

Nigeria Customs Service E-Commerce Operation in Nigeria – Overview of the Existing Practice



<input type="checkbox"/> Initiative / Pilot Date of implementation		<input checked="" type="checkbox"/> Existing Practice	
General Overview <i>(Please tick one or more, as applicable)</i>			
Simplification of Procedures for E-Commerce	<input checked="" type="checkbox"/>	Safety & Security	<input checked="" type="checkbox"/>
Revenue Collection	<input checked="" type="checkbox"/>	Cooperation between Customs/Express	<input checked="" type="checkbox"/>
Data Exchange	<input checked="" type="checkbox"/>	Cooperation between Customs/Post	<input checked="" type="checkbox"/>
E-commerce at Glance (e.g., De Minimis threshold)	Stakeholders Involved		
Customs Duty:		Customs Administration	<input checked="" type="checkbox"/>
Taxes (VAT/GST): 5% where applicable		Postal Operator	<input checked="" type="checkbox"/>
Gift: Parcels containing miscellaneous articles sent as gifts to Welfare Institutions e.g. hand knitted socks for mission hospitals, etc. are in all cases assessed on the declared value plus the normal addition for postage, except where the officer suspects flagrant under-declaration.		Express Service Providers	<input checked="" type="checkbox"/>
Commercial Samples: As a condition of		E-Vendors/Platforms	<input checked="" type="checkbox"/>
		Other Governmental Authorities	<input type="checkbox"/>

exemption from duty, samples and advertising materials are rendered useless as merchandise either by marking, tearing, perforation or other treatment (without destroying their usefulness as samples) at the time of their examination prior to the delivery.

Consumer

Others (Please specify) :

Brief Description of the Existing Practice

In Nigeria, the Stakeholders involved handles E-Commerce differently due to unavailability of Standard Operational Procedure (SOP). For instance, some Postal Operators and the Express Service providers clear goods on behalf of their consumers while others do not. Some ship and pay companies remit Customs duty before delivery is carried out, while others collect duty directly from the importers on behalf of Customs on delivery.

The Nigeria Customs Service presently handles E-Commerce clearance the same way as general cargo is cleared. There is no disparity for E-Commerce cargo.

The local E-Commerce operators that do business within Nigeria, such as JUMIA and KONGA, function well and collaborate internally with Government Agencies but the E-Commerce Operators that do business across borders such as Mall Boxes Ltd, owners of Mall for Africa platform, do not collaborate with Government Agencies in the area of data sharing, risk and security, and do not clear their cargo as E-commerce cargo but as General Cargo.

It is assumed that there is a potential loss of revenue as data on low-value shipments is not properly captured. The manual process of handling such items necessitates the need for improvement. Secondly, revenue is lost from returned goods resulting from delay in clearance, where the goods are time bound, and the importer may decide that they do not need the goods anymore, hence, do not make duty payments. The third issue is in the area of wrong classification of E-Commerce goods where agents classify such goods as personal effects for evading duty payment.

There is presently no officially adopted *De Minimis* Threshold for low value shipments; they are mostly based on discretion or instructions within the control of the Customs Area Offices. This is because the amount which was placed as the threshold is obsolete and is being reviewed in the Customs Law (Customs and Excise Management Act) Bill that is before the Nigeria National Assembly awaiting passage.

Process and Activities associated with the Existing Practice

Trade Facilitation

Processes involved:

- The law relating to the importation and exportation of postal articles (a “postal article” is defined as including any letter, postcard, newspaper, book, document, pamphlets, pattern or sample packet, parcel or package or any other article whatsoever transmitted by post) is contained in section 72 of the Nigeria Customs Service Management Act, as amplified by the importation and exportation by the Post Regulation, 1959, legal notice No. 72 of 1959.
- References to parcels are taken to mean all postal articles including those transmitted through any Nigeria registration courier service.
- All postal articles containing goods are affixed a declaration showing their contents and weight in the form either of a Customs Declaration or of a Green Label. The Customs Declaration is used for parcel post and the Green Label for other types of mail, mainly letters.
- Parcel post upon receipt from foreign is removed to the Customs enclosure, where they are sorted and Delivery Notices are prepared for each parcel. Where a consignment consists of more than one parcel, the whole consignment is entered on the same Delivery Notice. The parcels are then produced to the Customs for assessment and control.
- It is the responsibility of the Nigeria Customs service to raise the correct charges for duty on all imported and exported postal articles.
- The value for duty purposes must include all costs and charges on goods up to the time of importation.
- All declared parcels will upon production to the officer be examined externally and the declaration read. If the declaration appears to be consistent with the size, weight and shape of the parcel, the duty, if any, will be assessed from the declared particulars, supported where necessary by an invoice.
- Internal examination of parcels is not normally necessary except where the invoice is required but is not produced and where the declaration and/or invoice is insufficient to enable the officer to assess the correct duty.
- Merchandise imported by Parcel Post may be warehoused by the addressee in any private warehouse approved for the particular goods concerned.
- Parcels addressed to any person whose name appears in the diplomatic and consular list are not to be examined internally; any case of difficulty or doubt is to be referred to the proper officer in-charge, who if not satisfied, is to report the matter promptly to the Customs Area Comptroller.

Current Clearance Process:

1. Goods are sorted to identify those worth more than \$100.00 and are above the Tariff rate of 20% for duty payment by Customs officers using the invoice.
2. Goods that are less than \$100 are released and exited but the procedure is not harmonized because some Express Service Companies like UPS claim they pay duty on low value shipments (goods having value less than \$100.00).
3. Goods having value more than \$100 are classified for assessment. Invoices of goods that are wrongly classified during validation are sorted out for proper classification.
4. In case of consolidated cargo (that is different goods belonging to various consignees contained in one airway bill), the waybill is sent to the Customs Processing Centre for manifest breakdown to generate individual declaration for each consignee.
5. After the manifest breakdown, examination is carried out and the courier company makes payment based on the assessment raised by the Customs officer.

6. Assessment is done by Post/Courier Services and submitted to Customs for confirmation before making duty payments on behalf of their clients.
7. The Items are released and exited. Every Courier company submits a list of consignments that passed through manifest breakdown weekly to the Customs Office.

From the survey carried out, most Courier Services indicated that clearance time of goods is less than 24 hours (due to the existence of formal bond guarantees) between them and the Customs authority (the Bond allows the Express Services clear goods on behalf of their consumers and remit the duty to Customs after the consumers have paid their correct duty). Only a few Courier Services responded that they pay duty to Customs before delivery. For Courier Companies like DHL, clearance starts before the goods arrive but majority of the Courier and Postal Companies maintained that clearance of goods starts when the goods arrive.

As noted earlier, due to the unavailability of a SOP, E-Commerce cargo can be delayed during clearance. It is believed that if a different System is used for clearing E-Commerce cargo, trade will be better facilitated. The Nigeria Postal Services (NIPOST) is already investing in an IT System and is proposing to collaborate with NCS.

Safety and Security

It is the responsibility of the Nigeria Customs service to enforce the various import and export prohibitions, regulations and restrictions imposed by law.

The postal officials are required to produce to the proper officer all postal articles which bear a Customs Declaration or a Green Label. They are also empowered to detain any postal article which they suspect of containing prohibited; regulated or restricted goods, which they must produce to the proper officer. Where such item is found to be non-compliant or contravening any laws, it is confiscated. Some of these items include concealment of harmful drugs like cannabis and concealment of illicit goods like elephant tusks. In case of good detained or seized, the directions of the detentions and seizure code is followed.

Most Courier companies in Nigeria maintained they take risk management very seriously by profiling high risk goods and high risk countries. Nigeria Postal Services indicated that they use scanners and sniffer dogs in collaboration with the Nigeria Drug and Law Enforcement Agency during inspection.

The E-Commerce Operators in Nigeria maintained they use a lot of applications to mitigate internet risk and carry out checks on internet fraudsters, as well as take measures to validate the e-Vendors.

Data Exchange

E-Commerce processes are not clearly defined and Customs shares minimal information with other government and non-government agencies regarding E-Commerce.

E-Manifest is used for clearance purposes and data capturing is done in the ASYCUDA system but the consignments representing E-Commerce is not differentiated in the system, making items to be classified as low value shipments difficult to account for.

Revenue Collection

There is no Official *De Minimis* threshold. The *De Minimis* threshold is currently based on internal instruction from the Customs Area Command. The internal threshold is based on compliance level assessment on Express and Postal Services which makes the *De Minimis* threshold non-uniform. For instance, DHL Nigeria is allocated a threshold of 250USD, while others are allocated 100USD.

There is no proper data for e-commerce goods. It seems that most e-Commerce goods do not go through clearance process at the port, which indicates potential revenue loss and security risks.

Challenges

1. The lack of a formal standard and harmonized procedure for E-Commerce in Nigeria is hindering the seamless flow of trade, and posing security and revenue risks. It also reduces the compliance level of actors involved in E-Commerce due to weak control and enforcement. In addition, E-Commerce actors are not well informed of the applicable procedures in the electronic environment.
2. There is a lack of pre-arrival Information for the clearance of E-Commerce goods.
3. As E-Commerce items are treated in the same way as other general cargo, it becomes subject to several bottlenecks, slowing down the clearance process.
4. Data exchange with other government and non-government agencies is poor and Postal Operators lack the necessary information technology that allows for the electronic exchange of information.
5. Adequate IT equipment is not available.
6. Most policies on E-Commerce are not formalized; they are mostly based on the guidance by Customs authorities of the affected port of entry.
7. There is a lack of official policy on the *De Minimis* threshold.

Possible Solutions and Initiatives

1. Automation of Customs processes on E-Commerce. Nigeria Customs is currently harmonizing and developing a Business Process Analysis to streamline E-Commerce procedures and enhance enforcement and control.
2. An interface between Express and Postal Service system and Customs system to enable advance information sharing and documentation. The Nigeria Postal Service is currently developing ways to integrate their IT system with Nigeria Customs System to enhance information sharing regarding parcel post.
3. Nigeria Customs is creating Parcel Post module in the NICIS (Nigeria Integrated Customs Information System) system, which will create a clear differentiation between E-Commerce and general cargo.
4. Establishment of a Customs legal and regulatory framework on E-Commerce.
5. Equipping the Forensic Unit with modern tools to assist in the detection of illegal use of internet, to develop capacity to analyze data and generate useful information concerning safety and security risks, and to enhance data exchange with other security organizations.
6. Establishment of a proper and harmonized *De Minimis* Threshold
7. Capacity building in the area of E-Commerce operations, procedures and processes in Nigeria as well as sensitization and awareness of security and safety risks associated with low value E-Commerce shipments.

Key Enablers <i>(Please tick one or more, as applicable)</i>	Relevant WCO Instruments and Tools
<input checked="" type="checkbox"/> Review and update of <i>De Minimis</i> <input checked="" type="checkbox"/> Changes in the legal framework <input checked="" type="checkbox"/> Creation of IT System <input checked="" type="checkbox"/> Private Sector (Political Will) <input checked="" type="checkbox"/> Exchange of information with stakeholders <input type="checkbox"/> Other (Please specify):	

Value Proposition [Benefits] of the Initiative / Existing Practice

1. Increase in revenue collection
2. Implementation of IT solution for E-Commerce goods in Customs
3. Increased security

Relevant links or documents	Contact Person for Further Information
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