



WCO-ADB Joint Sub-regional Train-The-Trainer Workshop on Customs Valuation under the Multi-year Assistance for SASEC Countries
Colombo, Sri Lanka
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Country Report- Sri Lanka

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Representing
Sri Lanka Customs Administration

Sri Lanka- Country Profile



Country Profile-Old Parliament of Sri Lanka



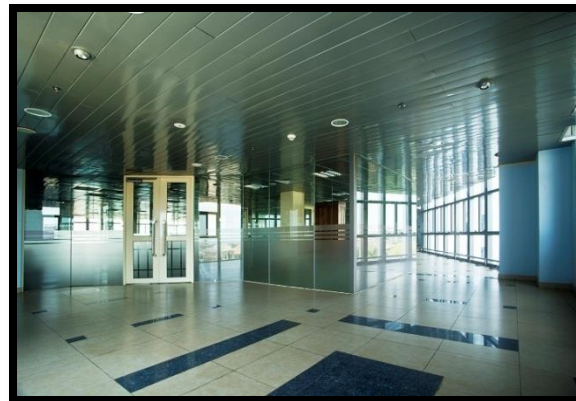
Country Profile

Capital	: Colombo (Commercial)
	: Sri Jayawadrenapura (Administrative)
Major religions	: Buddhism, Hindu, Islam, Catholic.
Main Export	: Clothing and textile, tea, gems, rubber, coconut and related products
GNI per capita	: us \$ 2,100
Life expectancy	: 71 years (Men), 79 years (Women)
Total adult literacy	: 93%
Primary school net involvement	: 99%
Population	: 21.3 million
Growth rate	: 0.9%



Sri Lanka Customs is one of the oldest Customs administrations in the world which celebrated its 200 years in 2009. However, there is evidence of the existence of Customs tax collection in Sri Lanka over 2000 years ago at the Godawaya Harbor in Hambanthota.

Customs New Head Quarters



Sri Lanka Administration

- The present Sri Lanka Customs administration is a Department coming under the Ministry of Finance and Planning. The present Minister is His Excellency the President, Mr. Mahinda Rajapaksa and the present head of the Department is Mr. Jagath P. Wijeweera who works under the supervision of Dr. P.B. Jayasundara, the Secretary to the Treasury.

Vision and Mission

- To become the best customs service in South Asia
- The Sri Lanka Customs is dedicated to enforce revenue and social protection laws of the state while facilitating the trade with the objective of contributing to the national effort and in due recognition thereof

Top Management

- The Director General of Customs is assisted by five Additional Director Generals and there are over two thousand employees working under them

Revenue Collection

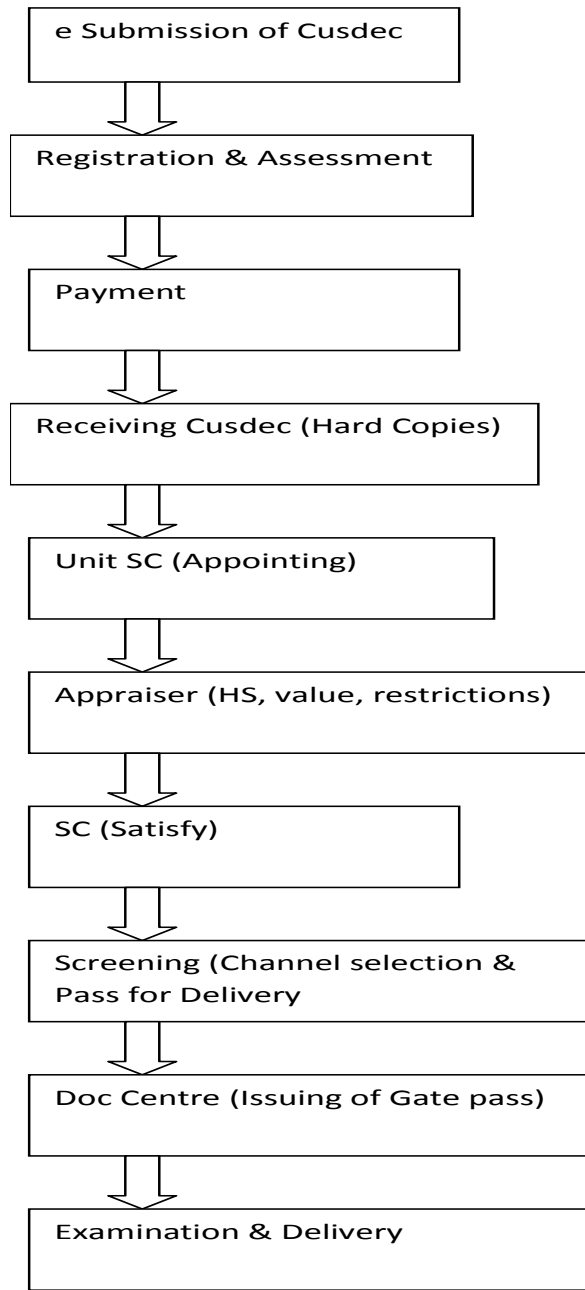
- Customs continues to collect almost 50% of the total tax revenue of the country.
- For the year 2014, the Sri Lanka Customs is expected to collect Rs. 600 billions as import and export tax revenue which amounts to 57% of the total tax revenue. Further, the Customs Department is playing a major role in controlling and monitoring imports and exports of restricted and prohibited goods of environmental, health, social and security concerned.

Our Function includes;

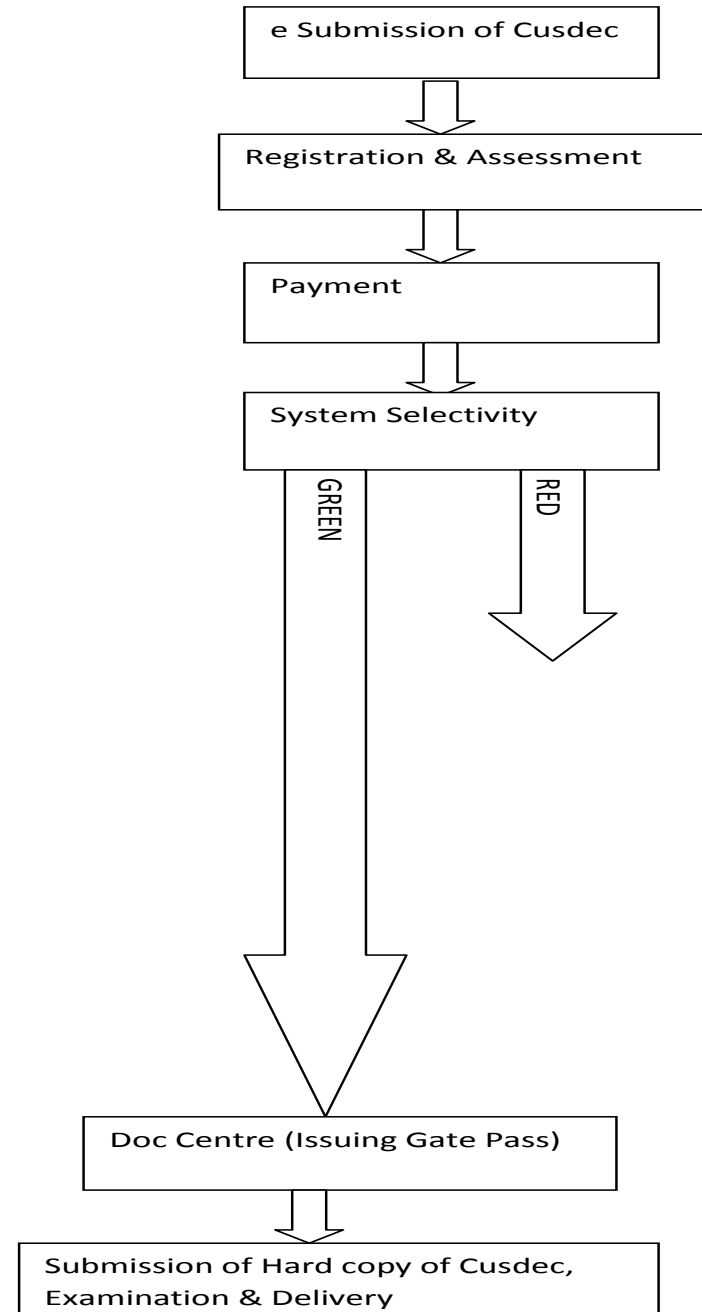
- Collection of revenue
- Prevention of revenue leakages and other frauds
- Facilitation of legitimate trade
- Collection of import and export data to provide statistics.
- Cooperation and coordination with other Government Departments and stakeholders in respect of imports and exports.

Import Clearance Flow Chart

Present process



Facilitated process



Adoption of WTO Valuation Agreement

- Customs (Amendment) Act No 2 of 2003
(6th January 2003)

- Extraordinary Gazette No. 1335/25
10.04.2004

(Regulations made by the Minister in terms of section 101 Of the Customs Ordinance)

Interpretative notes to articles in

From a Notional Concept to a Positive Concept

- WTO valuation agreement adopted in Sri Lanka, since January 06, 2003
- Brussels definition of value: Notional concept – in assumed conditions and the emphasis was on the intrinsic value of the goods
- WTO concept: Actual value of the imported goods or of like merchandise
- “Actual Value” should be the price at which, at a designated time and place, such or like goods are sold or competitive conditions, and when it is not available as above, it should be based on the nearest ascertainable equivalent of such value

Domestic Laws on Customs Valuation

- Customs Ordinance (Section 51 ,52)
- Customs Amendment Act No. 2 of 2003
- Extraordinary Gazette No. 1335/25
10.04.2004
- DOPL 460
- Value Declaration Form (VDF) Customs
308 A (Section 51 B)

Customs Valuation Regulation No. 1 of 2012

- Extraordinary Gazette No. 1756/29 of 4.5.2012, Regulation made under section 101 of Customs Ordinance
- Determination of cost of transport for customs valuation
- When the importer imports his own goods by his own vessel
- 15% of FOB value of such goods

Problem and Challenges

- Informal Economy
- Cash based Transaction
- High rate of Duty
- Depending on more indirect taxes
- No common link among Revenue Authorities such as Customs, Inland Revenue, Exercise Department to crack down manipulation of information by fraudulence traders

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- High revenue expectations by the Government
- Expectations of trade for quick and efficient customs clearance.
- Trade Facilitation, a legitimate expectation

Response By Customs

- Use of risk management to Customs control
- Use of audit based control called Post Clearance Audit(PCA)

What is Post Clearance Audit?

- A process aimed at providing assurance that businesses and individuals subject to Customs controls, have complied fully with all relevant legislation and requirements through examination of internal controls, accounting systems and relevant documentation.

Objective of PCA

- Evaluate strength of client's internal controls
- Determine client's compliance levels
- Assess any revenue shortfall
- Recommend improvements in clients internal controls to assure future compliance
- Client education
- Evaluate effectiveness of Customs controls
- Recommend adjustments in Customs controls (risk targeting, procedures, legislation, etc)

Legal Provisions

Authority of PCA

- **Section 128 A (1) - Authority of PCA officers**
- **Section 51 B (1) – Importer to keep records**
- **Section 51A (2) - Amend the value**

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Obligation of PCA officers

- **Section 51 C – Confidentiality to be strictly maintained**
- **Section 128A (2) – Issue Memorandum**

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Obligation of auditees.

- **Section 51B (1) – Importers to keep records**
- **Gazette Notification No. 1567 / 26 of September 19, 2008 – Prescription of records in terms of Section 51 B (1)**
- **Section 51 B(2) – Importer to answer any questions**
- **Section 128A(4) – Assist to enter and search the building or place**

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Penal provisions

- **Section 128 A(4) – Fail to assist**
- **Section 128 A(5) - - Obstruct an officer**
- **Section 128 A (6) – Liable to a penalty**
- **A person who is guilty of an offence under (j) or (k) shall be liable to a penalty not exceeding one hundred thousand rupees.**
- **Section 52 Forfeiture for non- compliance or false declaration.
Forfeiture of value where goods not recoverable**
- **Section 52 A – Penalty for failing to keep, destroying or altering records & etc**

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Right of Appeal

- **Section 51 A (4) – Explanation upon written request**
- **Section 51 A (6) – Appeal to DG**
- **An officer who is dissatisfied with a decision of the officer, under this section may, within ten working days after the date of which notice of the decision is given, appeal to D.G against that decision.**

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Recovery of amount short levied

- Section 18 (2) – Recovery of duties, dues or charges

Trade Facilitation under implementation

- Single Windows and Time Release Studies
- Upgrading of ICT systems
- Bilateral customs cooperation agreements
- Implementation of AEO programmes
- Publication of laws prior to implementation
- Availability of regulatory information on Customs website
- Pre-arrival processing and Risk Management Systems
- Post-Clearance Audits



The End

Questions and Comments