**WCO Revenue Conference 2014**

**BACKGROUND**
The 2014 WCO Revenue Conference took place at WCO Headquarters in Brussels from 30 June to 1 July. This was the second occasion for the WCO to host a Conference on the topic of revenue following the December 2009 ‘WCO Revenue Management Conference’. A matter of utmost concern to all 179 WCO Members and Customs stakeholders, the 2014 Revenue Conference emanated from second phase of the Revenue Package Action Plan (SP0444E1a) as endorsed by the Policy Commission at its 69th Session. Its purpose was threefold; ‘to raise awareness of the Revenue Package Programme, to share experiences in the key areas and to determine what further work remains to be done before completion of the proposed work on the Phase II Action Plan.’

The conference opened with a keynote address by the WCO Secretary General, Kunio Mikuriya, and was chaired by WCO Deputy Secretary General, Sergio Mujica.

**PARTICIPANTS**
The Conference welcomed over 120 delegates, including 75 Customs officials representing 45 WCO Member countries, members of intergovernmental and regional organizations in addition to a variety of private sector companies.

![Figure 1: WCO Members represented at the Revenue Conference](image_url)
SESSION 1 REVENUE COLLECTION: PRIORITIES, CHALLENGES AND THE WAY FORWARD

Gene Ravele  
Chief Officer, Customs and Border Management  
South African Revenue Service

Wallace Akondor  
Commissioner of Customs  
Ghana Revenue Authority

Abdelmajid Bourra  
Chef de la Division des Etudes  
Morocco Customs

Enrico Martino  
Head of International Relations  
Italian Customs and Monopolies Agency

Nor Haziah Abd Wahab (Mrs.)  
Deputy Director, International Affairs  
Royal Malaysian Customs

This high-level session served as an introduction to the topic of revenue collection and the challenges and hurdles faced by administrations in the WCO Europe, East and Southern Africa, West and Central Africa, North of Africa, Near and Middle East and Asia Pacific Regions as chronicled by their Commissioners and Heads of International Affairs before the Brussels audience. Although geographically and economically diverse, presentations echoed a common theme reiterated by all administrations: trade facilitation and optimum efficiency are key factors helping revenue collection.

Other elements of mutual concern were e-commerce, as outlined by Enrico Martino, and further research into objective methodologies for analyzing trade data. Low-compliance levels remain a challenge in most regions, and automation, risk management and post-clearance audits have proven crucial elements in the modernization of Customs administrations.

THE REVENUE PACKAGE AND ITS RELEVANCE TO WCO MEMBERS

Mr. Ian Cremer of the WCO Secretariat presented the WCO’s ‘Revenue Package’, the WCO’s tailor-made package for Member countries seeking to strengthen their capacity to collect legally-due revenue. Mr. Cremer spoke of the emerging needs expressed by Members, including well-targeted controls, the accurate identification and verification of Customs duties and the benefits accruing to both Members and business following the introduction of post clearance audit and advance rulings programmes. Good practices for the use of a ‘valuation Database’ as a risk management tool were also presented.

SESSION 2 CUSTOMS VALUATION FOR RELATED PARTIES/TRANSFER PRICING

Joel Cooper  
International Tax Specialist  
World Bank Group

Astrid Pieron  
Partner  
Mayer Brown Law Firm

Melinda Brown  
Transfer Pricing Advisor  
OECD (presentation delivered in abstentia)

Zhang Zheng  
Director of Valuation  
General Administration of Customs, China

Ian Cremer  
Senior Technical Officer, Tariff and Trade Affairs  
WCO Directorate
A panel of experts elucidated for the audience the complexities surrounding the issue of transfer pricing. Panelists agreed that the topic of transfer pricing and its relevance to Customs valuation should be explored further and increased awareness and knowledge was required. Various ideas were discussed for the use of transfer pricing data as means for Customs to gain assurance that values declared for related party transactions were not influenced by the relationship. The suggestion was made that an appropriate structure, based on work currently carried out by the WCO, in cooperation with stakeholders, including the OECD and the World Bank Group, could be considered for further pursuing and discussing the matter.

**SESSION 3 VAT excise and Compliance**

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<td>Pål Hellesylt</td>
<td>Norwegian Customs</td>
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<td>Robert Luessi</td>
<td>Swiss Customs</td>
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<tr>
<td>Liz Allen</td>
<td>International Tax and Investment Centre</td>
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A common theme addressed by panelists was the need for innovation and ‘outside the box’ strategic thinking in order to address the challenges posed by declining duty rates. The Swiss Customs administration presented their strategy for leveraging taxes on CO₂ emissions and the creation of other environmental taxes. Some Customs administrations are responsible for the collection of VAT and this can be fraught with difficulties. Norwegian Customs outlined their experience in harnessing the collective resources of over 20 government agencies at the border and spoke about the need for Coordinated Border Management. The representative of Swiss Customs proposed that the WCO consider the introduction of a database of Members’ varying level of tax responsibilities within the guise of the Working Group on Revenue Compliance and Fraud.

**SESSION 4 REVENUE AND THE WTO TRADE FACILITATION AGREEMENT**

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<tr>
<td>Pieter Haesaert</td>
<td>BDO Customs</td>
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<td>Norman Schenk</td>
<td>UPS</td>
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<td>Christophe Renard</td>
<td>SICPA Security Solutions SA</td>
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<td>John Malone</td>
<td>European Commission</td>
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<td>Azarema Abdulkadir</td>
<td>Nigeria Customs Service</td>
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The TFA was of particular interest to Conference participants given the timelines associated with the recently-negotiated Agreement in Bali, Indonesia. When asked to respond to the question ‘what will be the impact on Customs revenue as a result of the TFA’ all panelists responded in the affirmative, agreeing.
that the TFA would undoubtedly have a positive effect on revenue streams by maximizing efficiencies and ensuring optimum standards. The potential of the TFA to stimulate trade, increase revenues and boost economic growth is estimated to be significant. Additionally, a WCO Research paper (Yasui, 2014), prepared for the Conference, supported this view, stating that increased trade, compliance levels and recovery of revenue loss would likely result from the implementation of the TFA.

Panelists agreed that data quality would be vital during the implementation phase of the TFA. The issue of *de minimus* levels was also addressed, with advocates from the business community arguing for increased *de minimus* levels to respond to the burgeoning e-commerce industry. The representative from Nigeria spoke about the country’s novel ‘Trade Hub’ and the challenges faced in the creation of the ‘Hub’. The panel did not neglect to mention the importance of compliance and of striking a balance between enforcement and trade facilitation.

**Session 5 WCO Research and Research Partnerships**

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<tr>
<td>Thomas Cantens</td>
<td>WCO</td>
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<td>Juha Hintsa</td>
<td>Cross-border Research Association</td>
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<td>Jocelyn Pierre</td>
<td>OECD Center for Tax Policy and Administration</td>
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A key element in the WCO’s arsenal of programmes and activities to support and assist its Members is its Research Unit, which compiles objective policy papers and has created a network of researchers into the topics that matter most to Customs administrations. The topic of *de minimus* levels reemerged and Mr. Hintsa presented CBRA’s matrix built to explore and uncover the optimum *de minimus* levels across European Union Member countries. Mr. Cantens presented his findings on performance measurement and the importance of quantification for a modern Customs administration in inaugurating a culture of objectivity.

In her presentation, Ms. Pierre relayed that the OECD has, since 1972, been publishing “Revenue Statistics – OECD Member Countries” on an annual basis. These statistics, which go back to 1965, enable these countries to position themselves against each other in terms of tax levels and structures, and serve as a basis for the majority of studies describing and analysing tax policies. Since 2011, the OECD has extended its collection of such data to non-Member Countries of the Organization and has published statistics on the government revenue of 18 Latin American and Caribbean countries and four Asian ones. In 2015, it plans not only to increase the numbers of participating countries in these regions, but also to publish a first edition on some African countries, including Cameroon, Mauritius, South Africa and Tunisia. She emphasized the importance of data and its accurate analysis in addition to a rigorous methodology strictly delineated from political concerns was underlined by the representative from the OECD.
SESSION 6 INFORMAL TRADE PRACTICES

Robert Ireland
Head of Research Unit
WCO

Xavier Cardenas
Director General
Ecuador Customs

Richard K. Kamajugo
Commissioner of Customs
Uganda Revenue Authority

Key to gaining a comprehensive overview of revenue collection and resource allocation within an organization is an understanding of the impact of the informal sector within a society. Mr. Ireland outlined the various interpretations of the term ‘informal’, which for the WCO is defined as any trade-related activity dealing with non-prohibited goods that goes unrecorded by the government for various reasons. The Director General of Ecuador Customs and Commissioner of Uganda Customs outlined their Administrations’ experiences and shared the view that informal trade necessitates that a Customs administration address the issue with a specific strategy simply ignoring the practice will not suffice.

Customs administrations seek to balance Customs controls with trade facilitation. In this respect, the Director General of Ecuador Customs spoke about their successful ‘non-intrusive’ inspections. Trade facilitation measures can help with the shift from informal trade to formal trade particularly by; simplifying and reducing documentation requirements and formalities, expediting the release and clearance of goods from Customs control, improving border agency coordination and reducing corruption.

Panelists agreed on the paramount importance of taking specific local conditions into account before formulating any policy remedies. Several Customs administrations enter into negotiations with informal traders to resolve disputes on revenue collection.

SESSION 7 REVENUE AND REGIONAL INTEGRATION

Beatrice Memo
Commissioner of Customs Services
Kenya Revenue Authority

Riki Tamaki
Deputy Director, International Negotiations Division
Customs and Tariff Bureau, Japan

Maria Elena Sierra
Commissioner of Customs
Mexico Customs

The Commissioner of Customs Services in Kenya and representatives from Japan and Mexico Customs administrations spoke about the effects of regional integration in their national contexts. The case of the Single Customs Territory in the East and Central Africa Region was addressed by the Commissioner from the Kenyan Revenue Authority who outlined the successes and challenges of the relatively new programme. The Single Customs Territory had eliminated the need for multiple documents and introduced the concept of ‘one unique portal’ for all Customs-related information in the region. The SCT had witnessed a fall of 50% in costs associated with border crossings and cargo dwell time reduced by 15 days, from 18 days to just 3. The concept of the ‘destination principle’, central to any regional Customs agreement, was also outlined. The enhanced importance of rules of origin within regions operating as a unique Customs entity was addressed by Mr. Tamaki, who spoke about the need for tools and instruments to be developed regarding the different interpretations on the rules of origin. Additionally, Customs cooperation was a key factor to supplement the verification process. The representative from
Mexico outlined Mexico’s experience with the NAFTA on the 20\textsuperscript{th} anniversary of its signing. The importance of rules of origin was echoed by all panelists, and addressed the issue of self-certification. The increased proliferation of FTAs means that authorities face challenges in conferring the origin status on a consignment.

**CONCLUSION**

In his closing remarks, the WCO Secretary General commended Conference participants for actively contributing to the dialogue on this vital issue for many Customs administrations and noted the valuable proposals for moving ahead on the WCO’s Revenue Package programme, in particular at the upcoming WCO Working Group on Revenue Compliance and Fraud which will have its first meeting in December 2014.

This report was prepared by Rachel McGauran, Research Analyst, WCO Research Unit, with input from Robert Ireland, Ian Cremer, and Michelle Medina