



World Customs  
Organization

REVENUE PACKAGE

# Debt Management in Customs Administrations

June 2021





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## Introduction

Revenue mobilization is important to Government to fund public investment and deliver public services. Customs duties and taxes contribute to the domestic revenue mobilization and is a significant portion of total revenue mobilized in developing countries. Measures to facilitate international trade in goods include deferred payment of duties and taxes for a certain class of traders and release of goods pending the final determination of customs duties and taxes thereon.

With Customs duties and taxes as an important source of revenue for almost all countries and the situation and financial crisis caused by COVID-19, the management of debts is becoming increasingly pressing and vital to protecting the revenues against erosion and to ensure the collection of revenue legally due. The Revised Kyoto Convention is one of the standards related to this topic, which was developed by the World Customs Organization in line with its mission to develop international standards, foster cooperation and build capacity to facilitate legitimate trade, to secure a fair revenue collection and to protect society, providing leadership, guidance and support to Customs administrations.

The Revised Kyoto Convention sets out in Standard 4.1 that national legislation shall define when liability to duties and taxes is incurred. Such legislation would also specify the due date at which the payment of duties and taxes have to be made. The due date could fall at time of clearance or after clearance as may be prescribed in the national legislation. Different countries have different provisions regarding assessment, collection and payment of duties and taxes.

The amount of duties and taxes not paid within the due date would be a debt to Customs. Debt could also arise when there are errors in the goods declaration or in the assessment of the duties and taxes which have caused the collection of duties and taxes less than that legally chargeable.

Debt, if not realized promptly, can become costly to recover and a loss to the treasury. Customs may need to undertake legal actions and debt recovery operations to recover unpaid debt. This is why it is important to have a policy regarding debt and its management, including the power to recover debt, an effective debt collection system, measures to curb debt and a well trained staff.

## Scope and objective

The objective of this paper is to share national experiences regarding debt collection and its management, as provided by Member administrations in connection with the Action Plan of the Revenue Package Phase IV, approved by the Council in June 2019.

## National Experience

As mandated by the Council, the Secretariat invited Members to share their national experience.

The manner of the recovery actions, and debt management in general, vary from country to country. The national practices annexed to this document have been shared by various Member Administrations to assist in the consideration of debt management and recovery systems. This will be useful to Customs Administrations in improving their debt management system or developing a strategy to address debt management.

## Argentina

### Management, debt collection and publication of best practices

The current procedure used by the customs control areas for the assessment of the supplementary import/export charges, electronic notifications and challenges to the MALVINA IT System (SIM) is set out as follows. At present, the area in charge of setting supplementary charges is the Directorate of Valuation and Documentary Verification, dependent on the Deputy Directorate General for Customs Control of the General Directorate of Customs. It is important to point out that the Technical Directorate, within the General Deputy Directorate of Legal Technical Affairs, assists the control, operational and even legal units of the Agency in matters of classification and origin of goods.

Once the relevant study and analysis of an import or export declaration have been completed, the results are entered into the "Ex Post Control System". The aforementioned analysis may lead to conclude that the result was compliant and there are no objections to be made or, on the contrary, that a claim should be made to the declarant.

If it turns out that a claim should be made to the declarant based on the consideration that the amount paid on account of taxes and duties was less than that assessed by Customs, the mentioned System is updated with all the data needed to make the corresponding supplementary charge. A supplementary charge is any claim made by Customs, based on its audit and valuation tasks applied to all operations subject to its control. This charge is supplementary to the amounts originally assessed at the time of registering the Customs declaration subject to review.

Once the data of the operation have been entered, including the assessed charge and the amount to be claimed from the declarant, the System automatically issues a sheet containing the charge, as well as an assessment with a SIM identification. This comes with an electronic notification certificate: "*Information System of Communications and Electronic Customs Notifications - SICNEA*".

Thus, in a single act, the system issues both the assessment containing the payable amount along with the relevant notification. This notification will make available both the charge sheet and the assessment to the liable company in one single act.

Next, the declarant receives the notification when the claim is filed. From that moment the declarant has ten days to acknowledge the receipt of the notification.

After due notification, the SIM automatically modifies the expiration date of the assessment that goes along with the charge sheet, so that the expiration occurs ten business days after the notification has been confirmed, in accordance with the provisions of Article 794 of the Customs Code.

During this period, the interested party may either pay the claimed amount or challenge it.

In the first case, the system delivers an electronic payment slip (VEP) with reference to the assessment automatically issued by the Ex Post Control System. Once it is paid the information reaches this system and the SIM as well. Here all procedures in relation to that claim come to an end.

In the second case, once the challenge has been made either in person or through the relevant electronic means, the application automatically changes the status of the assessment, changing it into "Challenged". This allows tracing the debt, and, thus the total of challenged customs debts can be determined.

In the latter case, once the challenge process has been completed, both in the administrative and judicial instances, the fate of the corresponding charge will be decided, this is, either seeking its payment or its cancellation.

If the assessment is not paid or challenged within a period of ten business days after its notification, the customs service will initiate, fifteen days after said expiration, the enforcement procedure provided for in

Articles 1122 et seq. of the Custom code. To this end, Customs is empowered to suspend the release of goods and its seizure in customs jurisdiction in the name of, on behalf of or owned by the debtors, guarantors or those liable for the debt. Likewise, the foreign trade operator will be suspended from the relevant registry.

If there are no goods in customs jurisdiction or if they are not enough to cover the amount owed, the customs service may initiate judicial enforcement of the debt. The aforementioned is the current procedure of the assessment of supplementary charges made by the SIM, which serve as the basis for the considerations detailed below:

- Domestic legislation for the collection of customs debts.

- Regarding domestic legislation for the collection of customs debts, it is necessary to distinguish between those rules that govern the operational process to issue charges and those that govern the payment of assessments and the cancellation of said debts.

- The payment of assessments and the cancellation of debts are made by electronic means in accordance with the provisions of General Resolutions AFIP No. 1778/2004, dated November 30, 2004 and AFIP No. 2161/2006 dated November 24, 2006.

- Debt collection system:

- The debt collection system is the "MALVINA - SIM Information System Collection Module"

- Collection:

- The reporting period regarding the collection of supplementary charges should be determined.

- Use of technology (IT)

- The system used is the MALVINA IT System.

- Operational procedure to issue supplementary charges:

- See preceding paragraphs. Domestic legislation is contained in General Resolution No. 2730 (AFIP) and in General Resolution No. 620 (AFIP), for imports and exports respectively.

- Measures to curb debts / Performance measurement / Workforce for debt collection:

- Whenever the valuation areas have reasons to doubt the truthfulness or accuracy of the declared value, they will activate an information exchange procedure with the importer, so that the latter can provide a complementary explanation and elements of judgment that will allow confirming the amount actually paid or payable for the imported goods, as well as to justify the market reasons or other causes that could lawfully and reasonably be the grounds for the agreed price.

- However, it is possible that even after the consultation between the valuation areas and the importer has concluded, doubts persist in the valuation area, in relation to the information submitted as support for the documented value or in the absence thereof. In that case, the importer shall be notified and an additional term will be granted in order for him to provide a new response, or more information, or to expand the one supplied, before rejecting the declared value.

- Finally, if the value of the goods cannot be established in accordance with the transaction value method, either because the relationship influences the value, because the information has not been submitted or because it is not sufficient, Customs will state the reasons why the application of a specific valuation method is rejected. Moreover, the grounds on which another method has been adopted should also be informed, the importer is notified and the final administrative valuation act is issued.

- Once the new taxable base has been established through the Ex Post Controls Monitoring Module of the MALVINA Information System (SIM), the valuation areas issue the supplementary charges.

- Regarding exports, the information exchange period begins with the publication in the Official Gazette of a list of the value adjustments that, in principle, the valuation areas deem applicable. These are called

provisional value adjustments or value preadjustments, which are always provided for with their relevant reasons.

- In this way, interested parties are summoned to provide the valuation areas with elements and / or explanations that, in their opinion, shall allow the Customs Service to determine the applicable valuation basis, either by ratifying their original position or modifying it.
- Once the consultations between the valuation areas and the exporter have been concluded, the valuation teams must issue a decision, and in the event that the value adjustment is considered appropriate, the process of assessment, compliance demand and collection of the supplementary charges for the difference of taxes and / or incentives begins, as described in the preceding paragraphs.
- During the entire period of information exchange with the importer or exporter, the valuation areas will endeavour to agree on the customs value in order for the supplementary charges to be consented to by the administered person or company, trying at all times to minimize or avoid litigation.
- The record of the debt in the system allows its traceability, thus supplementary charges can be tracked until the moment of effective payment.
- In this way, the valuation areas have useful and up-to-date information that allows them measuring the efficiency and effectiveness achieved in determining customs value and in managing the collection of supplementary charges for difference in taxes derived.

## Azerbaijan

### Customs debt

Incurrence of a customs debt and provision of guarantee means for customs debt is regulated by the requirements of the Customs Code of the Republic of Azerbaijan and “Rules of provision of the payment of customs debt by using guarantee” approved by Decision No. 286 of the Cabinet of Ministers of the Republic of Azerbaijan dated October 3, 2013.

According to the Customs Code, the customs debt on import is incurred as a result of placement of goods under the customs procedure of release for free circulation or special customs procedure of temporary import with full or partial exemption from customs payments, and the customs debt on export is incurred as a result of export customs procedure or special customs procedure of outward processing.

According to Article 258.1 of the Customs Code the following guarantee means are used for the provision of the payment of customs debt:

1. deposit;
2. aval;
3. bank guarantee;
4. transferring the amount subject to payment to the deposit account of customs;
5. insurance contracts;
6. third party guarantee;
7. advance payments.

When the guarantee is provided by using the methods stipulated in the customs legislation, customs authorities permit deferral of payment of customs debt from 14 (fourteen) to 60 (sixty) days, in cases and form defined by the relevant executive authority.

Besides, in order to ensure the payment of customs debt which has incurred or may incur, customs authorities have a right to require a guarantee referred to in Article 258.1 of the Customs Code to be provided from the debtor or the person who may become the debtor and the amount of a guarantee is determined by customs authorities.

When the customs authorities consider that the customs debt is not certain to be paid within the prescribed period of time, they require such a guarantee even if the provision of a guarantee is optional (non-compulsory).

According to paragraph 5.3.2. of the “Rules of provision of the payment of customs debt by using guarantee” approved by Decision No. 286 of the Cabinet of Ministers of the Republic of Azerbaijan dated October 3, 2013, placement of goods under special customs procedure of temporary storage is one of the cases when provision of guarantee is optional (non-compulsory).

## Guatemala

### Management and collection to debt and publication of good practices

In the Customs Administration of Guatemala, there is a normative structure represented in different procedures that define the mechanisms for the management and collection of debts, among which we can mention:

1. PR-IAD / DNO-PO-01: Procedure for the subsequent control of the special customs regimes that aims to provide the personnel of the Customs Administration with the standards and activities necessary to carry out the subsequent control of the customs regimes specials.
2. PR-IAD / DNO-PO-02: A posteriori verification procedure, which aims to: Establish the guidelines for coordination between the Customs and Inspection Intendances, in order to carry out the identification and inspection programming of segments specific to Foreign Trade operations, which represent risk in the payment of formal and substantive customs, tax obligations, transferred through reports or folders by the Ex Post Customs Control Unit - UCAEP, as well as defining the procedure for the scheduling of audits based on the files originating from requests for a posteriori verification initiated in the Customs Administration of Guatemala, transferred by the Technical Unit of Operations and Customs Security - UTOSA and other requests that according to the competences of the Department of Trade Control Exterior corresponds to know.
3. PR-IAD / DNO-PO-10: Procedure for the administration of guarantees whose objective is: To provide the personnel of the different customs offices and units of the Customs Administration that apply, the regulations and narrative necessary for the administration of guarantees.
4. IN-IAD / DNO-PO-01: Guide for the control of guarantee files in the Ex Post Customs Control Unit -UCAEP-
5. IN-IAD / DNO-PO-02: Guide of minimum documents for administrative files to initiate collection management that aims to: Create a guide that allows identifying the minimum documents that a file must contain to start collection management. , to avoid being rejected by the Ex Post Customs Control Unit -UCAEP- and thus continue with due process.

The procedures include:

1. Scope
2. Actors involved in the procedure
3. Legal framework
4. Internal rules
5. Other rules
6. Narrative of activities and managers

In procedure PR-IAD / DNO-PO-10, Procedure for the Administration of Guarantees, the Ex Post Customs Control Unit of the Operations Department must manage the guarantees that are constituted in favour of the Superintendency of Tax Administration. Which it will develop at moment of receiving the file from the agencies in charge of the custody of the guarantees, for their collection or execution, in accordance with the provisions of that procedure and the Guide for the Control of Guarantee Files in the Ex Customs Control Unit Post -UCAEP- IN-IAD / DNO-PO-01, published in INTRASAT.

The dependencies of the Customs Administration or personnel responsible for the custody of the guarantees are:

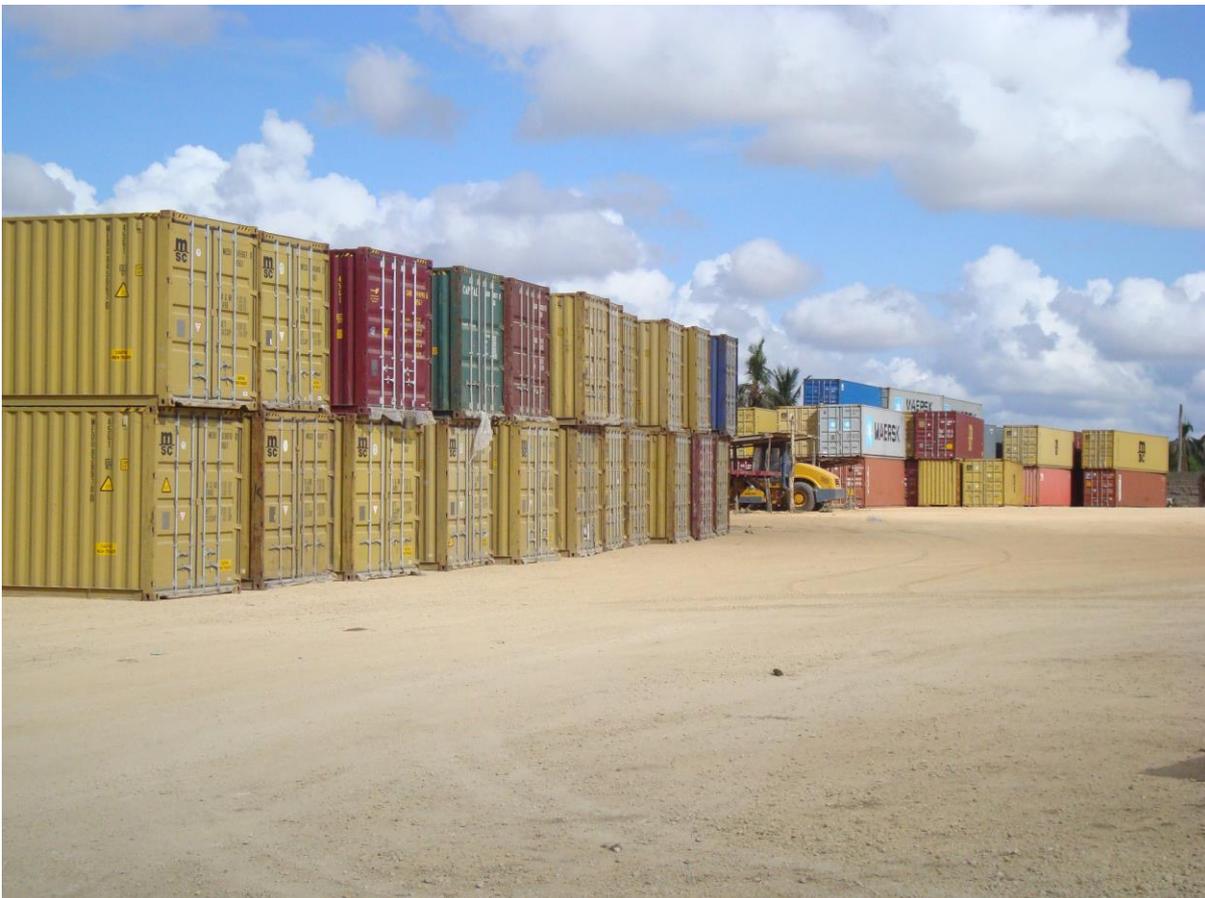
1. Delegation of the Special Regimes Unit in the Active Improvements Office, for the guarantees presented by companies covered by Decree 29-89 of the Congress of the Republic, Law for the Promotion and Development of Exporting and Maquila Activities.
2. Unit of Special Regimes; for the guarantees presented by companies covered by Articles 97 and 98 of CAUCA, temporary admission of cargo equipment and definitive imports for oil services, if they still have current guarantees.
3. Unit of qualification, Registry and Control of Auxiliaries of the Customs Public Function; for the guarantees presented by authorized assistants according to Chapter II of CAUCA,

4. Customs Collection Technician in cases where this figure or the designated customs employee for the effect of cases arising from the customs clearance of the goods.

### Good Practices

1. The fact that the Customs Administration of Guatemala has current and periodically reviewed regulations where the entire procedure is identified, as well as the actors involved, the legal framework and other regulations for the administration of guarantees, is considered a good practice.
2. In the Annual Operational Plan of the Customs Intendancy, each year the number of reports that the Unit transfers to the Inspection Office is identified as a management indicator.
3. Ships and aircraft: In 2018, aircraft and vessels that are in national territory and have not passed through customs control were regularized, which caused an increase in the collection of foreign trade taxes for that year in the vehicle fleet and each year pay the road tax.

Recertification of ISO-9001 Standard: The PR-IAD / DNO-PO-10 procedure is included in the Customs Administration of Guatemala Quality Management System and this year. The Ex Post Customs Control Unit of the Operational Department of the Customs Administration is recertifying the process under the ISO-9001-2015 Standard, which it intends to finish in November of this year and obtain the international certificate in the ISO standard.



## Ireland

### Management and collection of Customs debt

#### 1. Introduction

Irish Customs is part of an integrated tax and customs administration charged with serving the community by fairly and efficiently collecting taxes and duties and implementing customs controls.

We take a risk-based approach to all compliance activity, targeting resources where the compliance risk is greatest to facilitate legitimate trade to the greatest extent possible and to provide a sharp focus on addressing illegitimate activity.

#### 2. Establishing the Customs debt

Ireland is governed by EU legislation regarding Customs debt. Under EU rules, identifying a customs debt and entering that amount in the local accounting records is known as establishing the debt. The date of entry in the accounting records, referred to as “entry in the accounts”, is regarded as the date of establishment of the debt.

#### 3. Clearance

In Ireland, Customs debt is calculated electronically and taken from the Trader Account Number of the payer. Our electronic clearance system is linked to our integrated tax processing and customs accounting systems as part of Ireland’s overall Integrated Taxation System (ITS). Our customs clearance system is responsible for the validation, processing, duty assessment and clearance of customs declarations. The system also checks updated data format, calculations, validations, preferential rates, prohibitions / restrictions and verifies that enough credit is available in the trader’s account.

Traders are obliged to have a Guarantee agreement in place to avail of deferred payment - up to an agreed monthly limit. Goods cannot be imported if they exceed this limit. We provide an online cash lodgement facility that allows traders to ‘Top up’ their accounts to cater for imports that may exceed their normal monthly limit.

Customs declarations input to the Irish customs clearance system are subject to two credit checks in our ITS to discharge the liability. The first credit check takes place once validation of the details on the Declaration and Registration Details have been confirmed and is performed at pre-acceptance stage. The declaration is rejected if there is insufficient credit available at that stage.

The second check follows the processing of the declaration for compliance with all measures and conditions and where the declaration has received a green routing. If there is enough credit available, the liability on the declaration is posted to the trader’s account as paid and the available balance is reduced accordingly. The Declaration is then discharged, and the declarant is notified, and the goods are released.

If there is insufficient credit for a declaration to be discharged at the second credit check stage, ITS will hold the declaration in the system for five days as unpaid. The trader is informed that there is insufficient credit. The goods are not released until payment is received. If payment has not been received within five days, the declaration will automatically be cancelled in ITS. A work item will be created to inform the customs officer at the Station to manually cancel the declaration in the clearance system.

Declarations lodged under a Simplification, Supplementary and Corrected Declarations are not cancelled after five days if there are insufficient funds available to discharge the liability as the goods are already cleared but are marked unpaid. The agent/trader is informed at declaration stage that there are insufficient funds available. Unpaid Declarations generate a work item for Customs officers to follow-up to ensure collection of customs debts.

#### **4. Post Clearance**

In Ireland our post clearance programme is structured to target specific areas of customs based on risk analysis and available intelligence and information.

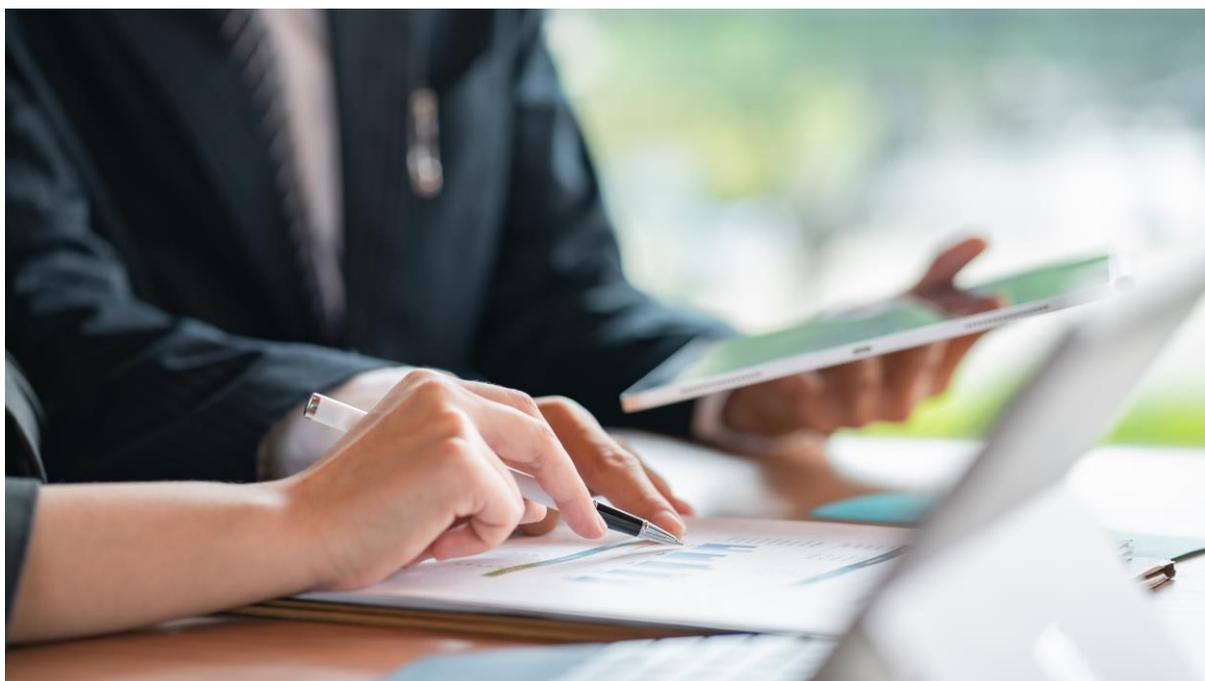
Our Post Clearance Intervention (PCI) process verifies the compliance of traders with EU legislation through the examination of declarations, accounts and other records. The main purpose of a PCI is to ensure compliance and to correct situations where there is any deviation from compliance.

Where a business is not complying fully, Customs will bring this to its attention and seek to have the issues resolved. Such resolution may involve the payment of unpaid duties, the refund of overpaid duties or the amendment of the accounting or control procedures that do not meet legislative or procedural requirements. In addition, Customs may invoke a process to suspend/revoke any customs authorisations that may be in place.

If a customs debt is identified as a result of a PCI, the person liable for payment is advised in writing and payment within 10 days is requested. The person is further advised that if payment in full is not received within the 10-day period, interest on the amount will accrue. If payment is not received within the 10-day period, a request for payment, is issued indicating that interest is now accruing, and that enforcement action will be initiated if payment is not immediately received. The collection of interest may be waived where it would be likely to cause serious economic or financial difficulties for the debtor and satisfactory evidence is produced to that effect and where there is no evidence of any egregious behaviour.

#### **5. Customs Training**

Irish Customs has an ongoing commitment to training customs officers. Our current training program includes modules on collection of customs debts and post release controls. These modules are part of our University of Limerick (UL) accredited Customs course but is also delivered on a stand-alone business needs basis. The UL course is delivered over a period of 5 weeks and reflects the learning outcomes detailed in the EU Customs Competencies framework document. The course is delivered using a mixture of presentations and case studies by subject matter experts using their practical experience to explain the more technical issues in Customs valuation.



## Italy

### Management and collection of customs revenues

As regards the Italian practice, we inform you that the data relating to the management and collection of customs revenues are managed as follows:

#### Management

- amounts ascertained at the time of customs clearance are collected by the Italian Customs Agency through its electronic system and periodically transmitted to the competent Treasury Ministry's General State Accounting Department, in charge of drawing up the State budget and the financial relations with the Union European;
- as regards the amounts ascertained as a result of a posteriori controls, the information relating to the verification is periodically transmitted to the competent Treasury Ministry's General State Accounting Department.

#### Collection

- if the taxpayer discharges his debt in a short time, the Italian Customs Agency directly collects the revenues and periodically informs the competent Treasury Ministry's General State Accounting Department;
- where the collection takes long, the credit is transmitted to another agency in charge of compulsory collection (Agenzia delle Entrate e Riscossione - AdER) which provides for periodic transmission for the sums collected to the competent Accounting Department.

## Jamaica

### Overview of Debt Collection Operations in the Jamaica Customs Agency

The Commissioner of Customs has the responsibility to collect revenues, protect our borders and facilitate trade. This mandate requires the Commissioner to implement policies and procedures to achieve these objectives in an effective and efficient manner. With the increase in international trade, the limited documentation to be presented at the time of importation, the short time in which customs officers have to determine the correct classification, customs value and entitlement, came the need to implement a post-clearance audit unit which came into effect in the year 2000.

The Post-Clearance Audit Unit (PCAU) is mandated to support Border Management by facilitating trade and to ensure compliance with revenue, detect and prevent fraud, and increase the efficiency of customs controls. The PCAU's responsibilities include the verification of declarations and duties paid through periodic reviews of the importers records and is enabled under the Customs Act, Section 19 (8), to recover same. Section 19 (8) states that;

*“the Commissioner may, within two (2) years from the date of entry of imported goods, adjust the value accepted by an Officer at the date of entry of such goods, where he discovers that the value accepted by the Officer was incorrect based on new information concerning the goods or for any other reason”.*

Additionally, the PCAU is required to determine whether incentives, such as concessions and duty exemptions are legitimately and accurately applied in accordance with Section 32(1) of the Customs Act. In the event the adjustment results in an increase in duties, the Commissioner has the right to demand the additional duties payable.

Initially the function of debt collection was conducted by the post clearance auditor, however subsequent to the on-boarding of a recommendation made the International Monetary Fund (IMF), the assessment and collection functions were separated within the PCAU. Against this background came the genesis of the Collections and Delinquency Unit in 2009.

Operations began that same year; however the Unit became more structured in 2011, and became a formal part of the government structure in 2016 when approval was granted by the Post Operations Committee in the Ministry of Finance and the Public Service, for the establishment of posts with effect from July 4, 2016. The unit reports directly to the Senior Director and comprises of a Manager, two (2) Supervisors, eight (8) Senior Customs Officers and one (1) Records Officer.

The Collections and Delinquency Unit (CDU) is governed by the Collections Act, the Customs Act sections 15(1); 240(1) and 203, the Tax Arrears Management Manual and the Standard Operating Procedures. The objective of the (CDU) is to ensure that all amounts assessed by the PCAU and payable to the Agency are collected and brought to account in a timely manner and in full. The policies and procedures are also applicable to arrears in the Agency that are not as a result of an assessment being raised by the PCAU. The CDU officers perform the following duties in addition to any other assigned tasks:

- Conducting full compliance checks
- Collection of delinquent accounts
- Accounts monitoring
- Importer contact.

Upon initial contact with the importer, the total amount of outstanding arrears is demanded. Where importers are unable to pay in full, consideration is given for payment to be made in instalments via a formal agreement which is legally binding. The approval for payment in instalments requires additional investigation into the importer's financials and an analysis of the steps previously taken by the debtor to pay the debt. Section 203 of the Customs Act also empowers the Unit to pursue legal actions against delinquent importers and or seizure of assets.

The statistics reveal that the procedures employed by the Unit are in fact effective as each year revenue collection increases and the targets are surpassed. Notwithstanding the consistent increase in revenue

collection, there are amounts that are deemed uncollectible and this is due in part to the fact that companies cease operations and there are no identifiable assets that can be liquidated to offset the debt. In other instances there are unresolved disputes; the appeals process is at times lengthy and can take years for a matter to be adjudicated. Initial objection to assessments are made to the Agency's Internal Review Committee (IRC). Where the Importers are not satisfied, they have the option of applying to the Tax Appeals Division of the Ministry of Finance and the Public Service. The matter can be escalated all the way to the Revenue Court.

The Unit continues to review its debt management procedures, to attain greater levels of efficiency and effectiveness in the debt collections processes. It is anticipated that the current "Repeal and Replace Customs Bill" that was presented to Parliament, when passed will bolster the efforts of the unit. It was recommended that the Act be amended to include:

- the addition of interest and penalties on outstanding balances;
- a mandatory requirement for importers to receive clearance from the JCA in order to obtain a Tax Compliance Certificate (TCC) which required for all commercial activities. This will strengthen the Agency's collaborative efforts with Tax Administration Jamaica (TAJ), while restricting the importers' ability to circumvent the system. The Unit currently partners with TAJ, where requests are made for a block to be placed on the motor vehicles of concession holders with outstanding liabilities resulting from an Incentive Audit. This prevents the conducting of regular transactions regarding the vehicle, pending settlement with the Agency. The Unit was also granted access to TAJ's Revenue Administration Information System (RAIS) and the Automated Motor Vehicle System (AMVS); this enhances the unit's investigative capabilities regarding delinquent Importers.

The officers of the Collections and Delinquency Unit are cognizant of the fact that taxpayers are and may be experiencing various challenges as such and in keeping with the Agency's core values, we pride ourselves on providing the best customer service experience to each importer. Notwithstanding the enforcement capabilities made possible through the legislative framework and internal processes, we seek to have each case closed in a professional and amicable manner.

## Papua New Guinea

### Overview of debt management

Debt Management is a function responsible for managing debts owed to Papua New Guinea Customs Service. Its main function is to ensure debts are collected in a timely manner, thus increase revenue collections and reduce debts.

The types of debts currently exists in PNG Customs are debts established by Post Clearance Audit (PCA) through audit activities, Customs Enforcement through enforcement activities and dishonoured cheques.

#### 1. Post Clearance Audit (PCA) Cases

Post Clearance Audit section through audit activities identify cases, audit and establishes debts. The cases to be audited are cases where there is misclassifications in lodgement of Customs Entries. Cases are audited and an Administrative Penalty of 50 – 200 % under the Customs Act (Chapter 101) is applied depending on the nature of the case.

After the conclusion of the audit, general recovery actions are taken at the Regional PCA Sections.

The types of general recovery actions taken are:

- Issuing of Post Notes – thirty one (31) days.
- First Demand Letter – twenty one (21) days.
- Second Demand Letter – fourteen (14) days
- Final Demand Letter – seven (7) days.

If payment is made at the general recovery stages, the file is closed. If not, Late Payment Interest of 8% per 5 days is calculated and added onto the initial debt. The case is referred to Debt Management for issuing of garnishee under Section 191AA of the Customs Act.

Debt Management register the cases and review the files. The type of recovery actions taken by the debt management are:

- Issue Garnishee Notices to all commercial banks.
- Review cases after 14 days and resubmit garnishee notices if payment is not received.
- If payment is still not received, case is reviewed again and recommend other recovery actions like making various searches to identify the debtor, placing travel restrictions, placing stop to processing the client's future import/export entries, refer cases to Legal Service for legal actions, write to Public Solicitor if deceased taxpayer had left any estate for him/her to manage, make submission to Secretary Department of Finance to write off debt as irrecoverable if recovery avenue is statute barred, etc.

#### 2. Enforcement Cases

PNG Customs Enforcement Division also establishes debts through enforcement activities. General recovery actions are taken at their level and refer the cases to Debt Management for garnishee notices if debts are not paid. Debt Management apply the recovery actions as mentioned above.

Source: <http://customs.gov.pg/revenue-collection/debt-management>

## Russia

### The experience of FCS of Russia in the areas of tariff regulation and debt management and collection

In the Eurasian Economic Union (hereinafter - EAEU) there is a unified customs regulation, which includes the establishment of the procedures and conditions for the movement of goods across the customs boarder of the EAEU, the procedure of payment customs payments, specials, anti-dumping and compensatory duties. Customs regulation is implemented in accordance with the Customs Code of the Eurasian Economic Union (hereinafter - CC EAEU), International treaties and legislations regulating customs relations, which constitute EAEU law, and also in accordance with the Treaty on the Eurasian Economic Union from May 29, 2014 (hereinafter - Treaty).

The Russian Federation applies measures of customs and tariff regulations, prohibitions and restrictions, established in accordance with the Treaty, Agreement about Customs Code of Eurasian Economic Union, international treaties and customs legislations.

According to the Article 46 of the CC EAEU, customs payments are: import and export duties, value added tax and excise (excise tax and excise duties) levied on the imported goods and other customs payments.

According to the paragraph 2 of the Article 51 the basis for calculating customs duties depending on the type of goods and the types of applied rates is the customs value of the goods and (or) their physical characteristics (quantity, mass, including primary packaging of the good that is inseparable from the good before its consumption and in which the good is presented for retail sale, volume or other characteristic of the good).

For purposes of customs fee calculation, the EAEU Common Customs Tariff rates are used (hereinafter - EAEU CCT), unless otherwise provided by the Treaty or unless other rates different from EAEU CCT ones are used to calculate import customs fees under international EAEU treaties or international EAEU treaties with third parties.

Correctness of customs fee rates applied for goods imported to EAEU customs area from third countries depends on the accuracy of the classification of such goods with under the EAEU common foreign economic activity nomenclature (hereinafter - EAEU FEACN).

The current EAEU CCT and EAEU FEACN are approved by the Eurasian Economic Commission Council Decision №54 dated July 16, 2012, "On the approval of the EAEU Common Commodity Nomenclature and the EAEU Common Customs Tariff for the Foreign Economic Activity".

Export customs fee estimation is made with the rates established by the laws of the EAEU Member states administration where the fees are to be paid (paragraph 3 Article 53 EAEU CC).

In the Russian Federation the export customs fee rates are established by the Government Resolution №754 dated August 30, 2013 "On approval of rates of export customs duties on the goods exported from the Russian Federation out of limits of the State Parties of agreements on the Customs union, and about recognition voided some acts of the Government of the Russian Federation" (hereinafter - Resolution №754).

Taxes are calculated in accordance with legislation of the EAEU member country in which they are to be paid.

The VAT is calculated in accordance with Chapter 21 of the Russian Tax Code (hereinafter - TC).

The VAT rates are calculated in accordance with Article 164 of the TC.

Regarding the customs duties for customs operations please be informed that for purposes of estimation thereof the rates valid on the date a customs declaration is registered by a customs service.

The rates of the customs duties for customs operations are established by Russian government Order №342 dated March 26, 2020 “On rates and base for calculation of customs duties on making of the customs transactions connected with release of goods”.

Regarding debt administration and collection:

Nowadays the Russian customs carry out an active IT development, for purposes of a quicker and more efficient collection of customs debts payments and penalties and also for relieving the workload off the customs officers; the Federal Customs Service of Russia is digitalizing and optimizing the procedures related to the registration of customs payment defaults, to the informing the foreign economic activity participants about such occasions, and to taking steps regarding debt collection.

In 2019 the software was finally updated in terms of an automatic upload of the main documents pertinent for indebtedness fact fixation to the software used for debt registration. It helped to considerably decrease the customs employee labor cost and also to exclude manual mode mistakes that were possible before.

The IT used is gradually transferring the customs services working with foreign economic activity participants to the electronic document management, providing transparency and openness of the collection procedures for any foreign economic activity participant.

For customs payment enforcement purposes the Federal Law on the Customs Regulation provides for switching to an electronic interaction of customs services with foreign economic activity participants by means of My Account feature. Since March 2018 foreign activity participants have been receiving online information on the notices on overdue customs payments and penalties sent to the payer and a joint payer, in their account pages.

Beside the Notices on the overdue customs payments and penalties in the foreign economic activity participants account pages, notices on collection from the cash deposit and from the advance payments are also received.

In parallel with the digitalization of the majority of the procedures related to the overdue customs payment registration, informing the foreign economic activity participants of such non-payment and taking steps for debt collection, since 2019 the FCS of Russia has adopted a debt collection technology based on declarant’s tax residence, passing the collection power in the customs service operating in the same region as the foreign economic activity participant.

Before it was adopted the debt was collected by the customs office of goods declaration. Under such approach the debt of a single non-payer was administrated by several customs services, which often decreased the efficiency of interaction with banks and federal authorities participating in the collection. The workload on the customs officers involved in the collection directly depended on the number of the foreign economic activity participants and the declaration volume at that customs office. According to the new technology, when a Russian legal entity declares goods at different customs offices, information on revealed non-payment incidents comes to the software used to register overdue amounts, and to automatically send the data to the collection customs body located in the same region as the debtor tax residence.

This technology helps concentrate the collection functions at a single customs body, enhance the efficiency of interaction with tax, judicial authorities and the bailiff service, and balance any difference in the collection workload of customs offices.

The customs office location close to the debtor tax residence region and close to the debtor’s property location is, in fact, a significant advantage for asset freeze the customs services.

The property and goods distraint activities do not directly lead to a debt repayment but ensure debt payment due to debtor motivation to perform his customs payment liabilities and enable foreclosure on the distrained property.

The FCS of Russia is also working on movement to an electronic workflow with banking institutions for purposes of exchanging any documents required for the debt collection procedure. Meanwhile, there is a possibility to choose any of the three ways of information interaction with the customs services: the one established by the Bank of Russia, or through an information operator, or using the My Account feature.

As part of the said work now the approval of document forms and structures with the Bank of Russia is being finalized, and also the interaction in terms of all electronic documents exchange by means of a “My bank’s account” is planned to be tested.

In this way The FCS of Russia is actively working to develop information technology to increase the effectiveness of debt collection, to reduce the workload on the customs officials and also to raise the awareness among the foreign economic trade participants of the exciting customs debts and penalties, and also to simplify the procedure of voluntary payments for debts liquidation.



## South African Revenue Service

### Debt Management

#### Introduction

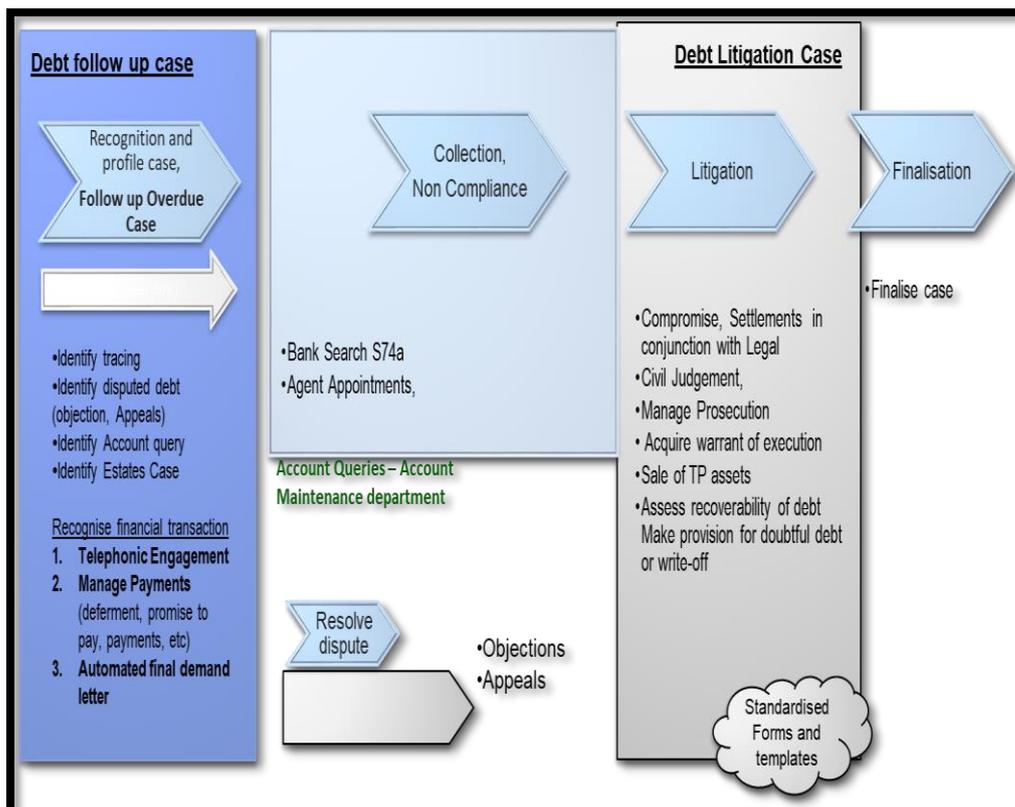
Debt management is a component of the SARS value chain that collects overdue debt and outstanding returns where there is non-compliance, using enforcement actions. The processes are applied in line with the Constitution of the Republic of South Africa, the Promotion of Administrative Justice (PAJA) Act 3 of 2000, the South African Revenue Services (SARS) Act 34 of 1997, the Tax Administration Act 28 of 2011, Companies Act 71 of 2008, Customs and Excise Act 91 of 1968 and related governing Acts with amendments and SARS internal standards and procedures.

The key strategic deliverables of Debt Management include:

- manage and reduce the SARS debt book within the shortest possible time;
- optimise Debt management function within the end-to-end value chain;
- monitoring, managing and ensuring that operations meets its agreed productivity targets across the full range of its activities;
- deliver service with a focus on quality, cycle times, including first-time call resolution, and productivity improvements;
- regular reviewing of the major operational risks facing in the respective areas and proactively highlight these together with mitigation plans to resolve them;
- leverage benefits of modernisation and translate these into gains in productivity.

#### Debt Management Process

A Debt management process is shown in Figure 1 below. The process begins where the tax debt is overdue. A follow-up case is generated to start the engagement process. Depending on the response of the taxpayer, a case could take different forms, requiring different procedures to be finalized.



## Debt Management Approach

The division applies the following approach to debt management to ensure the correct focus that allows for optimal resource utilization:

- differentiated treatment strategies, based on taxpayer's willingness to comply,
- process automation to manage low-value debt,
- use of senior team members to deal with complex activities, and
- alignment and collaboration with global debt collection best practice both in and outside of tax authorities.

## Debt Management Model

Debt Management use a four-phase model consisting of Prevent, Assist, Recover, and Enforce (PARE). Prevent phase is a period of 21 days before the debt is overdue, Assist phase is a period in which taxpayer is engaged to provide assistance to settle the debt before they become non-compliant, Recovery phase is a period in which the taxpayer has failed to comply and third parties are appointed to recover the debt from taxpayers, and Enforce phase is a period in which taxpayers are blacklisted and criminally prosecuted.

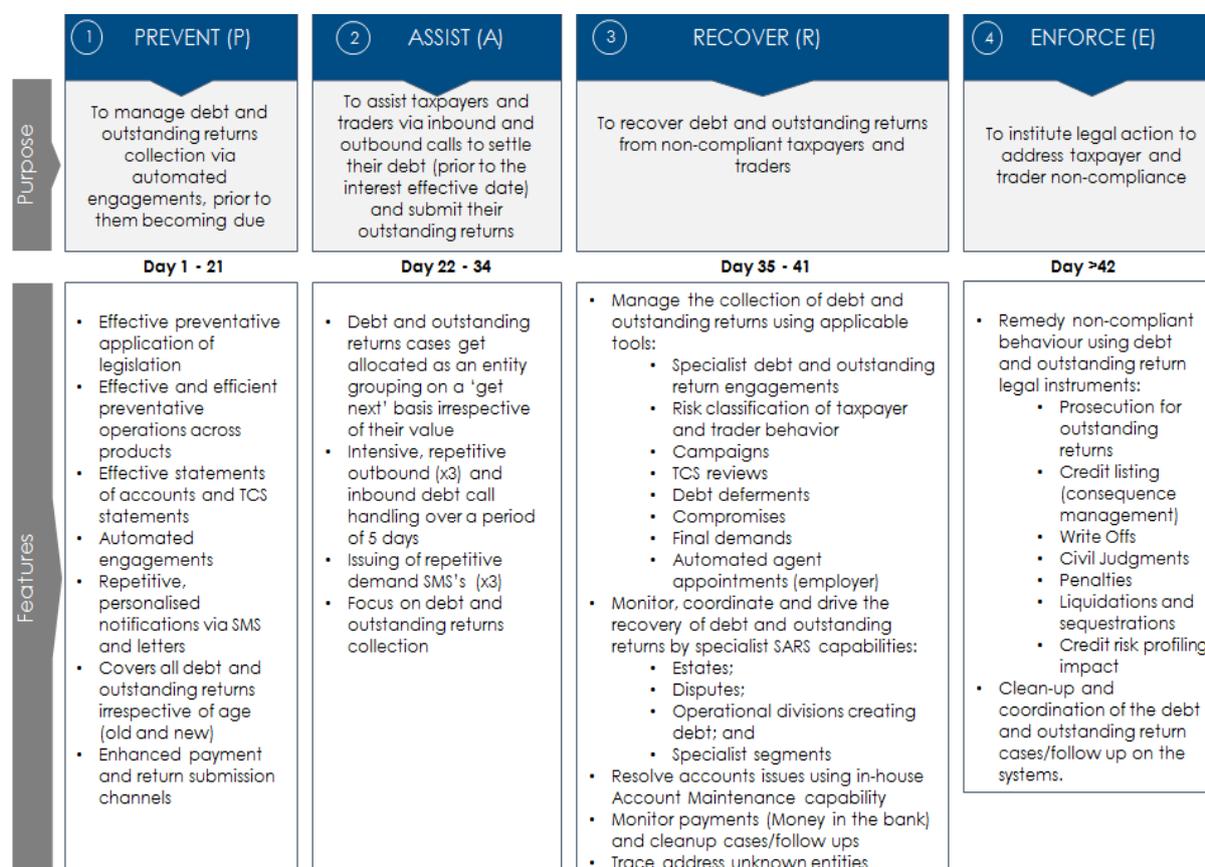


Figure 2 : PARE model

The model is founded on the following principles:

- Filter all debt prior to entering hard collections;
- Deploy an intelligent engine to allocate cases to the optimal collections area based on predefined 'risk rules';
- Route disputed cases to the relevant divisions immediately before applying enforcement tools;
- Deploy highly skilled, multi-functional team manage high value at risk cases;

- Centralise low-skill collections activities, with regional presence only for advanced collections steps.

The division recognizes the following key business needs in applying these principles:

- **Advanced collections case management** - the need for tailor-made and targeted campaigns with appropriate strategies and treatments.
- **Process Automation** - Automation of standard collections activities in debt value segment such as, Third Party Appointment, Civil Judgement and Warrant of Execution, which is a common feature in most available collection systems.
- **Taxpayer Self Service** - Automation of low value debt collections activities by enabling taxpayer self-service through a multi-channel application that frees up collection efforts without making changes to internal systems.

## Serbia

### Management and collection of debts

In the period from 2014 to 2019 the Customs Administration of Serbia recorded the increase in collection of revenues, which was also the result of effective and efficient measures that were implemented in the previous period in order to ensure collection of budget revenues of the Republic of Serbia.

Management of a customs debt is done through the Information System of the Customs Service. A customs debt is updated automatically and payments of customs debt are recorded every 10 minutes.

Financial, Investments and Legal Affairs Division was regularly making demands for payment of customs debts, secured by means of guarantee, to the banks that had issued the guarantees and for the debt incurred by failure to pay the interest, demands for payment were made through the forcible collection. The bills not secured by guarantee fall within the competence of the customs offices that have issued the bills.

Instruction of the Customs Administration on the procedure of submission, acceptance, recording, controlling, monitoring and repayment of the guarantee for collection of customs debt, number 148-17-433-01-1199/3/2019, dated 25 July 2019, more closely determines the procedure of submission, acceptance, recording, controlling, monitoring and repayment of the bank guarantee, as a means of comprehensive security to ensure the collection of incurred customs charges or the charges that may be incurred.

### Legal basis and a method of determination of customs debt:

Customs debt is determined pursuant to Article 73 of the Customs Law, which prescribes general rules for calculating the amount of import or export duties and Article 74 of the Customs Law, respectively, which prescribes special rules for calculating the amount of import duties. The said Articles of the Customs Law are identical with Articles 85 and 86 of the UCC.

In case a change of customs debt occurs, customs authorities act in accordance with the provisions of Article 7 of the Customs Law and the provisions of Articles 3 to 18 of the Regulation on customs procedures and customs formalities.

A client may appeal against the first instance decision taken by the customs authority in the administrative proceedings. An appeal may be lodged to the Ministry of Finance. A client may also initiate an administrative dispute before the competent court against the second instance decision taken in the administrative proceedings.

During the changes to the rules, aiming to harmonize them with the EU rules, there have also been the changes in the area of customs debt, as well as the introduction of new institutes, such as equity and error by the competent authorities. The institutes of equity and error by the competent authorities are extremely important for a proper application of repayment and remission of customs debt.

Rules for incurrance and management of customs debt are given by way of explanations of the Customs Administration of each particular customs procedure. The creation of explanation of the Customs Administration of the application of customs debt in all cases in which a customs debt is incurred, as well as the creation of explanation of repayment and remission of customs debt are currently ongoing. While creating such explanations, it is taken into account to have them harmonized with the EU guidelines on customs debt and guidelines on repayment and remission of customs debt, which are published on DG TAXUD website.

Furthermore, with reference to the activities that relevant administrations carry out with the aim to inform and educate the clients (e.g. roundtables, mass media campaigns, etc.), the Customs Administration, in cooperation with the Chamber of Commerce of Serbia, organizes seminars both for business community and customs officials. Lectures are usually delivered when there are changes of the regulations that

are relevant for the business of the stakeholders, as well as for the purpose of providing broad insights in relation to the specific area of the customs operations and legislation.

The Customs Administration website contains information regarding proper application of regulations on all areas of customs operations.



## Sweden

### Swedish Customs' recovery process

When a customs invoice is due, a reminder is sent to the responsible economic operator within 7 days, if the invoice remains unpaid after the reminder a claim letter is sent to the same economic operator after another 7 days.

Usually this is enough to settle the debt, however, there are cases where the invoice remains unpaid even after the reminder and claim letter. In such cases Swedish Customs notifies the Swedish Enforcement Agency of the unpaid invoice, within 2 months of the due date of the customs invoice. The enforcement agency then notifies the economic operator of the unsettled debt and ask the operator to pay, if this is not done there will be enforcement actions taken such as seizure and selling of assets to settle the debt.

## Tanzania

### Debt management and collection

With regard to area of debt management and collection, there are two scenarios:

1. Debts arising out of normal operations where an importer has been facilitated to finality, i.e., from lodgement of import documents until customs release order is issued. Administration still finds that the importer does not come forth to pay duties. At this juncture the law is written to the effect that when 21 days lapse without importer paying duties and take delivery of consignments then customs warehouse rent starts to accrue which is 0.3 USD/ MT per day. Such process will continue for another 30 days, if still not showing up, the auction process will start so that duties are recovered in due course;
2. Debts arising out of customs enforcement measures, such as post clearance audit and interceptions through patrols. Once debts are established and compounded according to the law, the offender is required to make full settlement of debt or else an arrangement is agreed to pay by instalments.



## Thailand

### The management and collection of debt and publication of good practices

Referring to the Customs Act. B.E. 2560 (2017) Section 19, when it is found that a person liable to pay duties fails to make payment thereof or makes deficient payment, Customs officer shall have the power to assess duties under Customs Act and under the law on customs tariffs. Customs officer shall furnish the duty assessment notification form to importer/exporter; and importer/ exporter must make full payment of duties within 30 days as from receipt of such duty assessment notification form.

To manage debt collection, Customs law has encouraged importer/exporter to make payment of shortfall duties by penalization, detainment and seizure measures. To begin with, the surcharge at the rate of 1 percent per month of the duties required to be paid or additionally paid; without any compounding effect, as from the date on which the goods are released from of the Customs custody; or the date of exportation to the date of payment, will be charged. In this case, any fraction of a month shall be counted as a month, however, surcharge to be levied shall not exceed the duties required to be paid or additionally paid. Following that, if importer/exporter fails to make payment of duties within 30 days as from the date of receipt of the duty assessment notification form, the penalty in the amount of 20 percent of the duties required to be paid or additionally paid, shall be charged in this case, surcharge and penalty payment shall be deemed as duties.

In addition, if it occurs that payment of duties by importer/exporter is in arrears, Thai Customs Director-General shall have the power to detain goods which are imported or exported by such importer/exporter; and being under Customs clearance or under Customs supervision until such importer/exporter makes full payment of the duties in arrears. Moreover, if such importer/exporter fails to make payment of the duties in arrears within 30 days as from the date of the detention of such goods, Thai Customs Director-General shall have the power to order an auction sale thereof.

The proceeds obtained from the auction sale shall first be deducted for the purpose of payment of the duties in arrears, duties on the goods sold by auction, costs of storage, cost of relocation, other burdens in arrears to Thai Customs and taxes as well as duties under other laws. The remaining sum shall be expended in payment of incumbrances payable to the keeper of the goods sold in auction and the carrier who has carried the same into the Kingdom respectively. Any further proceeds remaining after such deductions shall be returned to the owner, provided that if the owner fails to request for a return thereof at the expiration of 6 months as from the date of the auction sale, such remaining proceeds shall vest in the Government.

To enforcing duties in arrears, if Thai Customs, after having proceeded the auction sale, has not received the duties or has received a deficient amount thereof, the Director-General shall have the power to seize or attach and sell by auction the property of the person liable to pay duties throughout the Kingdom without being required to apply for an order of the Court. The procedures for the seizure and auction sale of the property shall be in accordance with the Kingdom of Thailand Civil Procedure Code.

## Tunisia

### Collection of debt

The debts managed by the General Directorate of Customs are organized into two categories, namely ordinary debts, which relate to the regularization declarations ensuing from the various suspensive arrangements granted in relation to currently outstanding duties and taxes, Customs control costs and all other duties and taxes payable and not collected by Customs, and debts identified as a result of court rulings delivered in Customs infringement proceedings.

Both debt categories (ordinary and identified) are managed by the Customs collectors in charge of revenue services within the individual Customs offices.

Each revenue service comprises a collection unit which implements the various collection procedures.

A Collection Directorate operates within the General Directorate of Customs; it is responsible for drawing up and managing capacity building programmes for the collection of identified debts and various Customs debts, for coordinating and monitoring the annual work programmes of Customs collectors in relation to their collection operations, for overseeing and assisting Customs collectors in the areas of accounting and debt collection, and for implementing a public-debt recovery strategy for the General Directorate of Customs.

The Directorate is also responsible for gathering, centralizing and analyzing the results obtained by the Customs collectors regarding identified debts and the collection of various Customs debts, as well as for compiling monthly and annual statistics.

## Turkey

### The management and collection of customs debt in Turkish Customs Administration

As a tax collecting agency, Turkish Customs Administration (hereafter TCA) carries out the management and collection of customs debt in accordance with its national legislation. This national legislation basically consists of two primary laws and their secondary legislations. Turkish Customs Law No: 4458 and Procedure Law on Collection of Public Claims No. 6183 are the primary laws. Customs Implementation Provisions, Customs General Communique (Collection Operations) (Serial No: 2) and Collection General Communique (Serial No: 1, Item No:1) are the main secondary legislations.

Accordingly, 'Customs Debt' means all public claims (customs duties and their accessory obligation, fines) which shall be followed and collected by TCA. As a result of supervisions and controls, if it is determined that customs duties have not been received or has been received deficiently, then they shall be notified to the debtor within a period of three years from the date on which the customs duties were incurred. In this case, the compensatory interest at the rate of the surcharge for late payments shall be applied for the duration between the date on which the customs debts was incurred and the date on which the duties have been finalized.

In this context, underpaid/unpaid customs duties and fines are recorded to a specific module of BİLGE. Furthermore, through the collection procedure, all steps (the statutes regarding the customs debts) are recorded to this module as well. It is possible to monitor whether a customs debt has been paid or not.

Moreover, the customs duties determined by the controls and audits to be unreceived or deficiently received, shall be paid within fifteen days following notification to the debtor of duty owed. The fines that should be charged together with the customs duties shall be decided, communicated and paid concurrently with such duties.

Customs debtors have some legal rights upon notification of customs debts. These rights are appeal, reconciliation or deferment and instalment. Within 15 days from the notification, the debtors may appeal or request reconciliation for the customs duties and fines. Else, the request of deferment and instalment may be made until the seized goods is converted into money.

In addition, the provisions of the Procedure Law on Collection of Public Claims No. 6183 and its secondary legislation shall apply for the customs debts not paid in due time. Thereafter, the unpaid customs debt within the payment period will be forcibly collected by the collection office. Forced collection methods are as follows. If the customs debtor has provided guarantee to the collector's office, the guarantee will be converted into money. Amount of the goods that will be enough for the debt of the customs debtor is converted into money by foreclosing. If the necessary conditions are found, the bankruptcy of the borrower is requested. On the other hand, late fee is applied to the unpaid portion of the customs duties (not for fines) for each month starting from the expiry date of the term.

After all these processes, if the customs duties are not collected within 5 years from the beginning of the calendar year following its due date, it expires except for the cases that stop and interrupt timeout. Customs debt, which has expired, is cancelled.



**Contact us:**

[valuation@wcoomd.org](mailto:valuation@wcoomd.org)

**Visit our website:**

[wcoomd.org](http://wcoomd.org)



