

Risk Analysis – Customs Valuation

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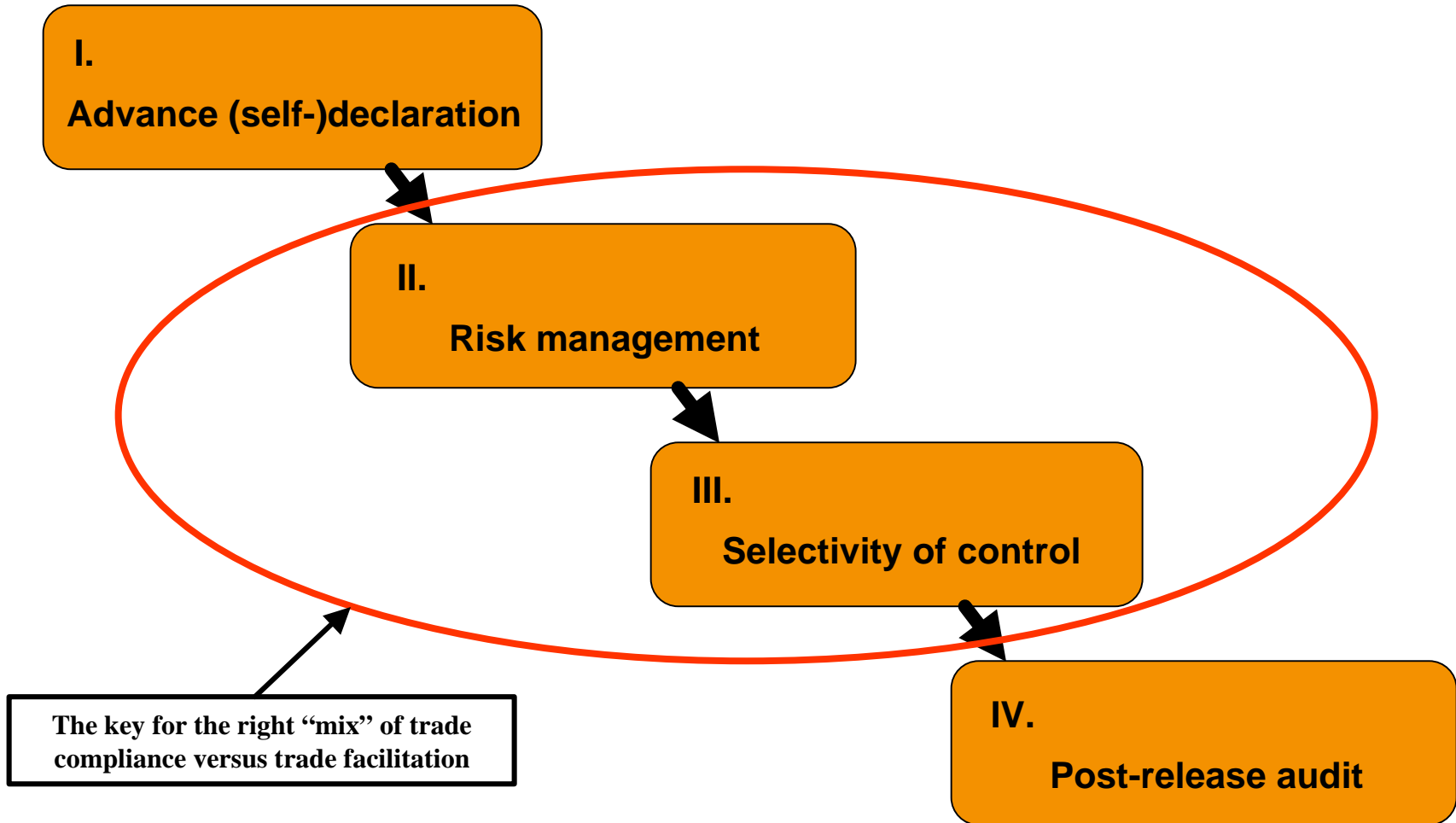
WHEN YOU NEED TO BE SURE

SGS

Introduction/overview

- **Priorities of the importing administration**
- **Duty rates/frequency of traffic**
- **Country of export/production/ origin**
- **Nature of the goods**
- **Risk of customs fraud**
- **SGS approach**

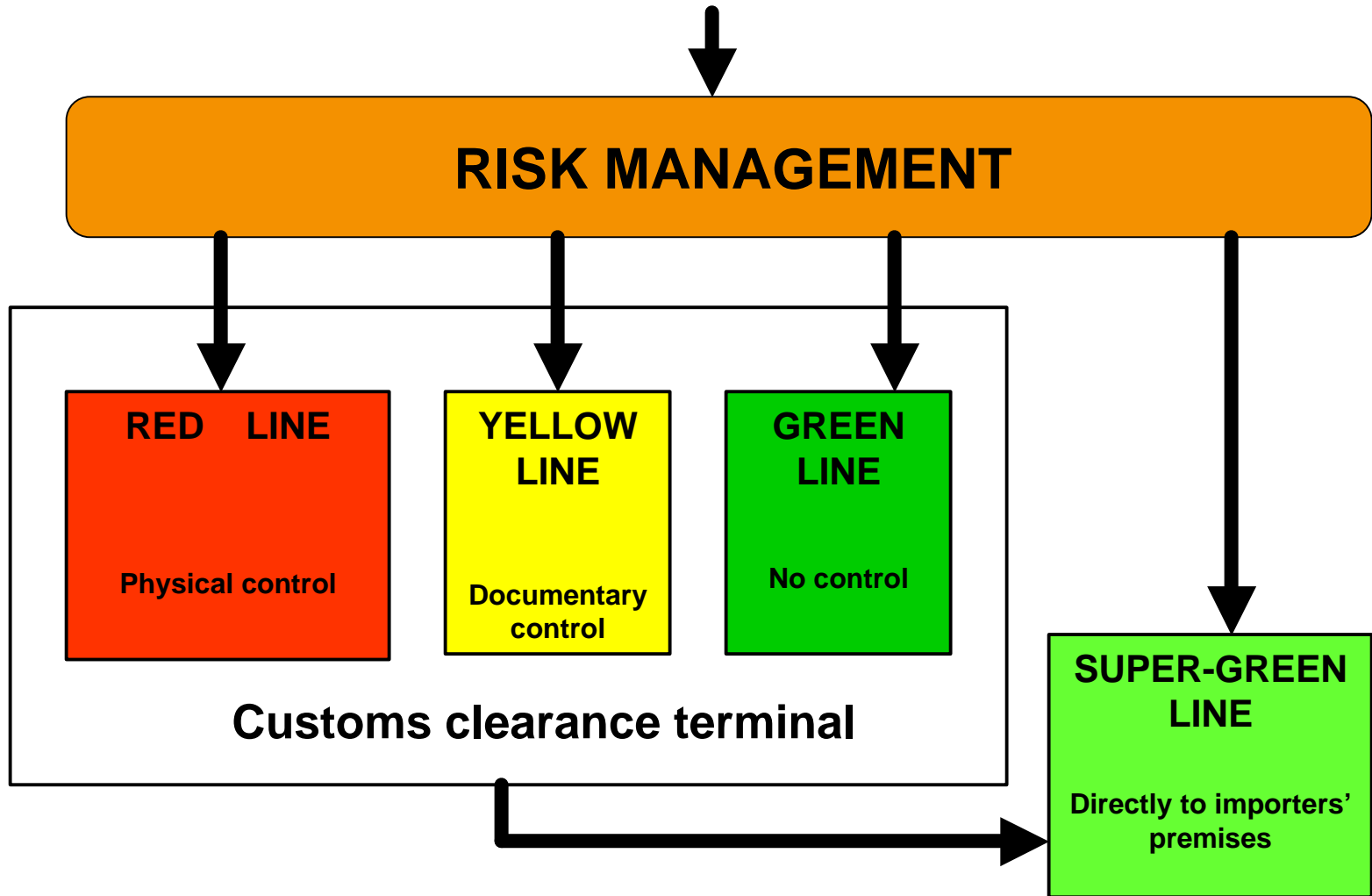
Modern Customs Control Process



Objective of Risk Management

- **Allow Customs to adopt quick, objective and correct decision on the level of risk associated with particular transaction and the form of customs control to be applied**
- **Increase efficiency and effectiveness of customs control by limiting time consuming, administrative demanding and costly physical control to only such cases where found necessary**
- **Transform Customs into “invisible Customs” and turn them into “client-friendly” and “trade facilitating” entity.**

Effect of Risk Management



Risk Management Components

**Risk Management =
Procedures + Information + Skills + IT**

**Definition of
operational framework**

**Actual, complete,
verified and
transaction-specific**

**To set-up and
constantly upgrade
profiling filters**

**Automated profiling &
generation of risk alerts**

Valuation Risk

Priorities of the Importing Administration

- **Finished goods vs goods imported for further production**
- **Protection of local producers**
- **Development of “in country” network (trusted importers, policy departments (Commerce, Finance, Industry) Import /export organizations**
- **Fiscal policy – promotion of foreign investment/identification of “green lane” low risk importers**

Duty rates/ Frequency of traffic

The higher the rate of duty, the higher the incentive to undervalue or commit fraud

- **Determine high value/high frequency, high duty rate traffic**
- **Use information to selectively audit/reassess**
- **Not necessarily related to inspection although additional goods not declared will affect total value**

Country of Export/production/Origin

The country of origin, manufacture and export is an important factor in determining risk. Customs must analyse the Types of transactions that are common from certain countries.

“Sales” from countries such as the Cayman Islands, the Isle of Man or other tax shelter countries may indicate that the buyer/seller may be over-valuing goods for income tax purposes

China /Hong Kong risk

Valuation risk

- **Assists**
- **Royalties**
- **Selling Agents /commissions**
- **Subsequent proceeds**
- **Products associated with many of the above factors – clothing/textiles/electronic goods/ toys/shoes/ auto parts particularly when imported from China/Korea**

- **High duty rates**
- **High risk goods**
- **Determination of high risk countries for fraud**
- **Establishing a penalty regime – publication of results**
- **Determination of value when fraud is involved – legislative amendment / treatment of fraud in International Valuation Agreements - Article 17 and other WCO Instruments.**

SGS Valuation Risk Approach

- **SGS “Profiler”**
- **Presence in the country of sale/production/export**
- **Detection of double invoicing**
- **Existence of the seller – “invoice manufacturers”**
- **Price range comparison to establish doubts regarding the truth or accuracy of the transaction value**
- **Determination of identical/similar goods using complete descriptions beyond what is required for HS**
- **List of risk entities based on global history**

- **State-of-the-art, fully automated Risk Management system**
- **To be provided as a stand-alone service or in combination with SGS import verification services (to enhance the information inputs – validated transaction specific data), SGS cargo scanning services (to support customs destination inspections), etc.**
- **Able to be fully country customized (including language environment)**
- **Design, delivery and complete roll-out, including pilot and testing phases, in less than one year**
- **Details upon request (summary document distributed)**

- History of importer
- History of exporter
- History of forwarder
- Sensitivity of goods (import duty, VAT, excise, quotas)
- Country of origin
- Country of sale
- Place of shipment
- Form of packing
- Country/countries of transit
- Mean(s) of transportation , etc., etc.,.....

Risk of goods substitution and misdeclaration of data in custom declaration (under-invoicing, false country of origin, incorrect quality, etc.)

...up to 20 parameters = risk criteria/profiling filters...