



NEPAL CUSTOMS COUNTRY PAPER

*WORKSHOP ON CUSTOMS
VALUATION*

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COLOMBO, SRI LANKA

BY

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NEPAL CUSTOMS

NEPAL IN THE GLOBE



SOME BASIC FACTS ABOUT NEPAL



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- Located in the South Asia
- Landlocked country
- Situated in between India to the east, west and south and China to the north
- Area: 147181 (0.147 million) square Kilometers and population is about 27 millions
- It is a mountainous country as well as rich in natural resources, water resources, different historical places, temples, bio-diversity etc.

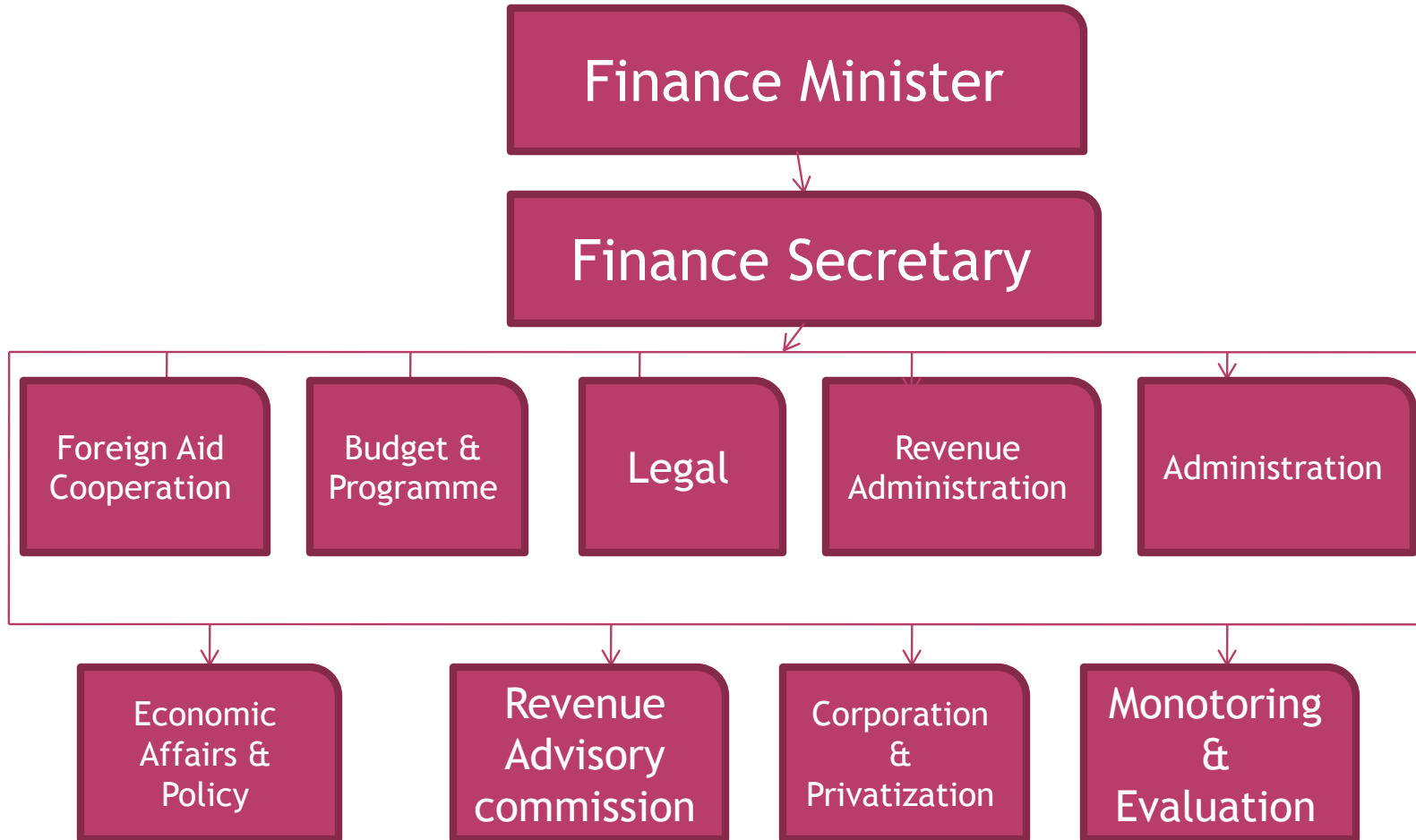
SOME BASIC FACTS ABOUT NEPAL

- Capacity to generate 83000 Megha watt of Electricity from the rivers originated from Mountains in Nepal
- Nepal is also known as the birth place of Lord Buddha (Gautam Buddha)
- 8 mountain peaks above 8000 meters high including Mount Everest lies in Nepal out of 14 of such mountain peaks in the world.
- Nepal is divided in to 3 geographical regions, 5 development regions, 14 zones, 75 districts, 58 municipalities and 3912 village development committees.

ADMINISTRATIVE SYSTEM IN NEPAL

- Nepal is a Federal Democratic Republic Country
- The Coalition Government of Nepal has dissolved its Constitution Assembly last year and the present government is formed by the top leaders of ex-civil servant for conducting the election of 2nd Constitution Assembly on 19th November, 2013
- Cabinet is the head of Nepal's Executive Body
- There are 27 Ministries and Ministry of Finance is the most important among them.

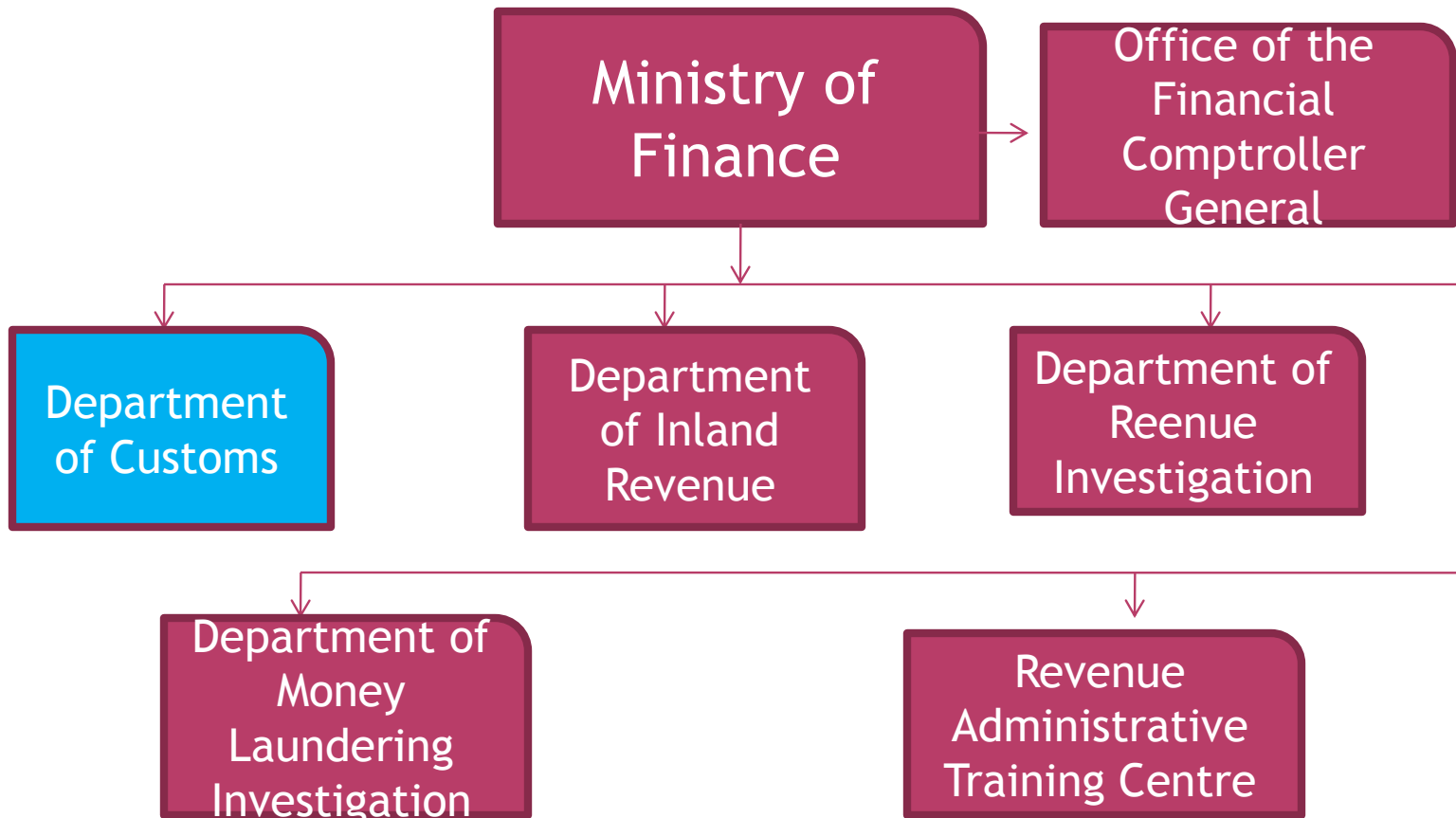
THE ORGANIZATIONAL STRUCTURE OF MINISTRY OF FINANCE NEPAL



THE STRUCTURE AND THE MAIN FUNCTIONS OF THE MINISTRY OF FINANCE NEPAL

- The Ministry of Finance (MOF) is the central authority of Government of Nepal charged with the responsibilities for maintaining both micro and macro economic stability in the country
- Finance Minister remains at the Apex in the Ministry, whereas, bureaucratically it is headed by Finance Secretary
- For practical purposes, the Ministry is further divided into various organizations
 - Divisions and Departments

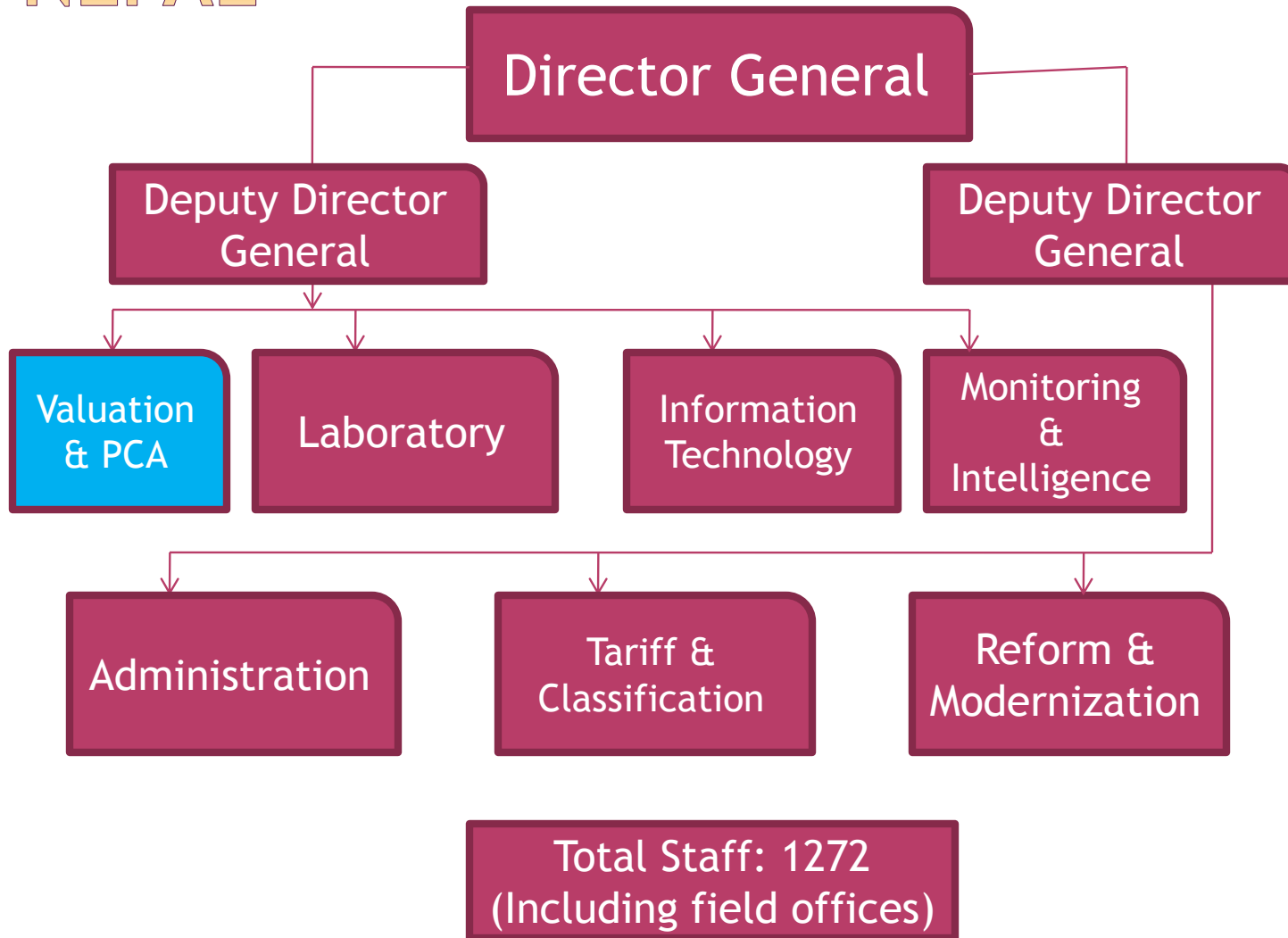
THE DEPARTMENTS UNDER MINISTRY OF FINANCE NEPAL



DEPARTMENT OF CUSTOMS NEPAL



THE ORGANIZATIONAL STRUCTURE OF DEPARTMENT OF CUSTOMS NEPAL



DEPARTMENT OF CUSTOMS

- ◉ Department of Customs is one of the major Department under Ministry of Finance headed by Director General (Joint secretary Level)
- ◉ Every Divisions are headed by Director (Under Secretary Level)
- ◉ The Customs contribution to the total Revenue through customs point is about 43%, to the Tax Revenue is about 50% and Customs Duty itself is about 20% of the total revenue
- ◉ The major trading partner is India; (about 65%) and rest are; China, Indonesia, Malaysia, Singapore, Thailand, Australia, Bangladesh, EU countries, Japan, Korea etc.

VISION, MISSION AND VALUES OF NEPAL CUSTOMS

○ **Vision**

Excellence in Customs services to support the economic and social prosperity of Nepal.

○ **Mission**

We strive for Customs services to respect clients' time and value for money' building conducive environment for global economic activity to ensure growth, development, social safety and security.

○ **Value**

- | | |
|--------------------|---------------------------------|
| (1) Integrity | (4) Transparency |
| (2) Impartiality | (5) Mutual respect and courtesy |
| (3) Responsiveness | (6) Dedication and excellence |

STRETEGIES OF NEPAL CUSTOMS

- Facilitate Legitimate Trade and Industry
- Promote communication and cooperation
- Protect Society and environment
- Ensure Compliance with the Law
- Collect appropriate and fair Revenue
- Modernise and Enhance Customs Management/ Administration

STRETEGIES

CONTD..

- Develop Infrastructure and Physical Facilities
- Promote a Culture of Integrity
- Enhance Passenger Clearance Systems
- Develop Management Information Database
- Transform Customs Processes to E-Customs

CUSTOMS OFFICES AND FUNCTIONS

- Total Customs offices-30, PCA office-1
- Towards India border-20 Customs
- Towards China border-9 Customs (only 2 are active)
- International-1 (Airport Customs)
- Sub Customs-143 (under the main Customs)
- Total Employees-1272 (including the Field staffs)
- Birgung, Bhairahawa, Biratnagar, Airport, Tatopani, Dry port and Mechi are the major Customs points which collect about 95% of the total Customs Revenue
- The average tariff rate is 8.53% whereas the Customs duty rate vary from 0% to 80%
- Customs Offices mainly collect the customs duty, Value added tax and Excise duty

FUNCTIONS OF THE CUSTOMS OFFICES

- ◉ Clearance of import & export cargo
- ◉ Clearance of passengers & their baggage
- ◉ Classification of goods
- ◉ Valuation of goods
- ◉ Post Clearance audit (Both by PCA office and Customs Offices)
- ◉ Assessment and collection of import and export duty
- ◉ Assessment and collection of levies and other charges on behalf of other agencies of the government as directed by the annual Fiscal Act

FUNCTIONS OF THE CUSTOMS OFFICES

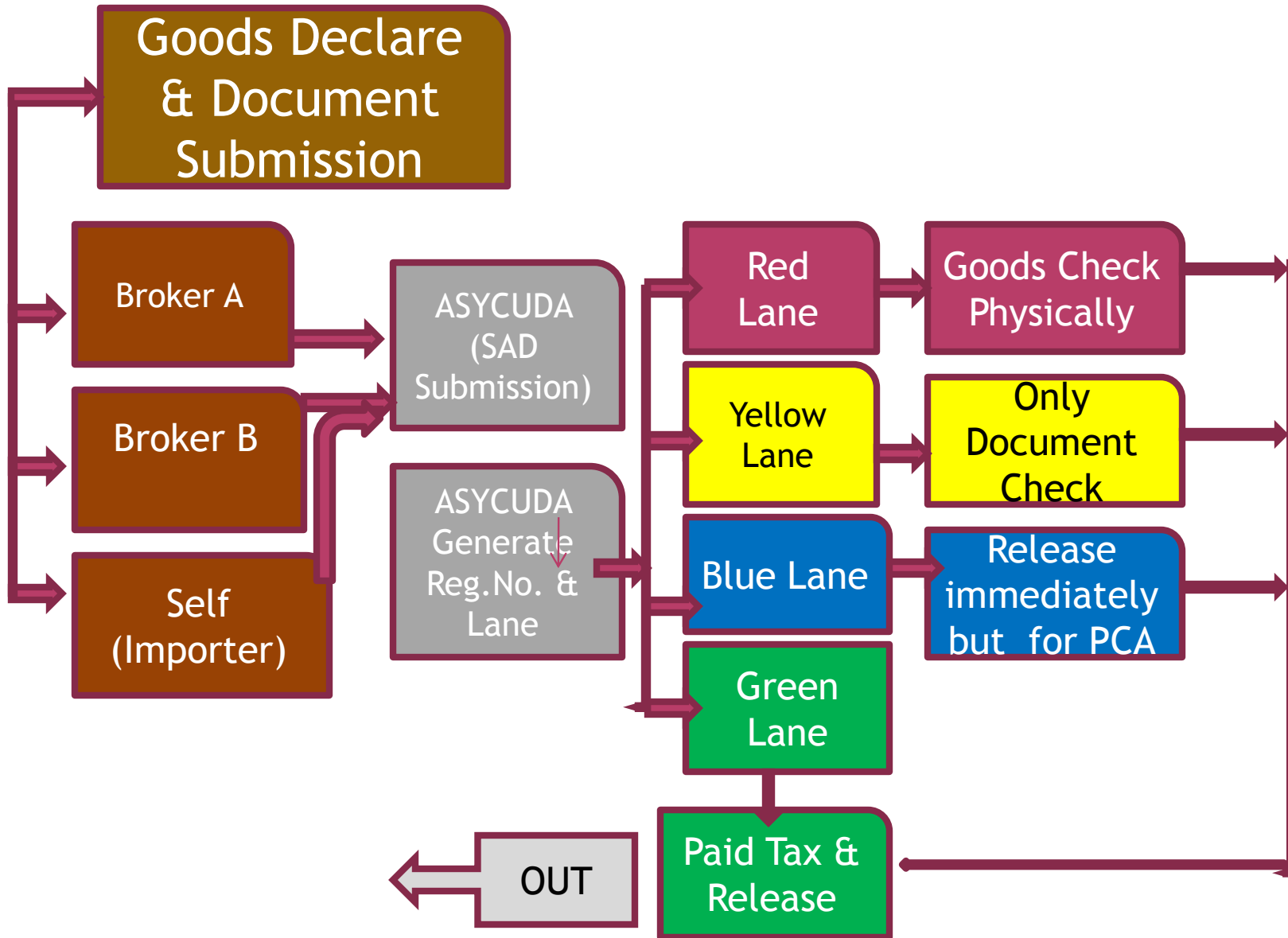
CONTD..

- ◉ Foreign Trade regulation
- ◉ Control of illegal activities in the border
- ◉ Enforcement of custom law and other related law
- ◉ Prevention and detection of smuggling of commercial frauds
- ◉ Provide trade information
- ◉ Penalize offenders and seizure

SOME DIMENSIONS OF REFORM & MODERNIZATION

- ◉ Implementation of Customs Reform and Modernization strategies & Action plan (Current forth phase 2013-2017)
- ◉ Customs Automation (ASYCUDA++ 18 Customs, WAN 12 Customs, IP Camera in 4 major Customs)
- ◉ Selectivity Module implemented in 6 major Customs (Red, Yellow, Green, Blue lane)
- ◉ Broker Module implemented in 10 Customs
- ◉ Security Enabled Receipt implemented in 7 Customs
- ◉ Reform in Physical Infrastructure (two Dry ports constructed)

IMPORT FLOW CHART



DEPARTMENT OF CUSTOMS AND ITS INTERNATIONAL RELATIONSHIP

- ◉ Member to WCO - 1986
- ◉ Member to WTO - 2004, but adopted WTO Valuation system since 1997
- ◉ Contracting party to H.S. Convention - 2006 but implemented the H.S. Code since 1988
- ◉ WCO Completed Diagnostic Mission and submitted the report in 2007 for the implementation of the SAFE Programme (Framework of Standard to Secure and Facilitate Global Trade)

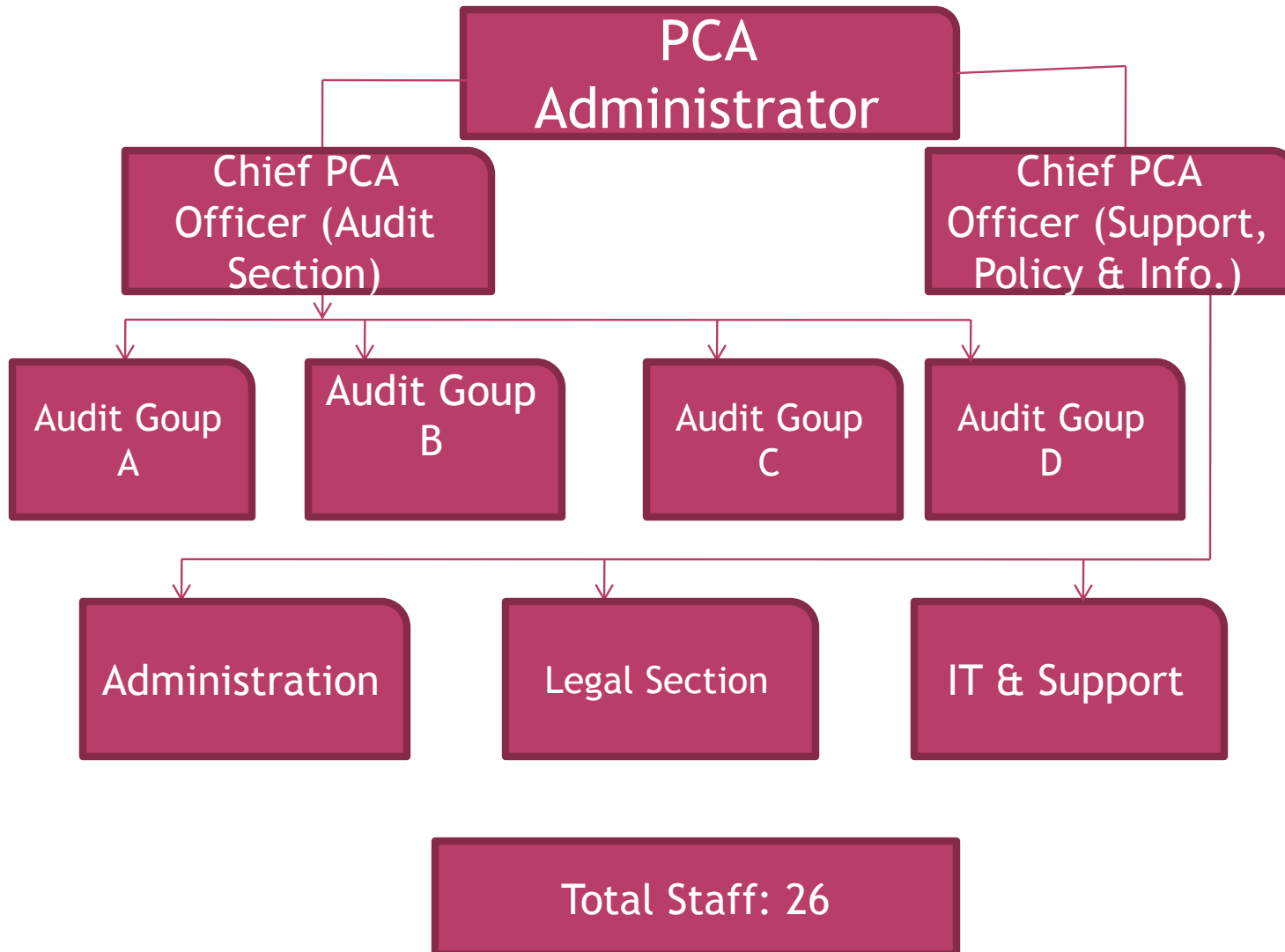
PRESENT VALUATION SYSTEM IN NEPAL CUSTOMS

- ◉ Adopted WTO Customs Valuation System (GATT Article VII) since 2004
- ◉ Incorporated the Valuation provision in Customs Act 2007
- ◉ The Primary basis of Customs Value of imported goods is Transaction Value.
- ◉ Valuation Directives 2011 is formulated and implemented.
- ◉ Customs Officers are fully liable for determining the Customs Value of goods.
- ◉ DG can give order to review the value to Customs Officer if he suspect the procedure & value.
- ◉ Importer can complain to the valuation review committee within 15 days of import against Customs Officer's valuation decision.
- ◉ If he could not satisfy the committee's decision, he can appeal to the Revenue Tribunal.

PCA SYSTEM IN NEPAL

- ◉ Established separate PCA office in 2009 centrally.
- ◉ PCA procedure 2009 is formulated and Implemented.
- ◉ PCA can be performed within 4 years from the date of importation.
- ◉ PCA Officer has right to see all the import related documents and importer's transaction.
- ◉ PCA Officer can do verification audit, commodity audit and consignment audit in a certain basis of selection.
- ◉ Future plan of PCA is firm audit, joint audit and linked audit.

ORGANIZATION STRUCTURE OF PCA



PROBLEMS/CHALLENGES IN CUSTOMS VALUATION & PCA

- ◉ Lack of the provision of value information sharing system.
- ◉ Shifting from reference value database to Transaction Value.
- ◉ Local Trade with India; No Banking Document compulsory.
- ◉ Lack of value tracking & comparison/control system.
- ◉ Lack of physical infrastructure with modern equipment (X-ray, Scanner, Power Backup etc.)
- ◉ Inadequacy of trained human resources.
- ◉ Lack of Billing and Proper Billing System in internal market.
- ◉ Revision of Organization Structure (Full Functional & Officer Oriented)
- ◉ Insufficient legal backup for PCA

PARTNERSHIP IN CUSTOMS REFORM AND MODERNIZATION

Development Partner	Support Area
WB	(1) Single Window, (2) Infrastructure Master Plan, (3) HR Development Master Plan.
ADB	(1) E-customs Master Plan Development and Implementation, (2) Business Process Analysis with UNESCAP, (3) SASEC Trade Facilitation Program, (3) TA for Capacity Development of Customs Administration.
KOICA	Customs Modernization covering (1) Agent Module, (2) Valuation software, (3) Passengers Clearance and (4) Data Warehouse.
IFC	RKC, Cross border procedure simplification and Risk Management.
USAID (completed)	RKC, Capacity Development, IP Camera, Nepali version of explanatory notes, Action plan.
IMF	CRM Action Plan formulation, Risk Management, PCA, IT Strategy.
WCO	RKC, Capacity Development.
UNESCAP	BPA, Capacity development in Trade Facilitation measures.

NEXT STEPS: THE WAY FORWARD

IMPLEMENTATION OF CRM ACTION PLAN 2013-17

Vision	Excellence in Customs services			
Mission	Respect clients' time and value for money'			
Impact (Ultimate Objective)	Towards paperless Customs services and Web Based Clearance System.			
Outcomes (Immediate Objective)	Outcome 1: Customs reform and modernization to support trade facilitation.	Outcome 2 – Enhanced enforcement, compliance and high Revenue Yield:	Outcome 3 – Organizational development and capacity building: (at large) of the Customs.	Outcome 4: Automation : e-Customs: Management Information System (CMIS)
Strategies	<p>Strategy 1: Facilitate Legitimate Trade and Industry.</p> <p>Strategy 2: Promote communication and cooperation (with stakeholders including C2G, C2C and C2B).</p>	<p>Strategy 3: Protect Society and environment.</p> <p>Strategy 4: Ensure Compliance with the Law.</p> <p>Strategy 5: Collect Appropriate and Fair Revenue</p>	<p>Strategy 6: Modernize and Enhance Customs Management/Administration.</p> <p>Strategy 7: Develop Infrastructure and Physical Facilities.</p> <p>Strategy 8: Promote a culture of integrity.</p> <p>Strategy 9: Enhance passenger clearance systems.</p>	<p>Strategy 10: Develop Management Information Database.</p> <p>Strategy 11: Transform Customs Processes to E-Customs.</p>

OUTCOME BY THE END OF 2017

Building Blocks 1: Trade Facilitation

- (1) Nepal acceded to revised Kyoto convention,
- (2) Customs offices functional with number of documents required to attain the level of best at the region

Building Blocks 2: Compliance

- (1) 3/4 of the import cargo will pass through Green Channel.

Building Blocks 3: Organization & Development

- (1) Performance based management system be institutionalized in Customs
- (2) Modernized facilities along with the capability at large be improved
- (3) Skill mix of HRC development and management institutionalized,

Building Blocks 4: Automation (E-customs)

- (1) web based declaration submission and automation system improved
- (2) Clients will have access to all information on Customs procedures,
- (3) e-Customs functional in Customs administration

To these end : more participatory and coordinated approach be adopted.



THANK YOU FOR
YOUR ATTENTION
!

Queries ! If Any ?
Will be highly
appreciated !