



TECHNICAL COMMITTEE
ON CUSTOMS VALUATION

VT1057E1a

-
43rd Session
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O. Eng.

Brussels, 20 September 2016.

REVENUE PACKAGE

(Item IV (c) on the Agenda)

Reference documents :

VT0705E1a (TCCV/29)
VT0729E1a (TCCV/30)
VT0760E1a (TCCV/31)
VT0786E1a (TCCV/32)
VT0804E1a (TCCV/33)
VT0833E1a (TCCV/34)
VT0867E1a (TCCV/35)

VT0881E1a (TCCV/36)
VT0903E1a (TCCV/37)
VT0927E1a (TCCV/38)
VT0947E1a (TCCV/39)
VT0973E1a (TCCV/40)
VT1000E1a (TCCV/41)
VT1026E1a (TCCV/42)

I. BACKGROUND

1. The Revenue Package was developed as a response to Members concerns regarding declining revenue returns following the global financial crisis in 2008. Its aim is to help Members improve the efficiency and effectiveness of revenue collection. All Revenue Package tools are available via the Members' website at this link :
<http://www.wcoomd.org/en/topics/key-issues/revenue-package/latest-updates-policy.aspx>
2. Members are encouraged to consult and consider application of these useful tools. Further guidance and advice can be obtained from the Secretariat.
3. As reported at the 42nd Session, an Action Plan for Phase III has been developed by the Secretariat and discussed by the Working Group on Revenue Compliance and Fraud. The Action Plan was subsequently endorsed by the Policy Commission and approved by the Council in July 2016.

II. SECRETARIAT COMMENTS

4. The Action Plan for Phase III is in two parts :

*Part 1 - Assisting Members in effective use of Revenue Package tools
developed under Phases I and II*

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5. Part 1 is designed to assist Members in implementation of the materials developed under Phases I and II in order to strengthen their capacity to identify and collect the revenue legally due on imported goods.
6. All opportunities will be used to promote the Revenue Package tools, and make them available to Members, including :
 - a. Distribution of materials such as CDs and brochures;
 - b. Use of the WCO's regional structures, such as ROCBs and RTCs, for the dissemination of information and materials;
 - c. Consideration of options for arranging translations of the tools into other languages (e.g. Spanish, Russian and Arabic).
7. On request, and subject to available resources and donor funding, the Secretariat will work with Members in the application of these tools via diagnostic missions, technical assistance and capacity building programmes. In some cases, Members may wish to develop their own national, regional or sub-regional Revenue Package programmes, or in partnership with external providers. The Secretariat will work with Regional Economic Communities (RECs) to consider application of the tools at the RECs level, as appropriate (e.g. establishing common standards for an Advance Rulings programme).
8. The WCO's accredited experts pool will be further strengthened, based on identified needs, to assist Members in such programmes.
9. Further national case studies and good practices will be solicited from Members to supplement tools developed under Phases I and II, such as *"Developing policies with respect to informal trade"*, *"Guide to Counter Origin Irregularities (excluding fraud)"*, *"Assistance to Members in the Termination of Private Sector Inspection Contracts"* and *"WCO Guide to Customs Valuation and Transfer Pricing"*. This will provide further ideas and options for Members to consider when dealing with those particular challenges. Members are invited to contact the Secretariat if they wish to contribute case studies on any of these topics.
10. Similarly, documents such as the two new diagnostic tools, *"Diagnostic Tool on Tariff Classification, Valuation and Origin Work and Related Infrastructure"* and *"Diagnostic Tool on Post Clearance Audit and Infrastructure"* can be refined and updated as necessary, following lessons learned from practical application.
11. The major challenges faced by Least Developed Countries (LDCs) in implementing the WTO Valuation Agreement continue to be raised in different fora, for example by the G90 Group at the WTO. In order to provide further assistance, the Secretariat will develop step-by-step guidance to help LDCs navigate and apply the relevant tools and instruments.
12. Means will be developed to measure the impact of applying the Revenue Package tools. This can be done by working with Members to identify relevant criteria and Member success stories in regard to improving fair and efficient revenue collection.

Part 2 - Development of new materials and initiatives

13. Certain specific areas have been identified where additional work would be helpful in improving fair and efficient revenue collection. Background on those topics of relevance to the Technical Committee is provided below. Details on all topics included in the Action Plan can be found in the Annex to this document :

1. Customs-Tax cooperation

14. At its December 2015 session, the Policy Commission discussed the topic of Customs-Tax cooperation. The Policy Commission welcomed the new initiative on the development of Guidelines for strengthening cooperation and the exchange of information between Customs and Tax authorities at the national level.
15. Following the discussions at the Policy Commission, draft Guidelines for strengthening cooperation and the exchange of information between Customs and Tax authorities at the national level were developed.
16. The Guidelines are expected to serve as reference guidance to Customs authorities in developing a cooperation framework and/or strengthening the existing cooperation based on their national requirements, operating environment and operational resources, which may include a formal agreement/arrangement (e.g. Memorandum of Understanding - MoU), where appropriate.
17. The draft Guidelines were endorsed by the Policy Commission and will be re-presented with further updates to the Permanent Technical Committee in October 2016. The current draft version is available in the Annex to Policy Commission document SP0564E1a.
18. A Member survey has also been conducted on current Customs-Tax cooperation. The findings were made available in Annex I to Doc. PC0447, for the Joint Session of the PTC and EC. Further analyses will be carried out on the responses received and good practices will be identified and shared.
19. Furthermore, the WCO will continue collaboration with the OECD and IMF on Customs-Tax related issues, including the OECD's Base Erosion and Profit Shifting (BEPS) programme, Illicit Financial Flows (IFFs), the Oslo Dialogue, and the IMF's Revenue Administration Fiscal Information Tool (RA-FIT) and Customs organizational arrangements.
20. With reference to BEPS, the WCO will study the relationship between BEPS and Customs valuation and update the WCO Guide to Customs Valuation and Transfer Pricing, as necessary.

3. Post-Clearance Audit (PCA)

21. Under Phase I of the Revenue Package, WCO Guidelines on Post-Clearance Audit (Volumes 1 and 2) were finalized. Under Phase II, a diagnostic tool for PCA was developed. Since the conclusion of Phase II, Implementation Guidance on PCA has been developed and endorsed by the Enforcement Committee in March 2016.
22. To supplement the existing tools, "How to audit" typology will be developed which will help to identify good audit techniques for field auditors and will include practical cases.
23. Further PCA activities include revising and updating the WCO Guidelines on PCA and other PCA-related tools to ensure they remain relevant and responsive to Members' needs.

4. Fragile Borders

24. The Secretariat is conducting research at borders where international standards and trade regulations cannot be easily implemented due to political and social challenges : for example, border towns where traders and the economically powerful are the major players in an informal governance, or borderlands affected by violence (insurgency, rebellions,

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proximity to conflict zones, post-conflict zones, terrorism, etc.). At these borders, the authority of the State is contested and sometimes becomes fragile. Efficient and effective revenue collection then becomes a political challenge and a key component of the restoration of the State and introduction of good governance. Revenue leakage and informal trade issues are highly likely to be identified as key challenges in this regard.

25. This work has broad implications and benefits for Customs administrations; the Revenue Package will capture the findings with a direct relevance to revenue collection.

III. CONCLUSION

26. Further information will be provided to the Technical Committee at the 43rd Session.

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PROPOSED REVENUE PACKAGE ACTION PLAN - PHASE III

Part 1 - Assisting Members in effective use of Revenue Package tools developed under Phases I and II

Topic	Revenue Package implementation			
Expected outcome	<ul style="list-style-type: none"> - Members will strengthen their capacity to collect the revenue legally due on imported goods in a fair, efficient and effective manner - Improved compliance 			
Proposed tasks	Deadline	Deliverable	Current status	Lead Directorate
Promote and make available Revenue Package tools	June 2018	<ul style="list-style-type: none"> - Increased availability of materials, e.g. via WCO regional structures (ROCBs and RTCs) - Revenue Package tools available in other languages 	Ongoing	Tariff and Trade Affairs (TTA) Directorate
Assist Members in implementation of Revenue Package tools : <ul style="list-style-type: none"> - Work with Members in the application of tools via technical assistance and capacity building programmes, including diagnostic missions - Work with Regional Economic Communities (RECs) to consider implementation of Revenue Package tools at RECs level 	Ongoing	<ul style="list-style-type: none"> - Delivery of technical assistance/capacity building programmes and advice <i>(subject to resources and funding)</i> - Coordinated Revenue Package implementation at the RECs level, e.g. regional systems for Advance Rulings systems 		TTA Directorate/ Compliance and Facilitation (C&F) Directorate

Topic	Revenue Package implementation			
Expected outcome	<ul style="list-style-type: none"> - Members will strengthen their capacity to collect the revenue legally due on imported goods in a fair, efficient and effective manner - Improved compliance 			
Proposed tasks	Deadline	Deliverable	Current status	Lead Directorate
<ul style="list-style-type: none"> - Further develop WCO accredited experts pool to assist Members in such programmes 		<ul style="list-style-type: none"> - Strengthened pool of accredited Tariff and Trade Affairs Expert Trainers and Technical and Operational Advisors by Region and language (<i>subject to resources and funding</i>) 		
Further development of Phase I and Phase II tools	June 2018	Update Phase I and II tools as necessary, including further country case studies and good practices		TTA Directorate
Assist Least-Developed Countries (LDCs) in implementing the WTO Valuation Agreement	June 2018	Develop specific step-by-step guidance, based on existing tools, to help LDCs address key challenges faced, e.g. informal trade, undervaluation, etc.		TTA Directorate
Develop means to assess the impact of applying and implementing the Revenue Package tools, in regard to improving fair and efficient revenue collection	June 2017	Criteria developed for measuring Member success stories, following a WCO diagnostic mission, or self-assessment		TTA Directorate

Part 2 - Development of new materials and initiatives

Topic	1. Customs-Tax cooperation			
Expected outcome	- Stronger cooperation between Customs and Tax leading to enhanced fair and efficient revenue collection			
Proposed tasks	Deadline	Deliverable	Current status	Lead Directorate
Collect and analyse Members' national practices for Customs-Tax cooperation and exchange of information	June 2018	Selected national practices published	Survey completed. Further analysis to take place	C&F Directorate
Produce guidelines for strengthening cooperation and exchange of information between Customs and Tax administrations at the national level	Due for endorsement by the Policy Commission, July 2016	Publication of <i>Guidelines for strengthening cooperation and the exchange of information between Customs and Tax authorities at the national level</i>	Finalized, subject to endorsement by the Policy Commission	C&F Directorate
Continue collaboration with the OECD and IMF on Customs-Tax related issues, including BEPS, IFFs, Oslo Dialogue, the IMF's Revenue Administration Fiscal Information Tool (RA-FIT), Customs organizational arrangements, etc.	June 2018	Enhanced cooperation with OECD and IMF		C&F Directorate
Consider implications to Customs valuation of BEPS programme	June 2017	<ul style="list-style-type: none"> - Reference included in BEPS toolkit to Customs valuation considerations - Study of the relationship between BEPS and Customs valuation - Update to WCO Guide to Customs Valuation and Transfer Pricing 		TTA Directorate

Topic	2. Origin issues			
Expected outcome	<ul style="list-style-type: none"> - Members will strengthen capacity to identify origin irregularities and take appropriate action - Members will strengthen capacity related to origin certification 			
Proposed tasks	Deadline	Deliverable	Current status	Lead Directorate
Develop tools in relation to preferential market access for LDCs	Dec. 2016 June 2018	Hold an information session for Brussels-based ACP Ambassadors Publication of guidance material		TTA Directorate
Identify good national practices for the implementation of origin certification	June 2018	Publication of good practices from 3 Member Customs administrations		TTA Directorate
Development of a <i>Guide for Technical Update of Preferential Rules of Origin</i>	Completed	Publication of <i>Guide for Technical Update of Preferential Rules of Origin</i>	Finalized. Endorsed by Working Group on Revenue Compliance and Fraud, November 2015	TTA Directorate
Assist Members in application of the <i>Guide for Technical Update of Preferential Rules of Origin</i>	Dec. 2016 Ongoing Ongoing	<i>Guide for Technical Update of Preferential Rules of Origin</i> will be included in regional workshops on HS 2017 <i>Guide for Technical Update of Preferential Rules of Origin</i> will be included in related capacity building activities Upon request from Members, specific activities in relation to the technical update of their rules of origin will be conducted (<i>subject to resources and funding</i>)		TTA Directorate

Topic	2. Origin issues			
Expected outcome	<ul style="list-style-type: none"> - Members will strengthen capacity to identify origin irregularities and take appropriate action - Members will strengthen capacity related to origin certification 			
Proposed tasks	Deadline	Deliverable	Current status	Lead Directorate
Develop e-learning module	June 2018	Production of e-learning modules on specific topics, such as : <ul style="list-style-type: none"> - Agreements on rules of origin - Structure of agreements (models) - Regional origin models - Origin certification - Origin verification - Cumulation - Direct transportation - Origin criteria 		TTA Directorate

Topic	3. Post-clearance audit			
Expected outcome	<ul style="list-style-type: none"> - Members will strengthen their capacity to measure and improve compliance by implementing effective and efficient Post-clearance audit - Members will strengthen their capacity to collect the revenue legally due on imported goods by Post-clearance audit 			
Proposed tasks	Deadline	Deliverable	Current status	Lead Directorate
Develop Implementation Guidance on PCA to identify good national practices for PCA legislation, organization and operation	Complete	Publication of <i>Implementation Guidance on Post Clearance Audit</i>	Finalized. Endorsed by the Enforcement Committee, March 2016	C&F Directorate
Identify good audit techniques for field auditors, including practical cases	March 2017	Publication of <i>"How to Audit : typology"</i>	In progress	C&F Directorate
Update/revise the WCO Guidelines on PCA and other PCA-related tools	June 2018	Publication of updated/revise WCO Guidelines on PCA and related tools		C&F Directorate

Topic	4. Fragile Borders			
Expected outcome	<ul style="list-style-type: none"> - Support Customs administrations in re-establishing themselves in post-conflict areas - Raise the awareness of national governments and international donors regarding the role of Customs as revenue-collectors in crisis resolution - Strengthen the capacity of Customs administrations to carry out their local role related to informal trade and fraud 			
Proposed tasks	Deadline	Deliverable	Current status	Lead Directorate
Study the role of Customs in the border management of post-conflict zones	June 2018	<ul style="list-style-type: none"> - Case studies on border management in post-conflict zones published 	<ul style="list-style-type: none"> - A case study has been completed on northern Mali and published by a think tank - Presentation of the project and the first results at the Integrity Sub-Committee - Invitations received to present the case study at conferences - Negotiation to obtain financial support from the World Bank Group 	Research Unit
		<ul style="list-style-type: none"> - Participation in regional working groups composed of Customs administrations concerned by post-conflict zones 	<ul style="list-style-type: none"> - A first working group has been created by the West and Central Africa Region 	Research Unit
Study the role of Customs in tackling informal governance in border cities	June 2018	<ul style="list-style-type: none"> - Case studies on the role of Customs in border cities that are trade hubs 	<ul style="list-style-type: none"> - Communication delivered at an international academic conference (BRIT 2016) on the governance of trade hub cities in northern Mali 	Research Unit

<i>Topic</i>	4. Fragile Borders			
<i>Expected outcome</i>	<ul style="list-style-type: none"> - Support Customs administrations in re-establishing themselves in post-conflict areas - Raise the awareness of national governments and international donors regarding the role of Customs as revenue-collectors in crisis resolution - Strengthen the capacity of Customs administrations to carry out their local role related to informal trade and fraud 			
Proposed tasks	Deadline	Deliverable	Current status	Lead Directorate
		- <i>(proposal)</i> Organization of regional seminar(s) to raise the awareness of mirror analysis as a quantitative tool to fight against revenue leakage <i>(subject to resources and funding)</i>	- Mirror analysis methodology is currently implemented by World Bank experts during reform processes (example of Madagascar)	Research Unit

<i>Topic</i>	5. Control of mineral resources			
<i>Expected outcome</i>	<ul style="list-style-type: none"> - Support Customs administrations with the control of mineral resources being exported and imported - Strengthen the Coordinated Border Management in this respect - Consider analysis methods 			
Proposed tasks	Deadline	Deliverable	Current status	Lead Directorate
Conduct survey on Customs needs and available means for the control of mineral resources being exported and imported	April 2017	- Publish the result of the survey	- The issue was initially raised by the Democratic Republic of the Congo in 2015 and presented to the Directors General of Customs of West and Central Africa at the Regional Conference from 27 to 29 April 2016	Research Unit

Topic	6. Customs Laboratories			
Expected outcome	<ul style="list-style-type: none"> - Support Customs administrations to improve the accuracy and effectiveness of Customs laboratory analysis work by enhanced regional cooperation - Strengthen the capacity of Customs administrations to fulfil their obligations in relation to “Test procedures” provided for in Article 5.3 of the TFA 			
Proposed tasks	Deadline	Deliverable	Current status	Lead Directorate
Explore further regional cooperation in sharing good practices on Customs chemical analysis	Ongoing	<ul style="list-style-type: none"> - Regional approach is promoted using the regional WCO network, including Regional Customs laboratories - Agenda item for the Scientific Sub-Committee - Update the Customs Laboratory Guide with regional Contact Points and links to relevant information 	<ul style="list-style-type: none"> - The issue was initially discussed by the Scientific Sub-Committee at its January 2016 session and will be further discussed in relevant committees and at regional level 	TTA Directorate
Collect and analyse Members’ national practices in relation to sampling and “Test Procedures”; insert into the Customs Laboratory Guide	Ongoing	<ul style="list-style-type: none"> - Best practices in relation to sampling and “Test Procedures” to be inserted into the Customs Laboratory Guide 	<ul style="list-style-type: none"> - To be initiated in July 2016 	TTA Directorate