WCO Voluntary Compliance Framework

12th TFA Working Group Meeting

VIII. TFA Article 12: Customs Cooperation
a. Measures Promoting Compliance and Cooperation

5 March 2020
Voluntary Compliance and the TFA

- (WTO TFA Article 12: 1.1.) Members agree on the importance of ensuring that traders are aware of their compliance obligations, encouraging voluntary compliance to allow importers to self-correct without penalty in appropriate circumstances, and applying compliance measures to initiate stronger measures for non-compliant traders.

- (WTO TFA Article 6: 3.6.) When a person voluntary discloses to a Member’s Customs Administration the circumstances of a breach of a Customs law, regulation, or procedural requirement prior to the discovery of the breach by the Customs Administration, the Member is encouraged to, where appropriate, consider this fact as a potential mitigating factor when establishing a penalty for that person.
Objective and effect of a Voluntary Compliance Framework (VCF)

- The VCF aims to improve the level of voluntary compliance of traders and create the conditions necessary to facilitate voluntary compliance as the most cost effective and efficient approach.

- The VCF will help traders comply voluntarily and correctly with Customs law, regulations or requirements. This will also reduce Customs’ burdens like inspection and efforts for improving data quality. As a result of this, all Customs procedures will be more effective, more efficient and more transparent. In addition, the VCF can increase revenue collection.
Clients segmentation and Compliance Framework

(1) those who are voluntarily compliant
(2) those who try to be compliant but do not necessarily always succeed
(3) those who will avoid complying if possible
(4) those who deliberately do not comply

The VCF focuses on the clients of types 1 and 2. But it could be applied to type 3 clients as well, if they show the necessary improvement to be changed into the higher level clients like type 1 or 2 clients.
Structure of the VCF

Voluntary Compliance Framework

Decreasing Compliance Cost
- Decreasing Tariff Rate
- Clarification & Simplification of Customs Procedure
- Advance Ruling

Incentives on Voluntary Compliance
- Building Customs to Business Partnership
- Simpler clearance and fewer inspections for VC
- Support concerning tax payment for SMEs
- Voluntary Disclosure Programme

Increasing probability of Exposure
- Effective Risk Management
- Information exchange through GNC

More effective, More efficient and More transparent with Data Quality
Voluntary Disclosure Programmes (VDP)

• Definition and effect
• Key elements of VDPs
  • Process for making voluntary disclosure
  • Future compliance activities
  • Penalties and interest
  • Criminal prosecution
• Basic design for VDPs
  • Coverage
  • Basic design
  • How to participate
• Two types of VDPs
  • Permanent programmes
  • Temporary programmes
Compliance Frameworks of Member Countries

- Canada
- New Zealand
- Japan
- Singapore
- Switzerland
- United States

New Zealand’s model

Canada’s model

WCO Voluntary Compliance Framework
Thank you

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