MINISTRY PAPER NO. 22/82

NEW MEASURES TO CONTROL ILLICIT IMPORTATION OF GOODS

The House will recall that in the recent Budget Presentation proposals were outlined to implement certain measures to reduce the incidence of illegal importation and to protect revenue. These proposals were also intended to complement the other initiatives designed to promote economic recovery and to encourage increased production. However, during the past year the economic recovery programme has been affected by the illicit importation of goods to a growing extent which has affected the country in two main ways. Firstly, the Government is deprived of much needed revenue and secondly, manufacturers, particularly those engaged in the production of footwear and garments, are placed at a disadvantage at a time when they are not yet adequately prepared to meet the challenge of competitive imports. Unless corrective measures are taken immediately to reduce the incidence of illegal importation and practices, the orderly process of economic re-organisation will be seriously retarded. New procedures are therefore to be developed to ensure the effectiveness of compliance activities to counteract the increased incidence of smuggling within the country, the evasion of customs duties and fraudulent declarations by passengers and importers. It is therefore proposed to introduce measures designed to control effectively the importation of goods as follows:

(i) improving and expanding the operations of the Container Stations;

(ii) processing of passengers and the handling of cargo;

(iii) developing an import licensing system for informal commercial importers;

(iv) developing new procedures for motor vehicle imports.

2. CONTAINER STATIONS

The primary objectives of the establishment of container stations are:-

(i) to reduce the high incidence of illicit importation of goods;

(ii) to facilitate a proper examination of containers in a maximum security control area; and

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(iii) to increase ....

(iii) to increase the revenue collected from imported goods.

At present there are two container check points namely, Berth 4, Western Terminals Limited and Berth 7, Kingston Wharves Limited which together have a capacity for handling 5 containers each day.

A system of fixed appointments for the examination of containers will be applied with the introduction of the new procedures for the effective control of the importation of goods by air or sea ports.

A significant number of reports are still being received from importers that containers with goods have been released without import licences, proper examination and the payment of import duties despite the establishment of the two container check points. In an effort to prevent goods from being introduced into domestic consumption without coverage of an import licence and the payment of the relevant import duties, officers of the Collector General's Department have instituted searches of a number of premises. These have resulted in the detention and seizure of goods for which neither import licences have been produced nor payment of duties established.

If therefore the illicit importation of goods is to be effectively controlled and substantially reduced, the present facilities for the stripping and examination of containerized cargo have to be expanded substantially. As a short run measure, a further container station will be established as from the 3rd August, 1982, at the No. 133 Warehouse situated at Port Royal Street, Kingston. The Station will provide capacity for the examination of approximately 5 containers each day, thus increasing total handling capacity to approximately 10 containers daily. This, however, will still be inadequate if stripping of all suspect containers is to be carried out. It is intended, therefore, to increase the handling capacity to at least 60 containers each day through the establishment of a new Container Station at Lot 445 Newport West.

The new Station will comprise 20 container examination points within a 20,000 sq. ft. warehouse complex which will provide capacity to strip and examine at least 60 containers per day. The Government is satisfied that the proposed new facilities will enable containers to be stripped and examined promptly and in sufficient numbers to curb the illegal importation of goods. The complex will provide adequate accommodation for the customs officers required for the operations,

the staff ....

the staff of the Port Authority which will manage the complex and a Queen's Warehouse for storing detained, seized and overtime goods. An important feature of the complex is its maximum security arrangements. It is proposed to recover the cost of operating the complex by imposing a flat charge of $300 on each container entering the Station. This charge is substantially less than the existing amounts charged at the Stations at Berths 4 and 7. The proposed charge will have no significant impact on the cost of goods. Basic food costs will be unaffected, for example the additional cost of a pound of flour would be less than 0.5 cents; a tin of sardines less than 0.2 cents per tin; and a tin of mackerel less than 0.3 cents per tin.

In order to ensure early implementation of the proposals and effective operation of the proposed new complex the Revenue Board will --

(i) assume responsibility for concluding the arrangements for the construction of the complex;

(ii) lease Lot 445 from Government at a nominal rental; and

(iii) enter into an agreement with the Port Authority for the management of the whole complex.

It is proposed to complete the complex by the end of the current financial year.

3. THE PROCESSING OF PASSENGERS AND THE HANDLING OF CARGO

The establishment of the Container Station is but one of the means of controlling the illicit importation of goods. Additionally, arrangements and procedures will be introduced for the effective control of imports by air and sea ports. These arrangements and procedures are primarily --

(a) Installation of a Passenger Assistance Desk in the Immigration Hall

A Passenger Assistance Desk will be installed in the Immigration Hall of the Norman Manley International and the Sangster International Airports and a customs officer assigned to assist passengers, where necessary in the completion of Passenger's Declaration Forms.

As of the 1st September, 1982 any person arriving in Jamaica will be required to complete a Passenger's Declaration Form which is to be presented firstly to Immigration for verification, and subsequently to Customs for baggage examination.

(b) Detention...

(b) Detention and Deposit in a Queen's Warehouse of Goods Imported by Commercial Travellers

As from 1st September, 1982 in order to rationalise the treatment of commercial goods as distinct from passengers' baggage, no commercial traveller's baggage will be examined and cleared in the Customs Baggage Examination Room. All such commercial baggage will be detained and removed to a Queen's Warehouse for subsequent examination and disposal. Each importer of such commercial baggage will be given a copy of a Notice of Detention endorsed with a date and time of appointment for the examination of the goods. If the appointment is not kept the importer's name will be placed at the bottom of the list of appointments.

(c) Container Cargo Examination

The system of examination by appointment will apply as from 3rd August, 1982 to importers of containerised cargo.

(d) Establishment of a Delivery Gate at AJAS Special Store/Queen's Warehouse Complex

At present there is no delivery gate at the AJAS Special Store/ Queen's Warehouse Complex, and this has resulted in the illegal removal of goods. For purposes of proper control and to prevent undesirable practices, a delivery gate will be built and a proper Customs Release System established by 1st October, 1982. In addition, structural alterations are now being made to the Queen's Warehouse at the Norman Manley Airport to ensure improved physical Security. These alterations will be completed by the 31st July, 1982.

(e) Landing, Check and Deposit of Cargo in Special Store

In many instances goods unloaded from aircraft are not properly accounted for in accordance with the provisions of the Customs Act. As a result there have been large-scale losses of goods by theft amounting to millions of dollars annually. As a control measure airlines will now be required to deliver the Cargo Manifest to Customs and to check the cargo immediately on arrival

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under the supervision of customs. The airlines will also be required to deposit such cargo immediately after check in a Special Store.

(f) Opening and Closing of Special Store

For purposes of security and for the safeguarding of revenue, the opening and closing of any Airline Special Store will be allowed only in the presence of a representative of the Airline and a Customs Officer. This procedure will be supported by improved security arrangements.

(g) Quarterly Inventory of Goods in Special Store

For purposes of security and in order to ensure that goods imported are properly accounted for, a quarterly inventory of goods deposited in a special store will now be instituted. Severe fines will be imposed in the case of loss of any package from the stores.

(h) Penalty for Evasion of Customs Acts

The provisions of the Customs Act will be strictly enforced in regard to any cases of breaches of the Act in respect of --

(i) the importation of prohibited or restricted goods;

(ii) the fraudulent evasion or attempt at evasion of any duties of customs;

(iii) the harbouring, concealing, keeping, acquiring possession of, or in any way dealing with goods with intent to defraud payment of duties. The penalties for violation of the provisions of the Act may be as much as treble the value of the goods plus forfeiture of the goods. Penalties imposed on violators may be mitigated only to a limit of 20% of the maximum penalty allowable by Law. As an example, where illegally imported goods are valued at $10,000, the penalty may be $30,000 (or three times the value of the goods) plus forfeiture of the goods. This penalty may be mitigated only to $24,000 plus forfeiture

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of the goods. Further mitigation of the penalty is possible, however, if the offending party agrees to cooperate by giving sworn statements of associated violators and collaborators to the prosecuting authorities. In the event of prosecution through the Courts, the full penalties would be payable on conviction.

(i) Quotation of Import Licence Number on Shipping Documents

The importation of restricted goods is illegal unless an import licence is granted for such goods prior to importation into Jamaica. In this respect, after August 3, 1982, the following will be required in relation to the importation of all motor vehicles:-

(i) The carrier will be required to ensure that the import licence number is quoted on the relevant Bill of Lading or Airway Bill and on the Cargo Manifest. The carrier will not be allowed to unload the motor vehicle unless this requirement is strictly complied with and in the case of non-compliance the carrier will be required to re-ship the vehicle.

(ii) By the same token the person to whom the motor vehicle is consigned will not be allowed to clear the motor vehicle unless these requirements are fully met. In the case of imports, other than motor vehicles, these requirements will apply as from the 6th September, 1982.

Additionally, after August 3, 1982 no individual will be allowed to import a motor vehicle except through an authorised motor vehicle dealer.

(j) Establishment of a Customs Station at Frontier with Free Zone

The Enforcement Division (Customs) has on many occasions reported the unauthorised and illicit removal of goods from the Free Zone

Area ....

Area into Jamaica. In order to prevent the illegal removal of goods from the Zone, a Customs Station will be established as from the 6th September, 1982.

(k) Equating Duties on Personal Effects with Duties Levied on Commercial Goods

In an effort to increase our revenue on goods which are declared as personal effects, but are in reality commercial goods, measures for equating duties on personal effects with duties levied on commercial packages will be instituted. These deal primarily with application of Flat Rates of Duties.

In order to expedite the processing of passengers with accompanied and unaccompanied baggage, Flat Rates of 45% Customs Duty and 10% Consumption Duty are allowed. The application of the Flat Rate of Duty System has assisted in reducing the time normally spent in the issuing of receipts for several different items of goods with different rates of duty. The Flat Rates are applied as follows:-

Unaccompanied Baggage

(a) Gift Packages - Imported in small non-commercial consignments
45% Customs Duty and 10% Consumption Duty

Accompanied Baggage

(b) Gift Packages - Imported as Passengers' Baggage
45% Customs Duty

However, the system is now being abused by commercial travellers bringing in goods as personal effects. In order to prevent the system from being subjected to this abuse the flat rate system will be strictly applied to "accompanied passengers' baggage only with dutiable articles few in number and dissimilar in character" but will not extend to goods declared as "personal effects" and found on examination to be commercial goods. Such commercial goods will be detained and a Detention Note issued to the importer. Subsequently, such detained commercial goods will be deposited in a Queen's Warehouse.

4. DEVELOPMENT OF AN IMPORT LICENSING SYSTEM FOR INFORMAL COMMERCIAL IMPORTERS

In continuation of our efforts to curb illegal imports, a new system will be developed and implemented with effect from the 4th October, 1982, to accommodate informal commercial importers who will be requested to submit the following particulars to the Trade Administrator:-

(i) Name ....

(i) Name of Importer;

(ii) Address of Importer;

(iii) The registered company name, or trading name of the importer, if applicable;

(iv) The date of registration of the company with the Registrar of Companies, or date of the beginning of trading activity where the person is not a registered company;

(v) The Importer's Income Tax Reference Number;

(vi) The Importer's NIS Number;)
(vii) The Importer's NHT Number;) where applicable
(viii) The Importer's Excise Licence Number)

A master list of Informal Commercial Importers is being prepared which will include the following particulars:-

(a) Name of Importer;

(b) Address of Importer;

(c) Description of goods imported;

(d) Quantity of Goods;

(e) CIF Value;

(f) Dates of entry of goods;

(g) Duties paid per category of goods imported;

(h) Rates of duty;

(i) Sources of importation.

Informal Commercial Importers will be granted Import Licences up to a given amount to enable them to import goods. Selection of importers to qualify for the grant of an import licence will be on the basis of the import duties paid as determined from the records of the Collector General. Importers whose practice it is to import goods without the payment of import duties will therefore not be eligible to qualify for the issue of an import licence. No commercial baggage will be examined and released without presentation of the relevant import licences.

The issue of import licences to Informal Commercial Importers who are eligible will have the effect of regulating the flow of goods whilst not destroying the spirit of free enterprise amongst small traders.

Certified ....

Certified Importer

Simultaneously with the introduction of a system for accommodating Informal Commercial Importers, the Trade Administrator has instituted a new registration system for importers who normally apply for import licences. This system is known as the "Register of Certified Importers". Under this new system importers are required to submit to the Trade Administrator their correct registered company or trading names with current address of the place of business and the date of registration with the Registrar of Companies. In addition, the importers must submit their reference numbers for Income Tax, National Housing Trust, National Insurance Scheme, and Excise Licence Number where applicable.

After these particulars are received and processed by the Trade Administrator, a number will be assigned to each Certified Importer, who must state his number on all import licence applications and all Customs Entry documents. These requirements will enable the Government to monitor through the computer at the Trade Administrator's Department, the actual imports against licences issued.

5. NEW PROCEDURES FOR MOTOR VEHICLE IMPORTS

Over the past several years because of the unavailability of foreign exchange, the pattern of importation of motor vehicles changed from dealers to individuals.

This practice is detrimental to the recovery of the economy inasmuch as it introduces vehicles which are fuel inefficient and which require an increasing variety of spare parts, all at great cost in foreign exchange.

The Government recently instituted new measures to ensure that vehicles imported into Jamaica would not exceed 2800 c.c. gasoline or 3000 c.c. diesel engine capacity. This regulation is being faithfully applied by the Collector General under specific instructions.

Meanwhile, the Government has been pursuing certain initiatives to use counter-trade and barter mechanisms in order to secure motor vehicles and other heavy equipment and machinery in exchange for bauxite and other commodities. This has the dual effect of saving foreign exchange as well as expanding the marketing of bauxite and other commodities.

On the basis of such agreements, it will be possible to secure vehicles of a specific range of makes and models, thereby narrowing the range of spare parts and maintenance training required.

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One such agreement has already been concluded with General Motors, the world's largest Automakers and will apply to General Motors subsidiaries in the United Kingdom, West Germany, Japan and elsewhere, in addition to American-made vehicles. Two other major manufacturers are considering similar arrangements.

The Automobile Dealers Association has been advised by me of this development and has been further advised that the vehicles will be imported by the Jamaica Commodity Trading Company and distributed to all bona fide dealers to ensure that dealers who do not have vehicles because the Manufacturers represented by them are not able to conclude countertrade arrangements, will nevertheless have vehicles for sale.

Accordingly, no further licences will be issued for importation of motor vehicles by individuals except in cases of imports by Contract Officers, members of the Diplomatic Corps and genuine returning residents.

Returning residents have abused the privileges extended to them by the Government to import motor cars on a duty-free basis. This necessitated Government action which resulted in the same duties being charged to returning residents as for normal imports. However, despite the equalisation of duty, certain Jamaicans living overseas have allowed themselves to be used as collaborators to enable residents in the island to secure motor cars. Under this scheme a "returning resident" returns here for a few days for a fee or consideration to clear a vehicle imported in his name. Immediately thereafter he returns to his country of residence. Henceforth, returning residents will have to demonstrate their bona fides including the presentation of passport documents.

Shipping companies have also been advised that any motor vehicle transported by them to Jamaica without a valid licence will not be landed and must be returned to the Exporter.

The shortage of motor vehicles arising out of the desperate shortage of foreign exchange over the past several years cannot be addressed in one or two years. The Government proposes to increase the importation of motor vehicles annually but this must be done on a basis of policy in the best interest of the country not in the interest of individuals as is developing now. Jamaicans can look forward to improvement in the supply of motor vehicles over the next few years on the basis of the programmed approaches to be adopted. If the present loop-holes were to continue as avenues of exploitation, however, the end result would be economic set-back not recovery.

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Amendments to the Customs Act and Revenue Board Act

Finally, as part of the programme for the improvement of the system to control illicit importation of goods, and to safeguard imported cargo against loss and theft, the Customs and Revenue Board Acts are to be amended as follows --

A. Customs Act

(i) The Customs Act is to be amended to empower Officers of the Revenue Board to monitor customs operations at Airports and Ports

(ii) The Customs Act is to be amended to provide for officers of the Revenue Board to be deemed officers for purposes of their monitoring and controlling functions

(iii) The Customs Act is to be amended to provide for the increase from $10 per package plus duty to $500 per package plus duty for failure by persons in charge of Special Stores to produce packages when requested by the Collector General. This will have a deterrent effect on loss of packages shipped and stored for clearance.

B. Revenue Board Act

Consequential amendments arising from amendments to the Customs Act will be made to the Revenue Board Act.

The foregoing amendments to the Customs Act and the Revenue Board Act will be brought into effect on the 1st December, 1982.

EDWARD SEAGA,
Prime Minister and Minister of
Finance and Planning.

REVENUE BOARD
July 27, 1982