

# **WORLD TRADE ORGANIZATION**

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**Committee on Customs Valuation**

Original: English

## **COMMUNICATION FROM JAMAICA 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 14 February 2000, has been received from the Permanent Mission of Jamaica.

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As provided under Article 20 and Annex III:1 of the Agreement on Implementation of Article VII of the GATT 1994, Jamaica is hereby submitting a request for an extension of the transition period for an additional period of one year. Jamaica is also seeking an extension of the use of minimum price/reference prices on a very limited number of items for a period of 24 months after implementation of the Agreement.

Jamaica also wishes to continue to benefit from the reservations made pertaining to paragraphs 3 and 4 of Annex III, as notified to the WTO on 28 April 1995, and to benefit from the concessions available under Article 20.2.

Request for extension of implementation date of the Valuation Agreement  
(GATT Article VII) to 10 March 2001

The Government of Jamaica hereby requests an extension of the transitional period available to developing countries to implement the Customs Valuation Agreement (Article VII of the General Agreement on Tariffs and Trade) for a period of one year.

Jamaica also wishes to continue to benefit from:

- the concessions available under Article 20.2 (delay in the application of paragraph 2(b)(3) of Article 1 and Article 6 for a period not exceeding three years following application of all other provisions of the Customs Valuation Agreement);
- Annex III, paragraph 3 (reversal of the sequential order of Articles 5 and 6); and
- Annex III, paragraph 4 (application of paragraph 2 of Article 5 whether or not the importer so requests).

Jamaica also requests an extension of the use of minimum price/reference prices on a very limited number of items for a period of 24 months after implementation of the Agreement.

The Government of Jamaica has made a concerted effort to honour its obligation to implement the Agreement on Customs Valuation by 9 March 2000, but regrets to advise that it will be unable to meet this deadline due to a multiplicity of factors and is therefore forced to seek an extension of the transitional period for one year to 10 March 2001.

Action taken by Jamaica during the transitional period

In addition to the reduction in rates of the Common External Tariff which Jamaica has introduced as a member of CARICOM, the Government has taken several steps to facilitate trade, as well as to improve the efficiency and effectiveness of its tax administration in preparation for the anticipated fall-out in revenue due to implementation of the Agreement, as well as increasing demands on its financial resources.

Tax Administration Reform Project

A Tax Administration Reform Project (TAXARP) funded by the World Bank was started in 1995 and is now just being completed. This five-year Project has resulted in a reorganization of the revenue departments (other than Customs) within the Ministry of Finance and Planning.

The main effect of this Project has been:

- re-engineering of the major tax administration functions;
- new placement of staff (organizational and geographical); and
- amendments, repeal and passage of legislation to permit the execution of revised functions by the Revenue Services Department.

The revenue departments are now structured along essentially functional lines and reorganization is intended to provide economies of scale, limit the number of regulatory interventions that a taxpayer has to confront for the various types of tax, and offer more convenient points of services throughout Jamaica.

### Customs Modernization Project

The Jamaican Government, in recognition of the fact that a well-functioning, modern Customs Department is indispensable to Jamaica's economic and social well-being, and to Jamaica's ability to participate fully in modern global trade, has embarked upon a Customs Modernization Project. Implementation of this Project is scheduled to come in March 2000 and to cover a period of three years.

This Project is expected to improve the overall effectiveness and efficiency of the Customs Department (as is the case of the other Revenue Departments under TAXARP) by the use of six interdependent strategies:

- focussing and streamlining;
- managing for results;
- improving processes and automating;
- revitalizing the workforce;
- controlling imports; and
- enhancing voluntary compliance and enforcing the law.

### Requests for WTO mission to Jamaica

In its attempt to meet the deadline for implementation in March 2000, a WTO mission was invited to Jamaica in August 1999. Recommendations made by the mission have been implemented including the appointment of a Project Manager/Coordinator.

### Factors creating delay in implementation

Despite the activities identified above or in a way because of some of these activities, it will be impossible to meet the implementation date of March 2000.

### Coinciding implementation dates/periods

The implementation of both the TAXARP and more so the Customs Modernization Project will greatly facilitate implementation of the Customs Valuation Agreement. However, the simultaneous implementation of the two projects and that of the Agreement create certain difficulties. The Customs Modernization Project calls for major structural changes in the Customs Department and the recruitment and deployment of staff including the Commissioner/CEO. Synchronization of implementation of the Agreement and the modernization process is therefore crucial.

In order to ensure a smooth implementation of both the above and to avoid duplication of efforts, waste of resources and confusion of staff and public, there is the need to ensure that the new Executive Management is in place and that training and placement of staff required for the Customs Valuation Agreement Project coincide with the larger Modernization Project.

### Limited human resources

Preparation for implementation of the Agreement has been adversely affected by a shortage of skilled personnel and the number of other duties and obligations which the limited staff must undertake. Although a project manager was appointed in November 1999, this did not address the difficulties faced by the other persons with the requisite skills, who tried to satisfy competing demands on their time. The result of the above has been that some activities have been occurring sequentially rather than simultaneously.

#### Delay in the drafting of the legislation

The completion of the draft legislation has been delayed due to the reasons cited above and the fact that Jamaica has to ensure that the country benefits from the experience of other developing states which have already implemented the Agreement. Considerable time has therefore been spent in ensuring that the national legislation not only supports the spirit of the Agreement but the provisions are in place to ensure that the Customs will be able to safeguard the revenue. This issue has been one of major concern to Jamaica where Customs currently collects 22-25 per cent of all tax revenue.

The completion of the draft legislation and its eventual passage by Parliament determines when the administrative procedures and training can be completed. It also impacts on the timing for the publicity campaign. These activities have therefore been set back.

#### Budgetary constraints and potential loss of revenue

Jamaica has been subject to severe budgetary constraints during the current financial year and this is expected to continue during the new financial year 2000/2001. Even more careful attention has therefore had to be given to the potential fall-out in revenue resulting from the implementation of the Customs Valuation Agreement than would ordinarily have been the case.

In addition, the structure of the distributive trade in Jamaica places the revenue at greater risk because of the high number of unincorporated persons (businesses) who import goods into Jamaica, including used motor vehicles as well as a high number of:

- one-time importers;
- importers utilising barrels and baggage of passengers; and
- use of individuals by established businesses to import their goods.

It is therefore imperative that a database should be in place that will, while satisfying the terms of the Customs Valuation Agreement, at the same time place the customs administration in a position to assess the validity of information presented to them.

The required database is not yet in place and computerization of the Customs Department which will facilitate modernization and implementation of the Agreement is still being re-engineered.

#### Retention of minimum values/reference prices

As indicated in the WTO Trade Policy Review of Jamaica conducted in 1998, minimum prices are not used *per se* for valuation purposes. However, reference prices are used in the case of chicken leg quarters, fresh fruits and vegetables. This action has been taken because of the high incidence of fraudulent invoices and the lack of invoices in the case of edible products, and because of the high level of duties earned on used motor vehicles, lack of invoices, as well as the difficulty in accessing data from Japan, the major source of these used vehicles.

During 1999 customs duties collected on used motor vehicles was estimated at J\$874.57 million while General Consumption Tax collected by customs accounted for J\$518.4 million.

During the same period the value of chicken leg quarters imported was J\$474.87 million, fresh fruits was J\$92.19 million and fresh vegetables was J\$160.27 million of total imports of J\$104,040 million.

Jamaica wishes to continue to use these minimum prices/reference prices for a period of 24 months after implementation of the other areas of the Agreement.

This concession is intended to slow down the revenue fall-out from motor vehicles and to ensure that the sensitive agricultural sector is not subjected to unfair competition until proficiency in risk management and verification is fully developed by the customs.

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