

CUSTOMS
PART TWO
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WAREHOUSING

WAREHOUSING: Is the practice or business of storing, holding or handling goods on warehouses.

Types of warehouses

There are two main types

- i. Bonded warehouse
- ii. Customs warehouse
- iii. Government warehouse

- (i) **Bonded warehouse**, Means a place normally (but not always a building) licenced by the commissioner general for the storage and deposit of dutiable goods

Types of bonded warehouse

- General bonded warehouse
- Private bonded warehouse

General bonded warehouse, This deposited goods generally i.e. belonging to any person.

Private bonded warehouse, These are for deposit of dutiable goods belonging to the licensee only.

PROCEDURES IN LICENSING BONDED WAREHOUSE

General conditions

An application for the licensing of a premises as a bonded warehouse shall be made to the commissioner level in the prescribed form

The application should be accompanied by the professional site plan showing where the premises are located

A bond security of not less than 300 million for private bonded warehouse and 800 million for general warehouse should be executed.

Specific conditions

- i. The premise should be equipped with a fire fighting system
- ii. The premise shall provide security in 24 hours
- iii. The premise shall comply with secured walls
- iv. The premise shall include special storage facilities for high value items, loose cargos etc.
- v. The premise shall provide an office accommodation to customs stagy
- vi. The premise should have computer and internet connectivity
- vii. The operator should have proper accounting and record keeping system relating to all goods arrived stored and exit.

Note: The licence is not transferable

Advantage of bonded warehouse

- (a) Availability of goods for trade in stock i.e. traders keep their goods while looking for the market
- (b) Assurance to the govt to collect taxes on imports
- (c) Creation of employment to the community

(ii) Customs warehouse

It means any place approved by commissioner general for deposit of

Un entered goods

Un examined good

Abandoned goods

Detained goods

Seized

Un costumed goods

The following goods shall not be warehoused

- ✓ Explosives
- ✓ Arms for trade and business
- ✓ Acid for trade and business
- ✓ Dried fish
- ✓ Perishable good
- ✓ Ammunation
- ✓ Chalk
- ✓ Matches

Application of the sale proceeds.

The sale proceeds shall be applied in the following order

- i. To pay duties and taxes
- ii. To pay expenses of removal and sale including automat's commission.
- iii. To pay rerots and charges due to customs
- iv. To pay port charges
- v. To pay freight and any charges of any
- vi. The remaining balance if any shall be paid to the owner of the goods, if he/she does not have any tax liability to the govt.

Note: The owner should lodge an application within 12 months from the date of sale failure to that the balance will be paid to customs revenue.

If the goods were restricted the balance should be taken by the government.

Important terms in warehousing

1. **Transitshed**, Is the building appointed by the CC in writing for deposit of goods under customs control.
2. **Suffurance wharf**, Means any place other than approved place of loading or unloading at which the Cammissioner may allow any goods to be loaded or unloaded.

Customs union

Customs Union is the 3rd stage of economic integration. It refers to the action of group of countries towards elimination of all or some barriers of trade.

Stages of economic integration

- (i) **Preferential Trade Area (PTA)**, This is where member countries reduce things among themselves.
- (ii) **Free trade Area**, In this member countries agree to remove tarrifs but each member apply its own regime of tarrif to goods imported outside member countries.
- (iii) **Custom Union**, This is where member countries remove tarrifs among themselves and impose a common external tarrif to non members.

- (iv) **Common market**, This is where in addition to meeting requirement of customs union, there is free mobility of factors of production like labour between member countries
- (v) **Economic community**, This is where member states among others use one currency.
- (vi) **Political integration**, This is the stage where member countries cooperate in all economics and political matters, having one parliament and one provident.

East African community union

EAC is the organization of five countries which are Burundi, Rwanda, Kenya, Tanzania and Uganda. In 2005 EAC countries entered into customs Union with the following **objectives**.

- i. To liberalize intraregional trade
- ii. To enhance domestic and cross border investment
- iii. To promote economic development

Main features of customs Union

1. A common set of import duty rate applied on goods imported from non member countries
2. Dity and quaota free of the goods moving among member countries
3. Common set of customs rules and procedures including documentation
4. Common valuation methods
5. Common coding and description of goods i.e common tarrif nomenclotus

RULES OF ORIGIN

Under EAC customs Union goods will qualify for community tariff treatment (to be duty free) if they originate in a partner state.

Hence rule of origin refers to a set of criteria used to distinguish between goods that are produced within EAC which will be duty free, against those produced outside EAC which will attract import duties.

There are three criteria to determine rules of origin

1. **Wholly produced goods criteria**, The goods is said to be wholly produced in a partner state if no material from outside EAC has been used. Example include
 - Minerals products extracted from the ground or sea bed of the partner state
 - Vegetable products harvested within partner state
 - Live animals born and raised within partner state together with their products
2. **Material content criteria**, Goods will qualify as originating in partner state if foreign materials used do not exceed 60% of total cost of all materials used in production.
3. **Value added criteria**, Goods will be originating in partner state if the value added from the process of production is at least 35% of ex-factory costs. Note value added is the difference between ex-factory cost and the CIF

EXPORT PROMOTION SCHEMES

These are schemes designed to promote production of goods for export.

The schemes include

- i. **Duty drawback**, The custom procedure which when goods are exported it provides a repayment of any import duty paid on any material consumed for production of those exports

Conditions for duty drawbacks

- a) Goods should not be prohibited
- b) Export should be made within twelve months from the date of payment of duty.
- c) Goods must be transferred directly to an aircraft or vessel after examination

- d) The goods must match with documents

Note: Duty drawback should be distinguished from remission refund, rebate, repayment.

Remission means cancellation or waiver of duty for goods that have been destroyed or lost accidentally which the goods are in custom area warehouse on board of air after or vessel.

Rebate means reduction of duty for goods damaged in the custom area.

Refund/ repayment, This is a refund of already paid tax for goods that have been damaged or destroyed while under custom control.

- ii. **Export processing zone,** This is the designated area where raw materials machinery and equipment's are imported free of duty for use in manufacturing of goods for exports.

Objectives of EPZ

- a) To promote exportation
- b) To increase forcing exchange currencies
- c) To create employment
- d) To attract transfer of new technology from foreigner investors

Incentives under EPZ includes

- a. Exemption of corporate tax for ten years
- b. Exemption from stamp duty on documents
- c. Exemption for all taxes by local govt
- d. Exemption from withholding tax on interest and dividend

Limitation fo EPZ

The government loses the revenue

There is discrimination on payment of tax

- iii. **Manufacturing Under Bond (MUB),** This is facility granted to manufacturer to import plant, machinery and equipment and raw materials tax free for exclusive use in the manufacturing of good for export (It is granted to individuals).

EXCISE DUTY

- (i) It is an indirect tax imposed on specific goods and service manufactured locally or imported which are consumed within a country.
- (ii) The tax is collected from the manufacturer or importer but its incidence is either on the importer or manufacturer or consumer depending on elasticity of demand and supply.
- (iii) Excise duty can be either specific or ad- valorem
 - Specific excise duty are charged per quantity
 - Ad- valorem excise duty are charged as the percentage of value

Objective of excise duty

- i. To prevent the consumption of certain goods which are considered harmful (sin products) e.g. alcohol, cigarettes.
- ii. To generate govt revenue, A product charged with excise duty are usually having inelastic demand and hence the govt may increase taxes year after year to generate revenue. To protect home infant industries

Method of charging excise duty.

- a) Specific rate
- b) Advalorem rate

Items liable for excise duty in Tanzania

- a) Items under specific rate, wine, beer, soft drinks, mineral water, fruit juice, cigarettes, petroleum products, natural gas.
- b) Items under ad- valorem rates, Motor vehicles, imported furniture's, money transfer service etc.

Argument against excise duty,

- ❖ Are regressive in nature, fall heavily to poor than rich
- ❖ Affect consumption if higher rates are imposed
- ❖ Increase price of goods and therefore may lead to inflation
- ❖ May affect investment if imposed on capital goods

Custom duty rates applicable to imported vehicles

A: utility vehicles e.g. pickups and trucks

Items		import duty	excise duty
VAT			
• Pickups	25%	0%	18%
• Trucks (15 – 18.5 TONES)	10%	0%	18%
• Trucks (above 18.5%)	0%	0%	18%

B: Non-utility vehicles, These are luxury vehicles imported solely for private use
i.e Not for public or commercial use.

Rates applicable

1. Vehicle with age less than 8 yrs from the date of manufacturing

CC	import duty	excise duty	vat
VAT			
1 -1000 CC	25%	0%	18%
1001 – 2000 CC	25%	5%	18%
Above 2000CC	25%	10%	18%

2. Vehicle of more than 8yrs from the date of manufacturing

CC	import duty	excise duty CC	excise duty age	VAT
1 – 1000 CC	25%	0%	20%	18%
1001 – 2000CC	25%	5%	20%	18%
Above 2000CC	25%	10%	20%	18%

SMUGGLING

This is an act of importing, exporting secretly and illegally to avoid payment of duties or to avoid enforcement of the laws.

Under the EAC- CMA 2004, smuggling means importing, exporting or carriage widthwise or transfer or removal from the country goods with intent to defraud the customs revenue or to evade any prohibitions or restrictions as to such importation, exportation or carriage coastwise.

Form in which smuggling occurs

- i. Outright avoidance of customs control escaping the custom control by using bush ways
- ii. Under declaration of goods. The importer declare less quantity on imports than the actual quantity imported
- iii. Under valuation of goods. This is when the goods are given the lower value than they actually have
- iv. Mis classification of goods. Goods are given different class to attract lower rate of taxes.
- v. Falsification of documents
- vi. Mis declaration of country of origin. Usually goods originated with EAC states are free from duties. Hence the importers may cheat by falsifying documents that the goods are originated from EAC or not.

Reasons for smuggling

- a) Higher import duties
- b) Cumbersome import procedures
- c) Availability on availability of goods in one part of the border

Problems associated with smuggling

1. Loss of govt revenue
2. Collapse of local industries
3. Unemployment
4. Loss of lives e.g. importation of drugs
5. Increase insecurity e.g. smuggled guns

Ways to prevent smuggling

- a) Lower import duties
- b) Simplify import procedures

- c) Increase the level of production as long run solution
- d) Increase efficiency of TRA to prevent smuggling

POWER OF CUSTOMS OFFICERS TO PREVENT SMUGGLING.

In order to prevent smuggling the EACCMA 2004 has granted some powers to customs officers under 5.149- 159 as follows.

- i. S. 149 power to require a vessel or aircraft to remain stationary for the period the office may require
- ii. Power to require vessel to depart from partner state 24 hours except locally registered vessels 5.150
- iii. Power to patrol the vessel freely 5.151
- iv. Power to board and search the vessel 5.152
- v. Power to stop the vehicle 5.152
- vi. Power to ask questions to a person entering or leaving a partner state 5.154
- vii. Power to search a person 5.155
- viii. Power to arrest in case of any offence 5.156
- ix. Power to search premises 5.157
- x. Power to require police assistance 5.158
- xi. Power to require production of books of accounts or records 5.159

RECOVERY MEASURES USED TO COLLECT UNPAID DUTIES

The importer may financially be unable to pay their duties but more often simply refuse to pay

The following are recovery measures for unpaid duties under EAC CMA

- 1. Recovery by suit for unpaid tax, To institute a civil legal debt claim in a competent court, sue for unpaid tax
- 2. Recovery by detaining goods, the goods are detained
- 3. Levying distress over goods
- 4. Recovery by agency notice
- 5. Recovery by creating a charge on the property of a tax payer for unpaid taxes.

