

Customs control of goods

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Abstract

Customs control, is regulated by law in different countries. Different countries define through the law, the control of goods.. Main purpose of this paper is to analyze two types of customs controls, and their effect in reducing avoidance of duty or tax evasion which may be caused by the import of goods of certain companies. For this reason we researched which model is implemented in developing countries and what results were reached through questionnaires. In this sense the next research question, consists in defining the moment of customs control pre or post-clearance control of goods.

Keywords: customs control, avoidance of customs duties, developing countries.

Introduction

With the international trade, the transfer of goods, respectively from the country of production to the place of consumption, or from the place of sale (departure) to the place of destination (clearance) has become a must know tool for the economic development. In this way, cross border transfer of goods is closely connected with certain measures in order to fight the fiscal evasion or avoidance of customs duties. Not only in traditional customs, but also in modern ones, customs control should be performed on the occasion of the presentation of goods at the entrance of the country for clearance, but between them there is substantial difference in volume or level control. Mainly, the customs in previous periods of development, have applied controls of cargo, shipments, goods that entered the designated place for clearance, but this level of control always had a decrease trend, especially in developed countries, where the risk level applied to certain shipments or goods should be in control. Therefore, modern customs do not make a large number of controls at the border or check all shipments, goods, but they spend their time in controlling the companies for fraud. The customs value of goods is very relevant for the purpose of calculation of taxes and customs duties. The customs value of goods, refers to commodity price plus the cost of transportation, cost of insurance of the goods during transport and other costs added to goods from the county of departure to the country of destination, respectively country of clearance. But the problem lies in the correct declaration of price of goods and other costs for transportation and insurance of the goods. There are times when different companies declare another customs value of goods in order to pay less in taxes and customs duties. Given that the calculation of customs duties, is primarily based on the value of the goods "Ad Value", many companies try to declare a lower value of goods. In order to reduce the opportunity for companies to make the avoidance of customs duties, the authorities undertake the measure of verification of the value

and if the value declared does not provide the level of reliability, then customs make a revaluation of goods. The revaluation is based on six evaluation methods that are regulated by WCO and provide with customs legislation of the relevant country.

Control of the quantity of goods

Control of quantity of goods, is also a relevant element which enables the reduction of fraud. Companies are oriented in declaring less quantity of goods in order to pay less customs duty. Therefore, based on the level of risk, selected companies that are suspected of not declaring the quantity of goods are verified by officials of the customs authority.

In this sense, the origin of goods is another element that causes the customs duty evasion from some companies. Mainly, evasion of customs duties may be caused in those cases where dealing with goods being declared for clearance, originating from a country in agreements on preferential rates for goods originating from that country, but in fact the same goods are not from that country but declared as goods originating from that preferential country, with the aim of profiting lower customs rates. Therefore, considering the companies that make the clearance of goods, those goods are from third countries or from countries that do not benefit preferential rates of clearance and in this case can also receive falsified certificates of origin of that product.

Another element that is important in the calculation of customs duties, also in the possibility of avoiding customs by the company are : Terms of delivery of goods - Incoterms. We have already mentioned that in order for the customs to value the goods in order to be applied for the calculation of customs duties in addition to the price of goods. Therefore, the companies that have to order to avoid customs duties, use this element to reduce the value of goods. The way of reduction through this element is connected with transport costs, insurance costs, costs of loading/unloading and other operating expenses during the implementation of the logistical arrangements. Based on Incoterms, the carrier (pays) the purchaser of the goods, then it should be added the price of goods, while if these costs were covered by the seller of goods there should be ways to declare that all costs operating for the transfer of goods from the place of departure to the place of destination shall be borne by the consignor/exporter (seller) of goods.

According to UNCTAD, post clearance audit means: "customs control based on auditing" which is performed after the customs clearance of goods, respectively after the free release of goods. The purpose of this audit is to verify the accuracy and veracity of the statements, including the analysis of data, commercial system, data and trading bookkeeping. Post-clearance controls provides benefits on both sides, as well as for trade community and for customs authority. Benefits that have customs controls after imports are because helps protect revenue, respectively avoidances of customs duties, detect and prevent fraud, increase the efficiency of customs control at trader. But for the commercial community, post-import control, helps in speeding up the clearance of goods at import, in this way reducing long waiting times at the borders, ports, airports or inland customs terminals. Elements of risk for evasion of customs duties or customs fraud are the same, but they are differently interpreted, in some countries there are those that are controled in the moment of the clearance of goods,

and in other countries those controled post clearance audit, up to 3 years, although this period varies from one country to another depending on the legislation of the country.

Methodology

The survey was realizez through the distribution of 261 questionnaires. They were distributed mainly to the importing companies, officers that control businesses, customs agents, accountants and international transport companies.

Our main hypothesis consists in the idea that in developing countries, the customs controls at the moment of import have a bigger effect on reducing fraud, avoidance of customs duties, than in post-clearance control. In this sense, the research question is:

- Is it better in a developing country, with a higher level of informal economy to strengthen border control, control in moment of clearance or post clearance control? Companies that realize the avoidance of customs duty or tax evasion, have a fear level because of causing evasion. When addressing these question to respondents, the answers are shown in the table below.

<i>It is better to strengthen the border control</i>	124 persons
<i>It is better to strengthen post clearance control</i>	84 persons

As seen from the table, 124 persons that constitute 59.61%, consider that in order to avoid fraud , the border control should be strengthened and 84 persons or 40.38%, insist on post clearance control, after the clearance of goods.

The results of the questionnaire has a logical perception, because the companies realize that there is a powerful control at the time of customs clearance, but they do not believe much in post-clearance controls.

Conclusions

Seeing that the controls, have the proper effect to reduce tax evasion and customs taxes as a whole, and also focusing in developing countries, the following results were detected. The border control should be strengthened at the time of customs clearance, despite pressure from traders to reduce the time of customs clearance or suggestions from the developed countries to follow their practices in order to decrease the number of controls in customs and at the same time also post clearance control should be strengthened, in order to convict all companies that were not detected at the time of clearance.

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