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Masters' thesis:

Customs Valuation of imported vehicles for Free Circulation

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ABSTRACT

Custom Valuation of imported vehicles is a Customs procedure applied to establish the customs value. Customs Valuation shall be based on the actual price of the vehicle to be valued.

Thus, the purpose of this study is to provide a comprehensive guidance to importer on Customs Valuation of vehicles in Armenia based on discussion of national legislation governing the issue and international best practice. The study is also highlight the financial consequences arisen from calculation of Customs Value and suggests practical measures and solutions.

INTRODUCTION

Customs Valuation of vehicles is an important aspect in the administration of trade. Trade facilitation is one of the key factors for economic development of nations and links into national agenda on social well-being, poverty reduction and economic development of countries and their citizens.¹ This includes the collection of Customs duties and taxes, the preparation of foreign trade statistics, trade compliance, supply chain security and facilitation, and the protection of society, the environment and cultural heritage.²

Custom Valuation is a procedure conducted by the State Customs Committee (“SCC”) of the Republic of Armenia (RA).

According to Article 4 of RA Customs Code (“Code”) the legitimate goals of RA Law on Customs Valuation are:

- to protect the Community from illegal and unfair trade with supporting reasonable business activity
- to ensure the safety and security of citizens
- to protect the economic interests of the Community
- to increase the competitiveness through contemporary functioning method

Therefore, for functioning competent and efficient free and fair market Customs is responsible both for protecting society and facilitating international trade.

There are the two main actors in the customs procedure RA Government represented by SCC and importer. According to article 9 of RA Code the Government interest is to implement tariff and related tax collection policies, to apply measures for the protection of the national borders and to

¹ *Trade Facilitation Initiatives and Simplification of Custom Procedure (World Custom Organization)*
www.wcoomb.org/ie/En

² *World Custom Organization*

prevent smuggling. Importer's interest is to dealing with simplified, paperless, rationalized customs legislation, to avoiding unnecessary delays or costs arising from the implementation of controls.

Custom valuation of vehicles transported through the customs border of Armenia is defined for the purpose of calculating the customs ad valorem³ duty, for applying non-tariff regulating methods, for customs statistics, for monitoring quantitative restriction, tariff preference, and for collecting national taxes. Tariffs are in ad valorem terms and levied on transaction price plus transportation costs to the customs point.⁴ The import tariff has rates of either 0 percent or 10 percent, plus a 20 percent Value Added Tax (VAT). Under this system, the Customs Valuation is multiplied by an ad valorem rate of duty in order to arrive at the amount of duty payable on an imported item.⁵ As a result, RA Customs Code protects both the interests of importer and a government.

Thus, the aim of this study is to discuss the process of calculation of customs value. For that, a detailed analyzes of RA Custom Legislation its organization and implementation is examined. In addition, this paper provides a comprehensive guidance to the private parties involved on custom valuation in Armenia based on overview of the international best practice.

ARMENIAN LEGAL FRAMEWORK AND IMPLICATION

The Customs legislation of Republic of Armenia consists of the Customs Code, Government Resolution and other regulations. The Code sets out the organization of the "SCC", the mission of the Customs, types of Customs regimes applicable for goods imported into and exported from

³ Latin word *menas* [**according to value**] imposed of a rate percent of the value as stated in an invoice rather than as a specific sum for a given quantity or number

⁴ World Trade Organization, Valuation Agreement

⁵ ID see appendix 1

Armenia, the tariff structure, determination and payment of customs taxes and fees, and provisions related to penalties. The Code also provides for the conduct of customs officials.

The procedure of Customs Valuation of vehicles is governed by RA Customs Code Section 4. As provided in Article 7 of CC of Armenia, management, organization and supervision over RA customs affairs shall be implemented by the State Authorized Bodies that are law-enforcing bodies consisting of;⁶

- a. Higher Customs Body;
- b. Territorial customs houses of higher Customs Body;
- c. Customs points of higher Customs Body.

Armenia has 6 regional customs houses, which include 11 customs points.⁷

For the purposes of effective control of vehicles, transported through RA Customs border by the customs bodies and bodies of State Auto Inspection all motorized vehicles are valued in Yerevan city, in the specialized customs point of the State Customs Committee of the RA of Customs Valuation of motor vehicles⁸.

Chapter 3 of the Code regulates transportation of goods across customs borders

Chapter 4 of the Code regulates customs regimes of goods transported through the customs border of the RA

Chapters 12, 13, 14 of the Code regulate methods of determining customs value of the goods transported through the customs border of RA

⁴ RA CC Art. 7(2)

⁷ See appendix 2

⁸ RA Gov. Res. N 1329-N "About establishment of a specialized customs point of the State Customs Committee of the RA of customs valuation of motor vehicles", that is functioning at Araratyan Regional Customs House (Admiral Isakov avenue, 10 b)

According to Article 115 "customs formalities shall be fulfilled in the place assigned for this purpose, during the working hours of the Customs Authorities. When requested by a concerned person, on his own account in the amount stipulated in the present Code, and with the consent of the Customs Authorities, customs formalities may be fulfilled in some other place and outside working hours"

Chapter 15 of the Code regulates methods against the customs actions and decisions of customs officers

Chapters 16 and 17 of the Code regulate customs payments

Chapters 18, 19 of the Code and regulate customs formalities, declaration of goods, and user fees

Chapters 37 and 38 of the Code determine the violation of customs regulations and liabilities for it and infringement of customs regulations

In case it is impossible to define the customs value by the transaction price, alternative methods are applied by customs bodies;⁹

- based on the transaction price of identical goods (Art. 89)
- based on the transaction price of similar goods (Art. 90)
- based on the goods realization price per unit in the internal market of RA (Art.91)
- based on arithmetical value (Art.92)

Armenia's foreign trade policy recognizing the need for fair, uniform, and neutral system, desiring to elaborate rules for their application and integration into internationally accepted standards, in 2003, applied for World Trade Organization (WTO) membership. Now Customs Valuation provisions of Armenian Customs Code are fully in compliance with the WTO Customs Valuation Agreement. . The Agreement states that primary basis for the Customs Valuation of imported goods shall be the *transaction value* of the goods – the price that is actually paid.¹⁰

Armenia is a Member of the Treaty of Economic Union, a framework agreement signed by nine CIS countries (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, and Uzbekistan).¹¹ The purpose of the Treaty is the establishment of a customs union and common market amongst the CIS countries. Bilateral free trade agreements have been signed with

⁹ See appendices

¹⁰ WTO Customs Valuation Agreement

¹¹ Workshop on Corridor Development for Caucasus Countries

Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation, Tajikistan, Turkmenistan and Ukraine.¹² It is important to mention that Armenia's obligations under the WTO are not conflict with its obligations under bilateral and regional trade agreements. Thus, vehicles originated and imported into RA from states having Free Trade Agreement with the RA shall be exempted from customs duties and taxes. Nowadays main import partners for Armenia are Russia, USA, Belgium, Iran, Great Britain, United Arab Emirates, Turkey, Germany, Georgia, Italy.¹³

STEP-BY-STEP ANALYSES OF THE TRANSACTION

As it was stated earlier, RA Customs is important element in the functioning of the economic and trade market.

Russia, Belgium, the U.S., and Georgia are the largest trade partners of Armenia with the total trade of USD 816.6 million.¹⁴ In 2006 there were 11,857 vehicles imported to Armenia.¹⁵

Armenia does not apply quantitative restrictions (quotas or tariff rate quotas) on imports, and does not maintain a system of minimum import prices. In general there are no import licensing requirements in Armenia and companies are able to import freely.

Now, let's put aside the figure brought above and analyses the main steps for citizens to clearing the imported vehicle for free circulation.

The steps from entry customs point to the exit customs point for the Armenian legal entity or permanent resident are follows;

- filling declaration within 10 days after arrival of the vehicle
- submitting of document (invoice or other substituting document) for the vehicle in the exporting country

¹³ ID

¹⁴ The figure is taken from National Statistic Center December, 2006

¹⁵ Statistics of the Customs Information Office of the Armenian Customs Authorities

- submitting document date; such as shipping documents, customs cargo declaration, commercial invoice, the Country of Origin Certificate
- filling document sequential number, information on the seller (deliverer), buyer (receiver), their full names
- submitting detailed description of goods, their names, brand or trade mark, information on the number of seats, unit of measure, and total value of vehicle
- based on submitting document fills out Single Administrative Document (SAD)
- making payment of customs duties and fees as calculated in the declaration
- making payment for customs formalities

Step 1

Within the meaning of the Code the importer must be an Armenian legal entity - a company or its branch registered in Armenia, an official representative located and registered in Armenia, or a permanent resident of Armenia.

According to Art. 128 of RA Code all vehicles imported through the customs border of RA are subject to declaration. Vehicles can be declared either verbally or in writing by providing accurate information on the vehicle, the purpose of its transportation, as well as other information on customs control and processing. Imported vehicles must be declared in the regional customs house where that particular organization operates, with the exception of shipments processed through Yerevan "Zvartnots" international airport. Vehicles imported by air transport by legal persons are declared in "Zvatnots" custom house in Yerevan.¹⁶

The organization or legal entity importing vehicles should complete a declaration before the final customs processing in the appropriate regional customs house within 10 days after importation of goods¹⁷

¹⁶ www.customs.am

¹⁷ RA CC Art.130

Step 2

Organizations and legal entity that wish to import goods across the customs border of Armenia should submit shipping documents to customs within 10 day after the vehicle enter the country;¹⁸

- shipping documents (originals) including the driver's name, vehicle registration number, and final destination
- bill of lading, with all relevant data, such as registration number of vehicles, cargo description, and contract number
- customs cargo declaration
- commercial invoice (original), including information as terms of delivery, description and quantity of goods, country of origin, price per item and total value of vehicle, and transportation cost

For importing vehicles subject to declaration through Armenia's customs border, the country of origin of the goods should be declared along with other data. The Country of Origin Certificate or related document presented to Customs during export/import should include:

- country of origin of commodity;¹⁹
- description of commodity;
- commodity HS code;
- quantity.

In the case of the absence of a Country of Origin Certificate or related document, customs will apply maximal tariffs for "a similar country" defined by the law, but it will not apply non-tariff

¹⁸RA Gov. Res. N 413 (May 2001) "List of documents for customs clearance and procedures of submitting the documents".

Vehicles imported by legal persons for free circulation through RA Customs borders in addition to completing a declaration shall fill up CC-10 and CC-11 forms.

In case customs declaration on vehicles is not submitted to customs bodies during the assigned time frame and for failure to submit other supportive documents on the vehicle necessary for customs control upon the request of customs authorities as well as hand writing declaration a penalty of 10.000 thousand AMD applied.

¹⁹ RA Gov. Res. No. 1246, "On Confirming the Order of Issuing Country of Origin Certificates and Conducting Expertise," dated December 24, 2001.

For obtaining a Country of Origin Certificate all legal entities should submit request to Chamber of Commerce

restrictions.²⁰ Within 120 days after importing the goods, the importer may submit a Country of Origin Certificate or related document, and receive reimbursement for any extra payments made during import without a Country of Origin Certificate.

Step 3

Based on the documents submitted the Customs Control requirements, the importer fills out the *Single Administrative Document* (SAD). The completed SAD is registered in the automated system. The registered SAD is checked and signed by the importer and stamped with the organization seal and is submitted to the authorized person in the customs house.²¹ Amendments and supplements are made before accepting by customs officer. After the documents are checked the importer is notified about the responsibility he/she bears in case incorrect information is provided and only after that the SAD is assessed and accepted.²²

The assessed SAD is sealed with the inspector's personal seal and the importer signs and seals the document with the seal of the organization. It is a legal document starting from the moment it is accepted, and the importer bears a responsibility for the inaccuracy of information declared by him.²³

After reviewing the SAD, the automated ASYCUDA system classifies passage of the shipment;²⁴

- *Red channel - declared freight is subject to detailed inspection*
- *Yellow channel - declared freight is subject to partial inspection*
- *Green channel - declared freight is released without inspection*

Step 4

According to the Customs Code of Armenia, Customs collects the following payments for importing vehicles²⁵

²⁰ RA CC Art. 165

²¹ RA Government Decree no. 413, of May 15, 2001

²² www.customs.am

The legal entity should submit the copy of SAD issued to him/her during customs processing of transportation means to the State Vehicle Department under the Republic of Armenia Ministry of Interior Affairs in order to register or deregister the transportation means in the defined manner.

²³ *Customs Information for commercial importer and exporter in Armenia (Customs Commercial Brochure), 2006*

²⁴ *(++ Automated Systems of Customs Update Data Administration)*

- Road Tax collected from owners of imported vehicles. For delayed payments of Road Tax fine for each day of unpaid road tax to the amount of 0.25% will apply but for no more than the unpaid amount.²⁶
- Environmental Payments collected from vehicles. There is no fixed environmental payment. However, the payment starts from 2500 drams depends on the age of the engine of the imported vehicle (the older the engine, the higher the tax). For delayed payments of environmental tax fine for each day of delay to the amount of 0.25 % of unpaid money will apply²⁷.
- Value Added Tax 20% collected on the amount of valuation plus customs duty²⁸. For delayed payment of VAT fine for each day of delay to the amount of 0.15 % of the unpaid customs duty will apply, but for no more than 365 days.²⁹

Import of goods by foreign countries, international, diplomatic, inter-governmental organizations, NGOs, religious and similar organizations, and individual benefactors as part of humanitarian assistance within humanitarian aid projects, as well as goods imported by VAT payers in the Republic of Armenia directly related to the implementation of such projects shall be exempt from customs duties.³⁰

Step 5

3,500 drams shall be paid as customs user fees for carrying out customs formalities as well as to remittance of currency and foreign currency transferred by banks, through the customs border of the

²⁵ *In case of the late payment of the custom duties a penalty shall be levied from the payer in the amount of 0.2 % of the total value of the custom duties for every day of delay.*

²⁶ *Law on Road Payments, "State Official Bulletin" N. 7, 1997*

²⁷ *Law "On nature preservation and nature utilization payments", December 20, 2006*

²⁸ *Armenia's tax system has been completely overhauled since 1992, as part of the Government's overall policy of economic transformation towards a market economy. The following taxes are currently applied in Armenia: value added tax; excise tax; profit tax; income tax; property tax; land tax.*

²⁹ *Law "on VAT," "State Official Bulletin"*

³⁰ *RA CC Art. 104*

Republic of Armenia.³¹ For providing Customs warehousing by the Customs Authorities, the amount of customs user fees shall be;³²

- a. 1,000 drams daily for 10 days
- b. 300 drams daily per additional day

For the purposes of Customs inspection of means of transportation, the amount of customs user fees is³³;

- a. 2,000 drams for a car with not more than 10 seats
- b. 5,000 drams for all other means of transportation

Customs escort of vehicle through the territory of Armenia is 7000 drams per 100 km.

Whereupon, based on the submitted documents, Customs issues a Customs Declaration Form. The declaration process is automated and is done through an ASYCUDA computerized processing system and then submitted to a Customs Valuation inspector.³⁴

Customs value of goods is their transaction price plus the transportation costs. Customs value of vehicle imported into RA Customs border is determined by the importer except for cases specified by the Code, when Customs value is determined by Customs Authorities.³⁵ Customs Valuation shall be made in accordance with the Interpretative Notes of Chapter 7 of Valuation Agreement of the General Agreement on Tariffs and Trade, in compliance with procedures specified by the RA Government.³⁶

The customs values should include the following costs;³⁷

- procurement price in the exporting country,

³¹ RA CC Art.110 paragraph 1

³² RA CC Art.110 paragraph 7

³³ RA CC Art.110 paragraph 8

³⁴ RA CC Art.134

³⁵ RA CC Art. 82

³⁶ RA Gov. Res. N-2170

³⁷ RA CC Art. 83

In case of lack of adequate information regarding of customs valuation, the Customs Committee may request for additional information from State Bodies.(RA Government Decision N - 20)

- freight, loading, unloading, transshipment,
- insurance and other similar expenses for transporting goods to the customs border of Armenia, commission and broker charges,
- supplier costs provided by buyer to producer if they occurred,
- royalties and licenses if they were necessary for product sale,
- cost for containers, packages and packaging,
- payments overdue to supplier by buyer for the declared goods.

For calculating the customs value of goods, the importer should submit payment documents (invoice or other similar document) for goods procurement in the exporting country in addition to the customs declaration. The invoice should include the following information;³⁸

- date, and serial number,
- names of the seller and buyer,
- detailed description of product and brand,
- number of units, unit of measurement, and price per one unit,
- weight, and total value of product,
- commissions and brokerage charges for transportation,
- loading, unloading, shipment,
- insurance and other similar expenses for transporting goods to the customs,
- any prepayments made by buyer to supplier or sale commissions due to supplier

If the vehicle is transported through the customs border of the RA, either by supplying false documentation for customs control and processing, or by invalid documentation obtained from illegal sources, as well as by using false customs declarations, or if there is a lack of precise

³⁸*RA CC Art.87*

Customs value determined by the importer shall not constitute grounds in the following cases.... (See appendix 4)

information, either penalty in the amount of the customs value of the vehicle or criminal charges apply.³⁹

All disputes that arise between a foreign investor and the Republic of Armenia must be settled in Armenian courts.⁴⁰ The Bilateral Investment Treaty, signed by the U.S. and Armenia, provides in the case of a dispute that arises between an American investor and the Republic of Armenia, the Investor may choose to submit the dispute for settlement by binding international arbitration.⁴¹

INTERNATIONAL BEST PRACTICE

Armenia, as a country in transition, faces various problems including economic ones that indirectly result in some shortcomings or failures of certain services, among them is Customs.

The purpose of this section is to provide summary of key features of international best practice in respect of valuation of imported vehicles issue. This summary is based on the analyses of the respective legislation of the Customs Code of the European Union such as France, Sweden, and UK and Australia,

The Customs Union is a foundation of the European Union and an essential element in the functioning of the single market. The single market can only function properly when there is a common application of common rules at its external borders. Customs Union makes an important contribution in trade facilitation, in the protection of the financial interests of the EU, and in the protection of the society. No customs are levied on vehicles traveling within the Customs Union.⁴²

³⁹ RA CC Art.202

⁴⁰ Foreign Investment Law of 1994

⁴¹ www.jdemirdjan.com/Armenians/embassy_of_the_united_states

⁴² Members of the Customs Union impose a common external tariff on all goods entering the Union. One of the consequences of the Customs Union is that EU member states have to negotiate as a single entity in international trade deals Wikipedia, free encyclopedia
www.wikipeid.org

It is important to note that all EU countries have the same codes, duty rates and procedures. Nevertheless, there are countries whose customs code and procedure has simplified and practical system.⁴³

The following example illustrates the valuation process of imported vehicles to France via courriers other than European Union.

Step 1

At the France port of entry the importer must submit to Customs documents such as;

- foreign registration of the vehicle
- a commercial invoice
- a T1 declaration of the single administrative document where the vehicle has been imported through another MS of the EU and has been sent in-bond to French port of entry (in-bond transit in the EU under T1 declaration is covered by a guarantee) or
- SAD certificate where the vehicle is imported directly from the country where it was manufactured and if this country has concluded a trade agreement with the EC

In case importer does not have either commercial invoice or seller's certificate the value will be evaluated

- either in conformity with standard values for new and used cars available in publications
- by reference to the manufacturers selling price of the vehicle or of similar vehicles
- customs may deduct from this assessed value certain amounts - variable according to the type of vehicle and the publication used as the reference - to take into consideration the depreciation of the vehicle

⁴³ *Custom Code of the EC, Article 28, 36*

Implementing Provisions to the Custom Code Article 141 to 181 and annexes 23 to 29

Step 2

- submit declaration to the French Customs office of destination within 10 days after arrival of the vehicle to the port
- submit movement certificate **EUR.1**, so that you may be eligible for the free or reduced duty rates as defined in the agreement.

Step 3

After the clearing the Customs, based on the document submitted the importer will be given a copy of the declaration, receipt, and customs entry certificate # 876.

Step 4

The importer under a strict responsibility to register the vehicle within 4 months under a French domestic license plate once the vehicle has been cleared through Customs. Failure to register may result in severe penalties.

Step 5

If the vehicle is imported to France from non -European Community and a country which is not member to the European Customs Union by a trade agreement pays customs duty of 10% for automobiles, 10% for Motor homes, 9% for motorcycles, 5.3% for House trailers, 5.3% for trailers.⁴⁴

However, the procedure is differ when a country is a member to the European Customs Union. Depending on the provisions of the agreement, all vehicles are liable to pay null or reduced duty rate to customs, and Value Added Tax (VAT) at the uniform applicable rate of 19,6%.

The Customs value of goods imported into Australia is based on information (in particular prices) advised by the importer. All imported vehicles are subject to the same rates of Customs duty

⁴⁴www.info-france-usa.org/intheus/customs/5000.asp
www.agis.dov.au

and Goods and Services Tax (GST) and, where applicable, Luxury Car Tax (LCT) as commercially imported vehicles. The Customs duty is based on the Customs value of the vehicle.⁴⁵

Step 1

Before gaining clearance of motor vehicle through the Australian Customs Service it needs to;

- obtain a “*Vehicle Import Approval*” from the Vehicle Safety Standards Branch of the Department of Transport and Regional Services before importing any vehicle into Australia since Customs duty varies according to vehicle design and value, and is subject to change. Without permission to import a special duty of \$12,000 may apply.

Step 2

- obtain quarantine clearance from the Australian Quarantine and Inspection Service after the vehicle has arrived at the port of entry

Step 3

- pay customs duty, and obtain a customs clearance at the port of entry.

Step 4

Credit holders must pay customs duties and taxes no later than Friday of the fourth week after an import transaction has taken place. Customs bill will be sent 11 days before payment is due. Payment must be received in to accounts no later than the due date. If the bill is not paid on time 10% interest on arrears will accrue.

To enable Customs to determine the value of vehicle, one must present passport, all purchase documents, bills of sale, registration papers, service records and shipping Bill of Lading together with any other documents that may assist Customs in determining the customs value.

Because of the various duty rates applicable, two valuation regimes depending on whether the car was purchased before or on or after 2 March 1998 exists in Australia.⁴⁶

⁴⁵ www.aqis.dov.au

⁴⁶ See Appendix 5

Motor vehicle manufactured in Australian can be imported without paying Customs duty.⁴⁷ However, it is required to pay GST and, where applicable, LCT on the vehicle if no GST or applicable LCT was paid when the vehicle was originally exported from Australia.

Another example of best practice for Armenai could be Swedish Customs *Defer-Payment Procedure advantage*. Sweden has an advantage to defer-payment of duties and taxes in case of regularly importation of vehicles.⁴⁸ Importers with credit permit pay customs duty and taxes after the vehicles have been cleared. This means the importer has access to them, perhaps manage to sell them and receive the profits before paying the charges. However in order to defer payment, importer must first have an authorization. Importer apply for credit authorization by filling out the form Tv 404.1⁴⁹ In the application the importer calculate import transactions during one year. This calculation is the basis for credit rating used in determining the amount of deposit required. The application required for authorization is send electronically to Submission of Information for Swedish Customs procedures.⁵⁰

The advantage of defer payment arrangement⁵¹

- get a credit period of 30 days and do not have to pay the charges for customs duties and other taxes immediately after clearing vehicle through Customs.
- issue a weekly customs bill with an enclosed in payment form.
- simplified clearance procedure for release for free circulation.
- local clearance procedure for release for free circulation

⁴⁷ One must provide that owned and used the vehicle overseas and there are no outstanding Australian duties, taxes or charges owing on it

⁴⁸ Council Regulation (EEC) no 2913/92, Articles 8-9, 189-200 and 222-232 (Customs Code) Swedish Customs Act (2000:1281), Chapter 5, Sections 7-9 and 15-22 Customs Proclamation (TFS 2000:20), Chapter 19, Sections 1-9 and 11-20.

⁴⁹ Ansökan om kredittillstånd; www.tullverket.se

⁵⁰ The Swedish Customs Computer system is one of the largest, most modern and automatic systems in Europe, where the use of electronic signatures has made customs routines paperless. Today 90% of the customs declarations are handled electronically and of these around 80% are cleared automatically.

⁵¹ Swedish Customs Tv 790.33 - September 2007.

In United Kingdom, notwithstanding the same format as that of all EU countries, the procedure is differing when importer regularly buys goods from the same supplier. The importer can record a General Valuation Statement (GVS), a long term declaration, with the GVS Registration Unit in London in order not to avoid completing of declaration each time importing vehicles. The declaration remains valid for a period of three years as long as the particulars do not change, after which it has to be renewed.⁵²

PROCEDURE EVALUATION

The given examples display a contrast between developed countries versus developing. While dealing with the Customs operations it is very important for the importer to deal with simplified and rationalized customs legislation, and also paperless environment.

In comparing the process of clearing and calculating customs value of vehicles of Armenia and other countries the most the key issues and mechanism are the same, mostly the customs value of vehicles that is defined by the transaction price method. It is important to note that all EU countries have the same service codes, duty rates and has a simplified system. RA Code does, however, not provide simplified procedures that will suggest importers a multiplicity of procedures in order to best meet the importers' requirements.

Moreover, the fact that the relevant provisions of the Armenian Code are in conformity with the rules and obligations of WTO, including GATT Article VII and the Agreement on Customs Valuation,⁵³ they are not fully implemented. Contrary to international best practice, the process is not based on the information given by the importer who is responsible for declaring the customs value based on the available invoices, but is conducted by customs authorities. Moreover, the

⁵² *HM Revenue & Customs*
www.hmrc.gov.uk

⁵³ *Regional Workshop on Accession to WTO – Economies 25-27 July 2001*

customs authority keeps a price list for similar products in the local market. As a result, instead of applying an invoice value for Customs Valuation, as defined by the law, they often apply alternative method whenever higher than the invoice price.

The analysis above made it obvious that Armenian Customs legislation have serious gaps. The reason is that legislation does not have detailed description of customs regime and formalities. Moreover, there is no single unified legal act where all regulations, decision of the Government, Tax Authorities, and Customs are united.⁵⁴

Thus, international legal framework could serve as a blueprint for drafting of modern Customs techniques that would broaden the duties and responsibilities of the Customs Authorities.

REFORM

Customs Valuation in Armenia show many interacting weaknesses of procedures along with inadequately qualified officials, who often receive side-payments for performing their functions.

After the evaluation of Armenian and International best practices and with the realization of their quality perfection in customs provision, some comprehensive reforms or amendments regarding the language of RA Customs Code may contribute to the elevation of standards in Armenia.

Armenia's accession to the WTO in 2003 contributes an improving business climate. However, the implementations of WTO Customs Valuation requirements do not become practical and beneficial to Armenia, since current practices reveals that WTO valuation requirements are not applied fully at present, and cannot be applied effectively until necessary legislations are prepared. Consequently a comprehensive Customs Act with detailed definition of valuation terms, transparent provision of price, clear guidance to valuation is needed.

⁵⁴ *US Embassy, Country Commercial Guide, Armenia, FY 2006*

Customs Valuation has remained always an issue of dispute between the government and trading community. The trading community complains that Customs Valuation is discretionary and not fair. On the other side the Customs official claims that the importers try to undervalue the goods they import. The application of WTO Agreement on Customs Valuation can address the issue, provided the importers declare the price actually paid or payable for the goods imported.⁵⁵

So, what are the general issues that the Armenian Government and Customs Authorities to be addressed for improving the current practice?

According to WTO Agreement on Customs Valuation, customs officers can question the declared value whenever they have reasonable doubts about the accuracy of the declared value and the documents presented in its support.⁵⁶ In order to protect the right of the Customs Authorities to ask importers to justify its transaction value, the customs should be equipped with required information. Hence, Armenian customs need to create both an adequate data-base and have access to regional and international databases. Electronic data are also necessary for verifying the authenticity of the information provided by the importer about the value of identical or similar goods.

Electronic transmission of information among customs offices, and other related agencies are also important. The information should include all customs regimes and operations, control functions, audit, and exchange of information with foreign trade operators, statistic and management. Armenia has a system of electronic submission of declarations but not very well implemented and therefore only a small percent of customs operation procedures are handled electronically.

According to RA Customs Code there is no sufficient legal obligation for customs authority to perform their duties. There is no customs training strategy, although there are staff of 200, therefore there is no customs specialist on this filed. Only skilled manpower with extensive knowledge is required to make implementation of Valuation Agreement successful. Thus, various measures such

⁵⁵ *Rege, V (2002), Custom Valuation and Customs Reform Development, Trade and the WTO, edited by Barnard Hoekman, Aaditya Mattoo, and Philip English, Washington: World Bank.*

⁵⁶ *ID.*

as strict staff evaluation, professional training, good incentives, internal control, a code of conduct, enhance fairness, competency should be taken to promote integrity in customs administration.

Armenian Government has to take step to integrate into the world economy and comply with international high standards. This strategy can only be attained by establishing market based competition through liberalization of prices and trade and through elimination of obstacles to private sector development.⁵⁷

Reform and modernization should be taken to simplify and harmonize Customs documents and procedure in order to eliminate situation when importers offer bribes to customs officials. Also adoption of standard working procedures or Code of Conduct within the frames of Code of Ethics and Conduct could significantly improve transparency at all stages of customs procedures and inconsistent practices.⁵⁸

And finally, the key prerequisite for facilitating trade and attracting investments is the improvement of the banking system. The adoption of this standard will help Armenian integration into the world economy and diversification of economic relation with other countries.

⁵⁷ Walsh, T. J (2003), *Customs Valuation, Changing Customs*, (edited by Michael Keen), Washington: IMF.

⁵⁸ WCO (1998), *WCO Manual on Measures to Combat Fraud – WCO, DoC 38.080/Rev, 2 Feb. 1998*, Brussels: World Customs Organization.

CONCLUSION

The objectives of this paper were to analyse the current situation in respect to Customs Valuation in Armenia, to assess the relevance of the Customs Code in order to compare relevant provisions of the Code with the international standards, and if there are hindrances of the law to provide with recommendations for reforms.

Following the steps of developing countries may help to raise the quality of customs service to a higher ground and step by step move the position of Armenia on the spectrum of progress closer to that of Europe. However, this is only achievable if an effective established legal framework combined with the good will of the Armenian Government, Administrative Authority and the society are made.

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APPENDIX 1:

What is Valuation Agreement and what does it do?

The Customs Valuation Agreement of the World Trade Organization (WTO) sets out a fair, uniform and neutral system for determining the value of imported goods on which customs officials levy duties. This system bars the use of arbitrary or fictitious customs values.

The Agreement was negotiated during the Uruguay Round of Multilateral Trade Negotiations, which was concluded in April of 1994. It elaborates and makes more precise Article VII of the Multilateral Agreements on Trade in Goods -- GATT (1947) , and its official name is: "Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994". All WTO members are Parties to this Agreement, which entered into force on January 1, 1995, and which has no expiration date.

Who benefits from this Agreement?

Any company involved in international trade can benefit from the fair and predictable rules in this Agreement for the valuation of goods for customs purposes. The Agreement states that the primary basis for the customs value of imported goods shall be the "transaction value" of the goods – the price that is actually paid or payable when the goods are sold for export. The payment may be direct or indirect. Under the Agreement, customs authorities may add only the following to a good's transaction value– no other additions are allowed:

certain costs, if they are incurred by the buyer, that are not included in the price paid or payable for the goods, including commissions and brokerage fees, the cost of containers, and packing costs; the value of certain goods and services, if they are supplied by the buyer at reduced cost and are not included in the price, such as: materials, components and parts incorporated in the imported goods; tools, dies or molds used in the production of the imported goods; materials consumed in the production of the imported goods; and engineering, development, artwork, design work or plans

necessary for the production of the imported goods; royalties or license fees related to the goods being valued that the buyer must pay as a condition of sale; and, the proceeds of any subsequent resale, disposal or use of the imported goods that accrue to the seller.

The Agreement permits importing country legislation to include, or exclude, from customs valuation:

- the cost of transporting the goods to a port or another place of importation;
- the cost of loading, unloading and handling; and
- the cost of insurance.

The Agreement cites certain situations in which the transaction value of imported goods is not acceptable for customs purposes. These arise: when there are restrictions (with some exceptions) on the disposition or use of the goods by the buyer; when the sale or price of the goods is subject to a condition or consideration for which a value cannot be determined; when some part of the proceeds of any subsequent use of the goods by the buyer accrues to the seller; or, with some exceptions, when the buyer and seller are "related".

Other Methods of Customs Valuation

For cases in which it is impossible to determine the transaction value of imported goods, the Agreement provides for other valuation methods. The first alternative is to set the customs value on the basis of the transaction value of identical goods sold for export to the same country. If there are no identical goods, the customs authorities shall use the transaction value of similar goods sold for export to the same country. If identical or similar goods are not sold for export to the same country, the value of identical or similar goods when sold in the importing country may be used. In the alternative, a computed value may be used; the Agreement describes how this value should be calculated. When all else fails, customs authorities shall use "reasonable means consistent with the principles and general provisions of this Agreement" to determine the value of the imported goods.

The Right of Appeal and Transparency

The Agreement states that the customs legislation of each WTO member country shall provide for the right of appeal without penalty by importers, initially to the country's customs administration or an independent body and then to a judicial authority. All laws, regulations, judicial decisions and administrative rulings giving effect to the Agreement shall be published.

Committees

The Agreement established a Committee on Customs Valuation, composed of representatives of each WTO member country. This Committee meets at least once a year and affords members the opportunity to consult on matters relating to the administration of the customs valuation system. A Technical Committee on Customs Valuation was also established by the Agreement under the auspices of the World Customs Organization, an international organization based in Brussels whose purpose is to promote international cooperation on customs matters. The responsibilities of the Technical Committee, which meets at least twice a year, include: examining specific technical problems arising in the day-to-day administration of the Agreement; providing advisory opinions and appropriate solutions for these problems; studying valuation laws, procedures and practices of member countries; and furnishing information and advice on any matters concerning customs valuation that may be requested by member countries.

Short historical overview

Brussels definition of value

Starting in the 1950s, customs duties were assessed by many countries according to the Brussels Definition of Value (BVD). Under this method, a normal market price, defined as “the price that a good would fetch in an open market between a buyer and seller independent of each other,” was determined for each product, according to which the duty was assessed. This method caused widespread dissatisfaction among traders, as price changes and competitive advantages of firms were not reflected until the notional price was adjusted by the customs office after certain periods of time. New and rare products were often not captured in the lists, which made determination of the “normal price” difficult. The USA never became part of the BVD. It was clear that a more flexible and uniform valuation method was needed which would harmonize the systems of all countries.

Tokyo Round Valuation Code

The Tokyo Round Valuation Code, or the Agreement on Implementation of Article VII of the GATT, concluded in 1979, established a positive system of Customs Valuation based on the price actually paid or payable for the imported goods. Based on the “transaction value”, it was intended to provide a fair, uniform and neutral system for the valuation of goods for customs purposes, conforming to commercial realities. This differs from the “notional” value used in the Brussels Definition of Value (BVD). As a stand-alone agreement, the Tokyo Round Valuation Code was signed by more than 40 contracting parties.

The new Agreement

The Tokyo Round Code was replaced by the WTO Agreement on Implementation of Article VII of the GATT 1994 following conclusion of the Uruguay Round. This Agreement is essentially the same as the Tokyo Round Valuation Code and applies only to the valuation of imported goods for the purpose of levying ad valorem duties on such goods. It does not contain obligations concerning

valuation for purposes of determining export duties or quota administration based on the value of goods, nor does it lay down conditions for the valuation of goods for internal taxation or foreign exchange control.

Basic principle: Transaction value

The Agreement stipulates that customs valuation shall, except in specified circumstances, be based on the actual price of the goods to be valued, which is generally shown on the invoice. This price, plus adjustments for certain elements listed in Article 8, equals the transaction value, which constitutes the first and most important method of valuation referred to in the Agreement.

The 6 Methods

For cases in which there is no transaction value, or where the transaction value is not acceptable as the customs value because the price has been distorted as a result of certain conditions, the Agreement lays down five other methods of customs valuation, to be applied in the prescribed hierarchical order. Overall the following six methods are considered in the Agreement:

Method 1 — Transaction value

Method 2 — Transaction value of identical goods

Method 3 — Transaction value of similar goods

Method 4 — Deductive method

Method 5 — Computed method

Method 6 — Fall-back method

APPENDIX 2:

REGIONAL CUSTOMS

Working hours: 9am-6pm

ARARAT REGIONAL CUSTOMS HOUSE

10 Isakov Avenue

Yerevan-82

Tel: (+374-1) 527-611

Fax: (+374-1) 541-090

GUGARK REGIONAL CUSTOMS HOUSE

44 Moskovyan street

Vanadzor-377200

Lori province

Tel: (+374-1) 288-637

Fax: (+374-1) 537-125

SHIRAK REGIONAL CUSTOMS HOUSE

21 Khorenatsi street

Gyumri-377500

Shirak province

Tel: (+374-1) 285-614

Fax: (+374-1) 357-125

SYUNIK REGIONAL CUSTOMS HOUSE

Sisian-Yerevan highway sixth kilometer

Sisian-378010

Syunik province

Tel: (+374-1) 285-826

Fax: (+374-1) 537-125

"ZVARTNOTS" CUSTOMS HOUSE OF YEREVAN

Zvartnots international airport, Yerevan

Tel: (+374-1) 593-566

Fax: (+374-1) 537-125

TIR REGIONAL CUSTOMS HOUSE

10 Isakov Avenue

Yerevan-82

Tel: (+374-1) 568-474

CUSTOMS POINTS

Working hours: 24 hours

AYRUM CUSTOMS POINT

“Airum” railroad station, Tavush province

Armenian-Georgian border, responsible for railroad transportation only

Tel: (+374-66) 21-980

Fax: (+374-1) 537-125

BAGRATASHEN CUSTOMS POINT

Bagratashen village, Tavush province, Armenian-Georgian border

Tel: (+374-1) 284-571

Fax: (+374-1) 537-125

BAVRA CUSTOMS POINT

Bavra village, Shirak province

Armenian-Georgian border

Tel: (+374-1) 285-829

Fax: (+374-1) 537-125

GOGAVAN CUSTOMS POINT

Town of Tashir, Lori province

Armenian-Georgian border

Tel: (+374-54) 21-984

Fax: (+374-1) 537-125

JILIZIA CUSTOMS POINT

Jilizia village, Tavush province

Armenian-Georgian border

Tel: (+374-66) 21-980

Fax: (+374-1) 537-125

MARGARA CUSTOMS POINT (currently not functioning)

Margara village, Armavir province

Armenian-Turkish border

AKHURIK CUSTOMS POINT (currently not functioning)

Akhurik village, Shirak province

Armenian-Turkish border

MEGHRI CUSTOMS POINT

Town of Agarak, Syunik province,

Armenian-Iranian border

Tel: (+374-1) 285-452

Fax: (+374-1) 537-125

NOR HAJN CUSTOMS POINT

Nor Hajn village, Kotayk province,

Serves diamond-cutting companies located in Nor Hajn Village

Tel: (+374-1) 527-611

Fax: (+374-1) 541-090

PRIVOLNOYE CUSTOMS POINT

Town of Tashir, Lori province

Armenian-Georgia border

Tel: (+374-54) 21-984

Fax: (+374-1) 537-125

SHIRAK AIRPORT CUSTOMS POINT

"Shirak" airport,

City of Gyumri, Shirak province

Tel: (+374-1) 285-829

Fax: (+374-1) 537-125

APPENDIX 3:

CHAPTER 14 **RULES FOR DETERMINING CUSTOMS VALUE**

Article 89 Determination of Customs Value According to the Transaction Price of Identical Goods

1. Customs value of goods transported through the Customs border of the Republic of Armenia shall be determined on the basis of transaction price of identical goods sold in the same or nearly the same quantity at the same or nearly the same period of time for export to the importing country, making specifications conditioned by differences in commercial levels and/or quantities of goods. This specification shall be based on facts, irrespective of the circumstances that transaction price increased or decreased after the specification.

2. While making the specifications, the differences between expenditures and payments for transportation of goods imported from different distances and by different means of transportation shall be taken into consideration.

3. If, when applying this Article, it appears that there are more than one transaction prices for the same goods, Customs value of the imported goods shall be determined according to the lowest such value.

Article 90 Determination of Customs Value According to the Transaction Price of Similar Goods

1. Customs value of goods transported through the Customs border of the Republic of Armenia shall be determined on the basis of transaction price of similar goods sold in the same or nearly the same quantity at the same or nearly the same period of time for export to the importing country, making specifications conditioned by differences in commercial levels and/or quantities of goods. This

specification shall be based on facts, irrespective of the circumstances that transaction price increased or decreased after the specification.

2. While making the specifications, the differences between expenditures and payments for transportation of goods imported from different distances and by different means of transportation shall be taken into consideration.

3. If, when applying this Article, it appears that there are more than one transaction prices for the same goods, Customs value of the imported goods shall be determined according to the lowest such value.

Article 91 Determination of Customs Value for Goods Transported across the RA Customs border on the Basis of Sale Price of the Unit of Commodity in the RA Domestic Market

1. If the goods transported across the RA Customs border or in accordance with Articles 75 and 76 of this Code their similar or identical goods are sold in the RA domestic market in the same appearance then their Customs value is determined by their largest gross quantity on the basis of sale price for unit of those goods or their similar or identical goods in the same or nearly the same time period taking into account the reductions and additions mentioned in point 2 and 3 of this Article according to the cases of import and export.

2. The reductions mentioned in point one of this Article are:

a) Commissions and commercial overheads (including the profits gained in the result of selling those goods in the RA domestic market) usually applied in the RA at sale of goods of the same kind when determining Customs value for imported goods;

b) Transportation, warehousing, insurance and other similar expenditures made within the territory of the RA when determining Customs value for imported goods;

c) Taxes and other obligatory payments payable for selling those goods within the territory of the RA when determining Customs value for imported and exported goods;

d) Customs payments payable for importing those goods when determining Customs value for imported goods.

3. The additions mentioned in point 1 of this Article are the expenditures made for warehousing, transporting, insuring (and other similar expenditures) those goods within the RA territory.

3^a. If goods imported within the same or approximately the same period of importation of goods being assessed or imported similar or identical goods are not sold, then Customs Value, for which in other cases provisions of Par. 1 of this Article are applied, shall be determined on the basis of sale unit price in case of selling in the unchanged appearance in the largest gross quantity after the importation of goods or similar or identical goods into RA, provided that those goods had been sold immediately after the importation of goods being assessed, but no later than within 90 days. Furthermore, Customs Payments shall be made in accordance with Par. 1, Art. 96 of this Code and final recalculation shall be made within the following 60 days.

4. If the goods imported in the same or nearly the same time period or their similar or identical goods are not sold in the RA domestic market in the same appearance then Customs value for imported goods may be determined on the basis of the price by which after further processing imported goods are sold in the RA in their largest aggregate quantity taking into account added value in the result of such processing and the reductions specified by this Article.

5. Procedures for defining the largest aggregate quantity are determined by the RA Government.

Article 92 Determination of Customs Value on the Basis of Computed Value

1. Customs value of goods transported through the Customs border shall be determined on the basis of computed value, which includes:

(a) the value of processing and materials used in production of goods transported through the Customs border;

(b) total expenditures made and profits usually gained in the result of selling goods of the same kind which is mentioned by the producers in the country of export for import into the Republic of Armenia or in the Republic of Armenia for export to the country of import.

(c) Transportation, loading, unloading, transshipment, insurance and other similar expenditures usually made for transporting goods of the same kind in accordance with Article 80 of this Code to the RA Customs border in the same or nearly the same time period with the same or nearly the same quantity.

(d) Commissions and mediation / broker expenditures (except for commissions and mediation broker expenditures made for the purchase of goods) usually made for transporting goods of the same kind in accordance with Article 80 of this Code to the RA Customs border in the same or nearly the same time period with the same or nearly the same quantity.

2. According to this article, for the purposes of determination of Customs value, RA Customs Authorities may, at the producer's consent, verify the information provided by the producer for determination of Customs value in some other country, after notifying in a due order the government of that country of their intention to conduct a verification, if the government of that country does not object the conduct of such a verification.

APPENDIX 4:

CHAPTER 27

DECLARATION AND CONFIRMATION OF COUNTRY OF ORIGIN OF GOODS

Article 88. Cases of Determining Customs Value by Customs Authorities

1. Customs value determined by the declarant shall not constitute grounds in the following cases:

(a) if the declarant does not submit documents substantiating transportation, loading, unloading, transshipment, insurance costs made for goods before they reach the Customs border of the Republic of Armenia;

(b) if the declarant does not submit to the Customs Authorities the invoice or other document defined by point 1 of Article 87 of this Code;

(c) if, where the Customs Authorities have reasonable grounds to suspect that the invoice presented by the declarant may be false and request further information, the declarant does not submit such of the following documents as are requested by the Customs Authorities to corroborate the invoice:

- A copy of the purchase contract for the goods
- Banking records of the transfer of funds for the purchase to the vendor
- Customs Value Details Declaration completed in accordance with the procedure specified by the Supreme Customs Authority.

(d) if for the person transporting the goods there are restrictions in respect of disposition or use of the goods, except for those restrictions defined by laws or other legal acts, or those limiting the geographical area in which the goods may be resold, or which do not affect essentially the price of commodity;

(e) if the purchase price is conditioned by a circumstance because of which Customs value is not possible to determine on the basis of value of the goods;

(g) if any part of the proceeds of any subsequent use, resale or disposal of the goods by the person transporting the goods does not accrue, directly or indirectly, to the vendor, except for the possibility to make additions to subparagraph g, Article 83 of the present Code;

(h) if Customs value calculated on the basis of transaction price is unacceptable under the provisions of Article 87(2)(e) of this Code

2. Customs value of goods, stipulated in subparagraph 1(a) of the present Article, which are transported through Customs border, is determined by the Customs Authorities, by making additions pursuant to Article 83 of the present Code.

3. Customs value of goods, stipulated in subparagraphs 1(b) to 1(g) of the present Article, which are transported through Customs border, is determined by the Customs Authorities in accordance with Articles 89-94 of this Code.

Article 164 Declaration of the Country of Origin

The declarant shall declare the country of origin together with other information during the transportation of goods subject to declaration through the RA Customs border.

Article 165 Confirmation of Country of Origin

1. Customs Bodies shall confirm the declared information concerning the country of origin.

The declared country of origin shall serve basis for Customs formalities by Customs Bodies if as the only country of origin it is mentioned;

a) In certificate of origin presented by the declarant given by Authorized Body of RA Government or origin country.

b) On goods, packaging and in accompanied documents;

2. Submission of certificate of origin for the transportation of goods through the RA Customs border shall not be a compulsory condition. If more than one country of origin is mentioned on the goods, their packaging and in documents accompanying the goods, or they are not mentioned, therefore:

3.1 Customs Bodies shall confirm country of origin mentioned in the certificate of origin;

3.2 In case of absence of certificate of origin if on the goods, its packaging and in documents accompanying the goods is mentioned more than one country of origin

a) any country of origin selected by the declarant mentioned on the goods, its packaging and in documents accompanying the goods shall be declared and confirmed by the Customs Bodies; b) the combination of highest rate defined in the RA law applied to countries mentioned in 3.2 (a) and more severe measures of non-tariff regulation shall be applied to declared goods.

3.3 In case of absence of certificate of origin if on the goods, its packaging and in documents accompanying the goods is not mentioned any country of origin of goods there should be applied the provisions of subparagraph 'b' of 3.2 of this Article viewing all the countries instead of the countries stated in subparagraph 'a'.

4. The declarant can substantiate the declared country of origin with proofs within 120 days after formalities made according to the order defined in subparagraph 'b' of paragraph 3.2 and paragraph 3.3 of this article and take back the extra-paid amount (if there is any) paid according to subparagraph b of 3.2 and 3.3 paragraph of this article applied by Customs Bodies.

5. The following are the "proofs" mentioned in paragraph 4 of this article;

- a) certificate of origin presented by the declarant given by Authorized Body of country of origin;
- b) certificate of origin presented by the RA Authorized Body.

Article 166 The Information Mentioned in Certificate of Origin

The certificate of origin of goods transported through the RA Customs border presented to Customs Bodies shall contain the following information;

- a) the country of origin
- b) the possible detailed description of goods
- c) the commodity code according to nomenclature of foreign economic activity;
- d) the quantity of goods.

2. In consideration of the present paragraph, the Customs Authorities use the information at their disposal, as well as the information submitted by the declarant, and the one acquired from the foreign State Bodies and the State Bodies of the Republic of Armenia. The procedure of submitting information to the Customs Authorities by the State Bodies of the Republic of Armenia concerning the present subparagraph shall be determined by the Government of the Republic of Armenia.

APPENDIX 5:

DETERMINING THE CUSTOMS VALUE

The customs duty payable in Australia is based on the *customs value*.

For Vehicles Purchased Before 2 March 1998

Customs value is normally calculated in the following manner:

- First, take your **purchase price** in the foreign currency and add to that the cost of any modification or improvement work done on the vehicle. **Do not** add the cost of routine maintenance or repairs for normal wear and tear.
- Next, from the above figure, deduct depreciation which will be calculated in the following way:
 - **Depreciation** is calculated on the basis of 5% for the **first completed calendar month of ownership and use** and 1% for each completed calendar month of ownership and use thereafter up to a maximum of 76% (i.e. six years ownership).
 - **Ownership and use** is determined by documentation in the importer's name (purchase documents, bills of sale, registration papers, service records, etc.) and extends from the date of purchase or delivery (whichever is the later) until the date the owner or the vehicle left the foreign country (whichever is the earlier).
- Next, the **purchase price is converted to Australian dollars** using the official rate of exchange on **the date of export** of the vehicle from the place of export.
- The figure that has been obtained is called the *customs value*.

The above formula for calculating the *customs value* is not normally used where:

- the purchaser cannot present to Customs at the port of importation satisfactory purchase documentation such as invoices, receipts, etc. which verify the full purchase price of the vehicle;
- the vehicle has been purchased overseas at only a token or nominal price;
- between the date of purchase of the vehicle and its subsequent importation into Australia its value has altered *considerably* due to the following occurring:

For Vehicles Purchased Before 2 March 1998

Customs value is normally calculated in the following manner:

- First, take your **purchase price** in the foreign currency and add to that the cost of any modification or improvement work done on the vehicle. **Do not** add the cost of routine maintenance or repairs for normal wear and tear.
- Next, from the above figure, deduct depreciation which will be calculated in the following way:
 - **Depreciation** is calculated on the basis of 5% for the **first completed calendar month of ownership and use** and 1% for each completed calendar month of ownership and use thereafter up to a maximum of 76% (i.e. six years ownership).
 - **Ownership and use** is determined by documentation in the importer's name (purchase documents, bills of sale, registration papers, service records, etc.) and extends from the date of purchase or delivery (whichever is the later) until the date the owner or the vehicle left the foreign country (whichever is the earlier).
- Next, the **purchase price is converted to Australian dollars** using the official rate of exchange on **the date of export** of the vehicle from the place of export.
- The figure that has been obtained is called the *customs value*.

The above formula for calculating the *customs value* is not normally used where:

- the purchaser cannot present to Customs at the port of importation satisfactory purchase documentation such as invoices, receipts, etc. which verify the full purchase price of the vehicle;
- the vehicle has been purchased overseas at only a token or nominal price;

- between the date of purchase of the vehicle and its subsequent importation into Australia its value has altered *considerably* due to the following occurring:
- the importer cannot demonstrate that the sale under consideration took place with the purpose of exporting the motor vehicle or motorcycle to Australia;

Where any of the above situations have occurred, the *Alternate Methods of determining the customs value* will be considered.

APPENDIX 6:

Duties for Motor Transport Vehicles

Road Tax Collected for Driving by Highways

The road tax is a payment mandatory paid to the state budget to produce revenues needed for building, repair, and maintenance of the RA state-owned highways of general use. The road tax is paid by the owners of motor vehicles, individuals and legal entities as well as enterprises not having status of a legal entity driving their vehicles by highways to carry out activities pursuant to the RA Law on Road Tax. The customs bodies collect the road tax on motor vehicles registered in other countries at customs point when they pass the RA border. The customs bodies settle the road tax for driving by highways and collect tax to be paid to the RA budget.

1. Road tax on vehicles registered in other countries The road taxes on vehicles registered in other countries are levied within a month at the following rates each time the vehicles enter the Republic of Armenia

DESCRIPTION OF CARS/TRUCKS	The amount of the tariffs (in AMD)
Motor cars - up 7 seats	10,000
Motor cars - up 13 seats / buses	20,000
Motor cars - from 13 up 30 seats /buses	40,000
Motor cars- 30 and more seats /buses	60,000
Trucks - load-carrying capacity up 1.5 tones	15,000
Trucks - load-carrying capacity from 1.5 up 3 tones	25,000
Trucks - load-carrying capacity from 3 up 5 tones	40,000
Trucks - load-carrying capacity from 5 up 10 tones	65,000
Trucks - load-carrying capacity from 10 up 20 tones	80,000
Trucks - load-carrying capacity from 20 up 36 tones	110,000
Trucks - load-carrying capacity 36 and more tones	150,000

2. Heavy freight motor vehicles. The tax is collected at a rate equal to the product of the sum of the rate fixed for the total mass of a motor vehicle plus axle load and the distance of transportation by highways.

3. Big motor vehicles Big motor vehicles are those at least one of measures of which (including the measure of load) exceeds the following ones:

- Height above road surface 4 m
- Width 2.5 m
- Length with one trailer (semi-trailer) - 20 m, with two and more trailers - 24m
- The load exceeds the back edge of a vehicle by 2.5 and more

The payment for freight by big vehicles driving highways is fixed at 110 drams per 10 kilometers.

APPENDIX 7:

Subject of Regulation of the Law

Here is a list of vehicles imported by organizations and private entrepreneurs that have “0” Customs Duty rate for which value added tax shall not be calculated and collected by Customs Authorities in accordance with the Procedure specified by the Government of the Republic of Armenia.

<i>Code according to Automatic test generation</i>	
8704	Motor vehicles for the transport of goods
8705	Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, breakdown lorries, crane lorries, fire fighting vehicles, concrete-mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units)
8709	Work trucks, self propelled, not fitted with lifting or handling equipment, of the type used in factories, warehouses, dock areas or airports for short distance transport of goods; tractors of the type used on railway station platforms; parts of the foregoing vehicles
871000000	Tanks and other armored fighting vehicles, motorized, whether or not fitted with weapons, and parts of such vehicles
8713	Invalid carriages, whether or not motorized or otherwise mechanically propelled
870390100	Vehicles with electric engine (trolleys)