

# ON THE FACILITATION OF CUSTOMS PROCEDURES

MEETING OF INVESTMENT COUNCIL

Tirana, 9 May 2017

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# I. OBJECT OF ANALYSIS

- ❑ To highlight some of the most sensitive business issues about customs practices in import and export;
- ❑ To provide consulted recommendations that may address quickly and concretely by simplifying certain procedures.

# I. METHODOLOGY

## Desk research

- Strategies, laws/bylaws, international documents - OECD, EU, CEFTA, WB, etc.;
- INSTAT data.

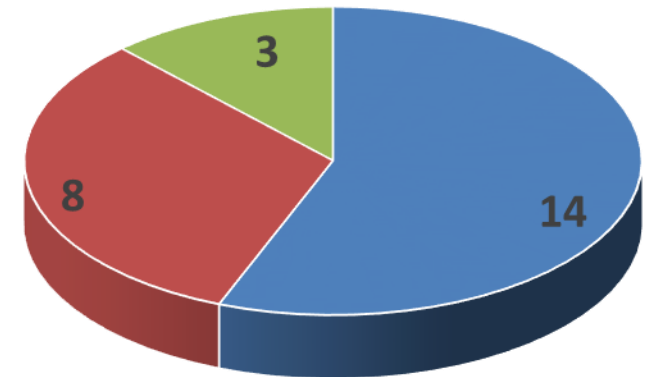
## Consultation

- Feedback from businesses to the IC Secretariat for 2015-2017 (about **30** cases);
- **25** meetings with businesses, public institutions, field experts;
- Consultation meeting with experts (**18 participants**) from the business and customs administration.

## Survey

- Open Questions posted online during March – April 2017;
- **23** anonymous companies responded online.

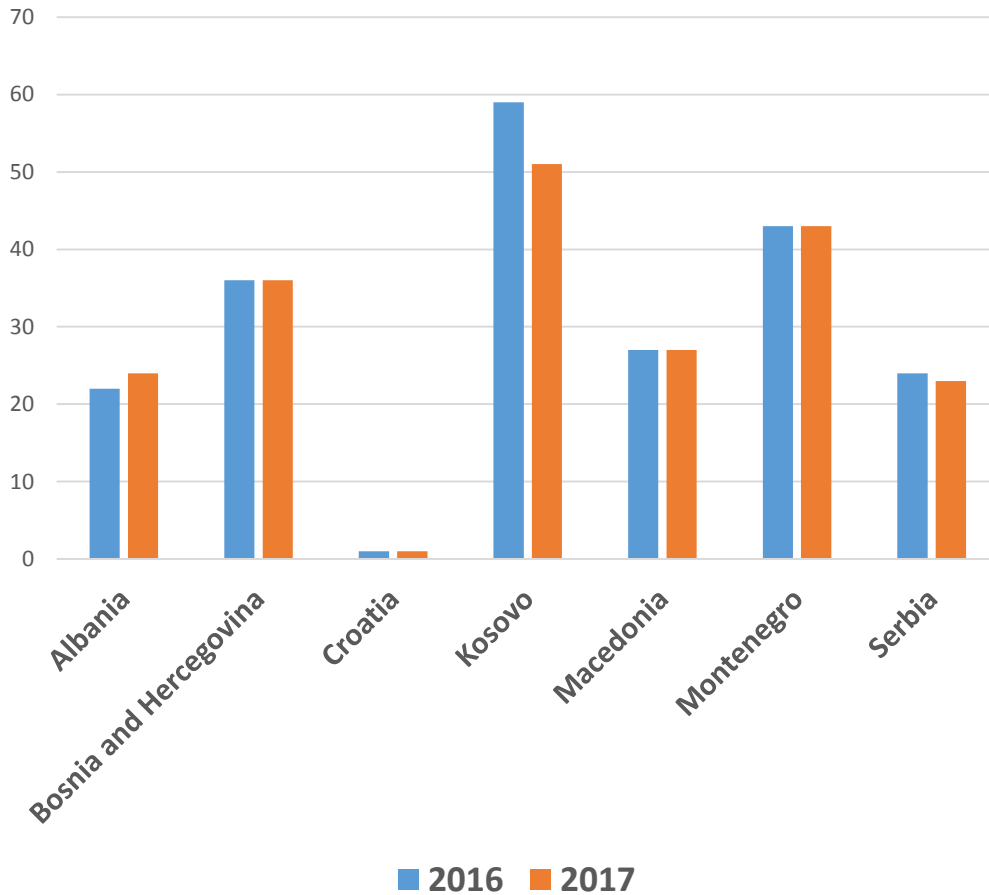
Profile of Stakeholders



- Businesses
- Public Institutions
- Business Associations

# II. CONTEXT

**Ranking of Western Balkans Countries in Trade across the Borders Indicator**

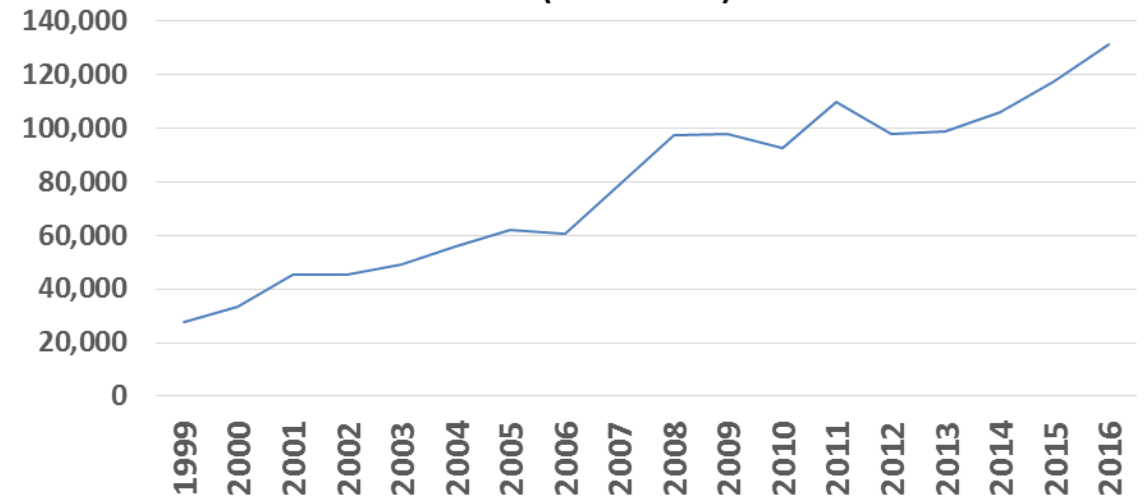


Source: Doing Business, World Bank

**Million ALL**



**Imports of Machineries, Equipment and Spare Parts (million ALL)**



Source: INSTAT

## 2.1 CONTEXT – MAIN DEVELOPMENT ON CUSTOMS PROCEDURES

New Customs  
Code

Green  
Channel

Joint Transit  
System with  
Kosovo

Local  
Clearance

Authorised  
Economic  
Operator

## 2.3 CONTEXT – REACTION FROM BUSINESSES

- ❑ **Inspections** in imports are normal and not problematic. Those involving monitoring and Anti-smuggling groups remain the most problematic;
- ❑ If the customs want to **inspect**, why the business should pay the unloading expenses?
- ❑ The business doesn't **have access** in the system to reconcile the accounts with customs;
- ❑ The procedure of green channel should be more frequent;
- ❑ Use of **reference prices** is archaic;
- ❑ Reference prices create a **deadlock** in the relations of businesses with customs and tax administration;
- ❑ Making functional the **single window** in particular for the phyto-sanitary certificates and goods of double use.

# III. MAIN ISSUES ENCOUNTERED

## Reference Prices

- Business Competitiveness
- Customs Revenues
- Fiscal compliance (VAT refund)
- Various application standards in practice/ Unclarity for businesses/SAI

## Change of Tariff Classification

- Change of tariff classification may lead to reference prices or customs tariffs
- Functioning/results of customs laboratory
- Administrative measures for correcting declarations with no financial effect

## Physical Inspections

- High number and repetitive inspections/ Anti-smuggling
- High cost of businesses/lack of inspections premises in customs

## Communication with businesses

- Online procedures for authorisations/certifications
- Exchange of information among public institutions
- Information and transparency/counterfeit goods
- Non efficient administrative appeal system



# 3.1 FINDINGS AND RECOMMENDATIONS – CONSOLIDATION OF LEGAL FRAMEWORK

## FINDINGS

Although the legal framework is in line with EU directives in the customs area, the business is not informed/consulted on the by-laws (*still to be approved*) of the Customs Code becoming effective by 1 June 2017.

## RECOMMENDATIONS

1. Preparation on time of secondary legislation on customs.
2. Information and consultation with business as a good practice for fostering partnership.

# 3.2 FINDINGS AND RECOMMENDATIONS – DYNAMICS OF REFERENCE PRICES APPLICATION

## GJETJE

1. *Businesses/customs agents are not notified in writing on the arguments about customs valuation.* Businesses are prejudiced by the customs administration regarding imported goods' invoices.
2. Various application of reference prices in *various customs branches* (e.g. countries from EU, USA, Turkey, etc). The list of available data is not updated.
3. Application of reference prices on the *international transport* of goods with container (e.g. maritime transport from China).
4. The business feels the pressure from *SAI* audit results to the customs administration.

## REKOMANDIME

1. Clearly record and trace in the GCD internal system how the customs value is calculated :
  - *A more comprehensible manual detailing the steps to be taken for customs valuation (reviewing Instruction No. 25, dated 30.11.2007)*
  - *The final inspection act should clearly identify all the steps followed and should be formatted in the system to document alternative ways of valuation*
  - *The customs authorities shall make available to the economic operator (either printed or electronically) the act of inspection.*
2. Update in the website the available data with the last reporting date. The GCD should publish data on the application of reference prices and the most commonly dealt cases related to the origin of goods, their nature, etc.;
3. MF and GCD to consider with an order/instruction the removal of reference prices for the costs of transport by container;
4. Interpretation through a Council of Ministers Decision of procedures that must be followed to adequately comply with recommendations of SAI reports.

# 3.3 FINDINGS AND RECOMMENDATIONS – CHANGE OF TARIFF CLASSIFICATION

## FINDINGS

1. **Unreasonable** change of the tariff classification of goods.
  
2. **Limited use of Compulsory Tariff Information - Lack of Awareness from Businesses.**

## RECOMMENDATIONS

1. Customs Branches to inform the business per written on the conclusions of the Customs Laboratory when taking a sample for analysis by providing the reasons for changing the tariff classification of the goods.
  
2. To promote in the GCD website the potential for application on Compulsory Tariff Information for businesses. To publish all the decisions given for these requests.
  
3. To promote cooperation with business associations in the aspect of enhancing their role on the use of this tool (Compulsory Tariff Information) – (e.g. publishing number of businesses consulted).

# 3.4 FINDINGS AND RECOMMENDATIONS – PHYSICAL INSPECTIONS: THE RIGHT BALANCE BETWEEN SECURITY AND TRADE FACILITATION

## FINDINGS

1. **Frequent and repetitive** physical inspections (meat by-products, scrap, car oils, etc.)
2. High **costs** for business during physical inspections - **Lack of adequate premises** for inspections (e.g Durres Customs Branch)

## RECOMMENDATIONS

1. Consider the possibility of reducing the percentage of physical inspections through the continuous update of **risk indicators**, investment in Intelligence and IT systems and coordination of inspections with the General Tax Directorate (use of blue channel). Publication of data on inspections (number, types, findings) as part of the annual performance report of the customs administration to increase transparency and accountability to taxpayers.
2. Build **adequate premises** for physical inspections at the customs branches. Being unable to fulfil this recommendation in the short term, the number of physical inspections carried out in the premises of economic operators in the presence of representatives of the customs authority during the unloading of goods should be increased.

## 3.5 FINDINGS AND RECOMMENDATIONS – COMMUNICATION FOR A PARTNERSHIP, CUSTOMS ADMINISTRATION – BUSINESS

FINDINGS	RECOMMENDATIONS
<ol style="list-style-type: none"> <li>1. <b>Businesses state they spend unreasonable time in the procedures for authorizations and attestations.</b></li> <li>2. <b>Although there are attempts for 24 hour service from Customs, in Tirana Customs the working hours for exporters are limited.</b></li> <li>3. <b>Reported by businesses lack of prompt communication between public institutions (tax - customs – NFA, etc.)</b></li> <li>4. <b>Although important reforms have been undertaken by GCD, there is no proactive approach in consulting and informing businesses. Need for institutionalization the relations with business.</b></li> </ol>	<ol style="list-style-type: none"> <li>1. Applications for authorisations or attestations to be submitted online and be acknowledged the scanned documents (e.g. import of machineries, IPR regime, etc.). The businesses should not be requested to provide certifications to the customs administration regarding their financial situation, when the customs administration can verify itself in the system.</li> <li>2. More clarity for business on working hours, coordinate the published with factual timetables at customs points and GCD.</li> <li>3. Enhance online exchange of information or access for a certain amount of information, e.g. the case of fiscal liabilities.</li> <li>4. To reconfigure the GDC website; possibly consulted with the business to make it more informative and usable by the business, publication of annual consultation plan with businesses possible including the regions (to be considered as a performance indicator the number of businesses consulted per year).</li> <li>5. Financial support to the GCD for establishing a dedicated structure of “service/counselling” to provide ongoing assistance and communication with economic operators and business associations.</li> </ol>

# DISCUSSION ON FINDINGS & RECOMMENDATIONS

- Custom value of goods – transaction value versus available data: Implications for businesses and custom administration**
- Tariff classification of goods**
- Efficiency of physical inspections – risk management system**
- Interaction of custom administration with private sector, online exchange of information, consultation and information**

**THANK YOU!**  
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