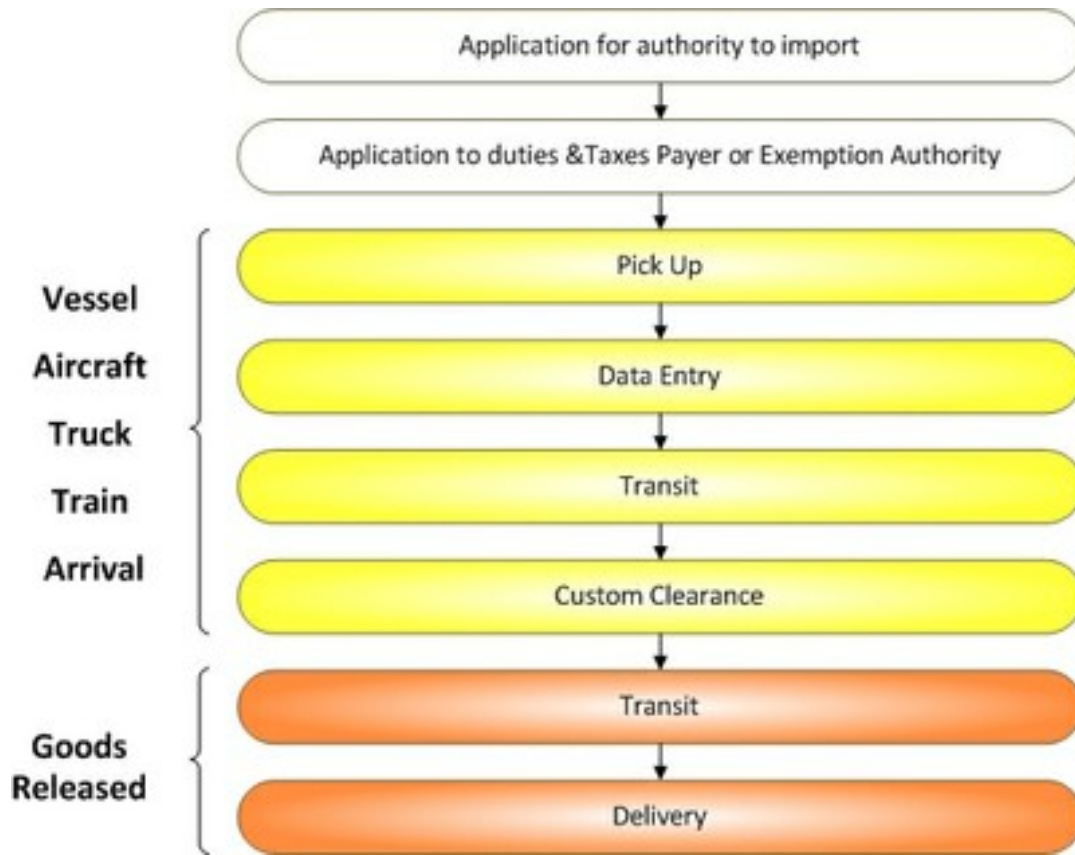
Emergencies and Non-Emergencies

Relief consignments are goods, such as vehicles or other means of transport, foodstuffs, medicines, clothing, blankets, tents, prefabricated houses, water purifying and water storage items, or other goods of prime necessity. They are forwarded as aid to those affected by disaster. In the case of an unforeseen sudden on-set emergency, the situation calls for immediate measures. Relief consignments are sent to the affected area to minimize adverse consequences of the emergency. Depending on the extent of the emergency the local authorities can declare a state of emergency and accept the aid provided by the international community initially in the form of relief consignments.

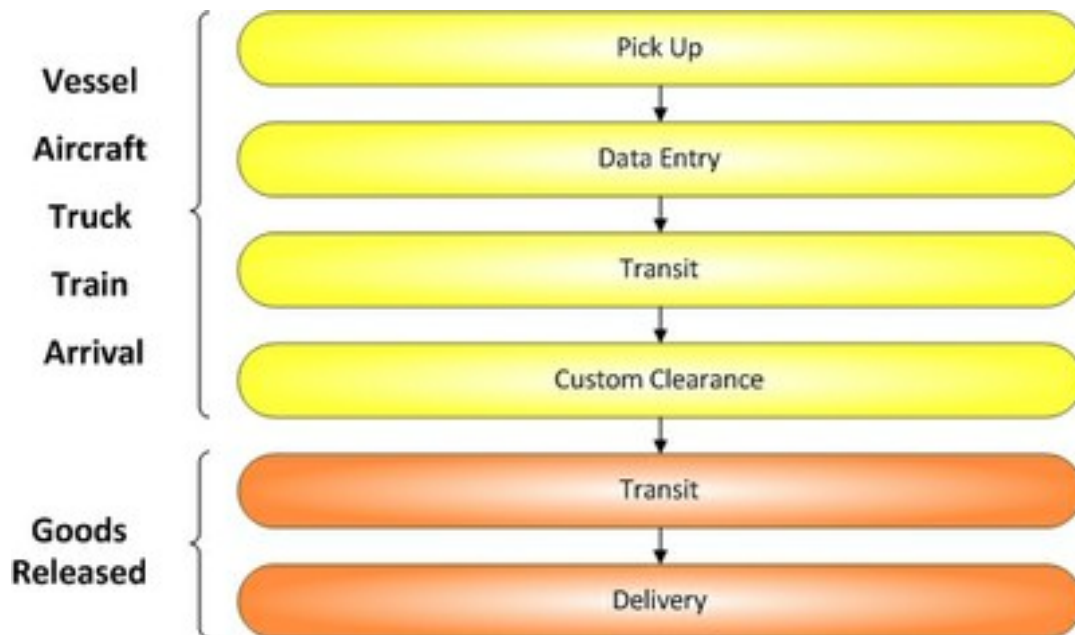
In these cases, the standard regulations will vary, as the authorities normally draft ad-hoc exceptional regulations for relief consignments being imported for an emergency. These regulations would be in force for as long as the relief operations last.

The supply chain may look as follows depending on the prevailing situation:

Non - Emergency and Others



Emergency



Goods often released with blank waiver for all relief consignments

Inspection and Damage

There are three types of inspection:

- visual, looking for physical damage or defaults;
- quantitative, represented by shortfalls in quantity;
- Qualitative, identified by divergence from specifications.

Note that all visible damage and shortfall must be clearly indicated on the shipping documents and claims lodged.

Methods of payment in import/export

Letters of credit (LC) is an undertaking by a bank to make a payment to a named beneficiary within a specified time, against the presentation of documents which comply strictly with the terms of the LC. The parties to a LC are usually a beneficiary who is to receive the money, the issuing bank of whom the applicant is a client, and the advising bank of whom the beneficiary is a client. Almost all LCs are irrevocable, they cannot be amended or cancelled without prior agreement of the beneficiary, the issuing bank and the confirming bank, if any. In executing a transaction, LCs incorporate functions common to Giros and Traveler's Cheques. Typically, the documents a beneficiary has to present in order to receive payment include a commercial invoice, bill of lading, and insurance documents. However, the list and form of documents is open to interpretation and negotiation and might contain requirements to present documents issued by a neutral third party evidencing the quality of the goods shipped, or their place of origin. An introduction to LCs can be obtained at www.sitpro.org.uk/trade/letcred.html

Electronic funds transfer (EFT) refers to the computer-based systems used to perform financial transactions electronically. The term is used for a number of different concepts:

- cardholder-initiated transactions, where a card-holder makes use of a payment card;
- direct deposit payroll payments for a business to its employees, possibly via a payroll services company;
- direct debit payments from customer to business, where the transaction is initiated by the business with customer permission;
- electronic bill payment in online banking, which may be delivered by EFT or paper check;
- transactions involving stored value of electronic money, possibly in a private currency; and
- Wire transfer via an international banking network (generally carries a higher fee).

Additional Information

- International Commercial Terms: Trade terms used in international contracts of sale: see [INCOTERMS 2000](#) , [INCO terms explanation](#), [INCOTERMS narrative](#), [INCO practical application chart](#).
- Generic Customs officer tasks– WFP see [Terms of References](#) topic in *Preparedness section*.
- [International Classification of Goods](#), see the *Classification registry of the UN statistics Division*. Standard International Trade Classification (SITC) is a classification of goods used to classify the exports and imports of a country to enable comparing different countries and years. The classification system is maintained by the UN. The SITC classification, currently at revision three is to be standard. The last revision, revision four, was made in 2006.

The following excerpt was taken from the UN statistics Division, international trade statistics branch: “For compiling international trade statistics on all merchandise entering international trade, and to promote international comparability of international trade statistics. The commodity groupings of SITC reflect (a) the materials used in production, (b) the processing stage, (c) market practices and users of the products, (d) the importance of the commodities in terms of world trade, and (e) technological changes.
- Bonded Warehouses: these warehouses are used for storage of goods whose duty is unpaid and especially where the goods are destined to another country. Pre-positioned stocks are often held in bonded warehouses so that export is quick and goods can be stored for long periods.