

Committee on Customs Valuation

Original: Spanish

**COMMUNICATION FROM EL SALVADOR CONCERNING PARAGRAPH 1
OF ANNEX III OF THE AGREEMENT ON IMPLEMENTATION
OF ARTICLE VII OF THE GENERAL AGREEMENT
ON TARIFFS AND TRADE 1994**

The following communication, dated 18 February 2000, has been received from the Permanent Mission of El Salvador.

I have the honour to transmit herewith the request of my Government for a further two-year extension of the transitional period for the implementation of the Agreement on Implementation of Article VII of the GATT 1994.

In order to consolidate the process of implementation of its customs system and the training of responsible staff members to ensure compliance with the Customs Valuation Agreement, the Government of El Salvador has decided to invoke the special provisions concerning special and more favourable treatment for developing countries and wishes to avail itself of the possibility provided in paragraph 1 of Annex III for developing country Members which have invoked the five-year delay provided for in paragraph 1 of Article 20 to request an extension of such period provided it does so within the period referred to therein.

My Government is asking the Committee for an extension of the period granted for the implementation of the Agreement beginning on 7 May 2000, so that it can properly complete the reforms necessary to ensure the full implementation of Article VII of the GATT 1994; in other words, the Agreement would enter into force for El Salvador on 7 May 2002. It should be noted that this request is being made in conformity with Article VII mentioned above, under which El Salvador was granted a period of transition of five years (see document G/VAL/2/Rev.1 of 13 October 1995).

In reviewing the current situation of the Salvadoran customs administration, we have considered the following factors:

1. The current lack of customs valuation regulations to supplement the provisions of the Customs Valuation Agreement and to make them more viable;
2. the process currently under way of merging the Directorate-General of Internal Taxes of the Ministry of Finance and the Directorate-General of Customs Revenue to form a single entity, the Tax Administration Directorate (DAT), responsible for the administration of internal taxes and foreign trade taxes;
3. the ongoing process of preparing an organization chart and drawing up job descriptions for the staff required to ensure the full and effective implementation of the new system in keeping with the requirements of a unified tax administration;

4. The need to train staff in customs and internal tax matters within the context of the comprehensive inspection system is such that it will have to be developed in the wake of the merger between the above-mentioned institutions, together with the training of users and dissemination of information on the system.

The analysis carried out revealed that the above aspects had not yet been dealt with in a manner truly conducive to the full application of the Customs Valuation Agreement, implying that there was a serious tax risk stemming from the lack of any specific regulations in that area which could provide the customs administration with the tools needed to control and manage the new system, coupled with a serious shortage of human and technological resources.

Concerning the first of the above points, since 1997 the Salvadoran customs authorities have been making a great effort to modernize their services in every respect. This modernization process began with the drawing up of a strategic plan for the improvement of all of the leading factors contributing to the control and management of customs tax revenue, with the above-mentioned revision of customs regulations among the main lines of action.

With respect to the merging of the tax administrations, according to plan the new entity should begin its operations in January 2001, so that throughout this year the Directorate-General of Customs will be concentrating on all of the steps required to adapt to that situation.

Thus, work is currently under way to prepare an organization chart for the new entity, and job descriptions are being drawn up for the required staff in keeping with the needs of a unified tax administration. This process will inevitably involve the reorganization of the tax administration's officials and employees and the hiring of new staff members corresponding to the mentioned job descriptions. Thus, the training of new customs and internal tax officials, which according to plan is to take place during the second half of this year, has been identified as one of the priority activities within the framework of the merging of the tax administrations.

Training in the area of customs valuation is a fundamental part of the preparation of human resources, since tax inspection is one of the areas to be completely merged into a comprehensive audit system involving an analysis of all economic activities of persons subject to internal and customs taxes and of all of the elements and items of information supplied by such persons to the tax administration.

The requested two-year extension would enable El Salvador's integrated tax administration to make further headway in its preparation and consolidation efforts and help it to create the best possible conditions for the effective implementation of the Agreement and for the performance of the various activities listed below for the purpose of justifying the extension and informing the members of the Committee.

TIMETABLE OF ACTIVITIES

1. General coordination

No.	Activity	Time	
		From	To
1.	Define the physical infrastructure in which the DAT is to operate.	01.07.00	31.09.00
2.	Purchase and/or transfer office equipment and furniture to the DAT facilities.	02.01.01	30.11.01
3.	Select, hire and/or relocate DAT staff and begin DAT operations.	02.01.01	30.11.01

2. Regulatory aspects

No.	Activity	Time	
		From	To
1.	Prepare the Organic Law for the creation of the DAT, the definition of the tax career structure, the determination of modalities for incorporating staff into the new entity and the creation of a tax school. Revise the Tax Code and arrange for its submission to the Legislative Assembly.	12.01.00	28.04.00
2.	Draw up an inventory of tax and related legislation.	02.05.00	30.06.00
3.	Draw up regulations to the Organic Law governing the creation of the DAT, the definition of the tax career structure, the determination of modalities for incorporating staff into the new entity and the creation of a tax school, and prepare the General Customs Law.	01.04.00	31.06.01
4.	Approval and application of a law on the system and regulations thereto.	01.03.00	20.05.01

3. Operational aspects

No.	Activity	Time	
		From	To
1.	Prepare an analysis of the processes currently under way in areas with common and differing functions and define the organizational structure of the DAT.	18.02.00	30.06.00
2.	Analyse, design and develop the necessary administrative procedure (organization of human resources in accordance with the regulations governing the tax career structure) and financial, operational and technical processes in the areas to be integrated.	01.03.00	30.09.00
3.	Redesign and develop operational and technical processes in areas with specific functions to be integrated with other units.	01.03.00	30.09.00

No.	Activity	Time	
		From	To
4.	Prepare administrative, financial, technical and operational DAT manuals (organization, job descriptions and procedures).	01.03.00	30.11.01
5.	Gradually introduce the different activities and processes of the DAT.	03.03.01	30.11.01

4. Human resources, training and dissemination

No.	Activity	Time	
		From	To
1.	Define, coordinate and introduce the mechanisms for administrating the human resources data processing system.	01.08.00	30.11.00
2.	Prepare training policy and other aspects of human resources administration as well as the operational mechanisms for introducing them.	01.09.00	30.10.00
3.	Coordinate training in the new DAT procedures (valuation experts, tax auditors, legal experts, customs experts, customs agents, importers, transporters, etc.).	01.11.00	30.11.01

5. Data processing

No.	Activity	Time	
		From	To
1.	Draw up an inventory of technical/operational systems.	15.02.00	31.04.01
2.	Prepare policies and standards in the areas of communication, technical support and development for the DAT.	01.03.00	30.06.01
3.	Improve the valuation database (determination of current requirements and decentralization of the database).	06.03.00	05.06.00
4.	Define, adapt and coordinate the integration of computerized collection procedures (physical location, software, hardware and technical staff).	01.04.00	31.07.00
5.	Select, adapt and introduce the administrative systems (human resources, inventories, purchases, finances, etc.).	01.04.00	15.12.00
6.	Define the common information required for the DAT and the means of integrating the different systems.	01.06.00	01.12.00
7.	Design, develop and introduce the interfaces required to integrate the technical information systems and transfer the information.	01.09.00	01.04.01
8.	Design, develop and coordinate the introduction of the one-time entry of data.	01.04.01	01.07.01

6. Administrative and financial aspects

No.	Activity	Time	
		From	To
1.	Provide logistical support for the development of the project.	01.01.00	31.12.00
2.	Prepare and maintain the inventory of goods allocated to the project.	03.01.00	31.12.01
3.	Organize the accounting for the programme.	01.03.00	31.12.01
4.	Organize competitive bidding and tenders for the purchase of goods and services and for the hiring of consultants, determine the project's needs with respect to infrastructure, equipment and supplies.	01.03.00	31.10.01