RESTRICTED

VAL/17
15 November 1985

Special Distribution

GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Customs Valuation

Original: English

COMMUNICATION FROM INDIA

Steps Already Taken by India and Reasons for Seeking Extension of Time for Implementing the GATT Valuation Agreement

The attached communication has been received from the delegation of India.

85-2036

STEPS ALREADY TAKEN BY INDIA AND REASONS FOR SEEKING EXTENSION OF TIME FOR IMPLEMENTING THE GATT VALUATION AGREEMENT

Steps already taken:

1. India has already taken a number of steps in this direction. The Ministry of Law has been consulted as to the modality to be adopted in framing the legislation. The legislative enactments of various countries who have already implemented the Agreement have been collected and drafting exercises are in progress.

2. Customs formations at various ports have taken steps to familarise the staff with the scheme and provisions of new methods of customs valuation. Trial runs of the Agreement have also been conducted in the major custom Houses. A workshop had been organised in March, 1985 to familiarise selected customs officers from all over the country in the provisions of the Agreement. An International Seminar was also held in New Delhi in April 1985 to impart further training to Customs Officers in the implementation of this Agreement.

3. India has also deputed Customs Officers to the Customs Cooperation Council for training in the new system of valuation, so that corresponding training courses could be conducted here also. India is also in touch with the Customs Cooperation Council in respect of steps undertaken by other countries who had already implemented the Agreement.

4. In addition India has been participating in meetings of the Customs Cooperation Council on Customs valuation to keep abreast of developments relating to implementation of this Agreement as well as with Technical problems arising in its implementation.

5. Collectors of Customs at major ports have also discussed the organisational changes and administrative measures required to apply the new system.

6. The Federation of Indian Chambers of Commerce and Industry have initiated action to hold a training seminar for the Trade on the subject with help from the International Chamber of Commerce.

Reasons for asking for extension of time:

1. However, India will have to take many more steps before the Agreement can be implemented. The implementation of the Agreement may require changes in other enactments and it may be necessary to alter the penal provisions of other laws dealing with punishment in cases of under-invoicing to make them more stringent in order to prevent unscrupulous importers taking advantage of the concept of "Transaction Value" embodied in the Agreement.These require time for consideration.

2. India has a vast coast-line with ten major ports, being Kandla, Bombay, Marmugao, New Mangalore, Tuticorin, Cochin, Madras, Vishakhapatnam, Paradeep and Calcutta. In addition there are some 147 minor ports where also significant imports and exports take place. The staff posted at the minor ports do not have sufficient Customs experience as these are drawn from Excise Departments and at the junior level the Customs and Excise Departments are not interchangeable. Over the years they had gained some expertise in the existing system of valuation. To implement the new system they would have to be trained again.

3. The training facility available to the Customs Department is already considerably stretched as India is also to implement the International Convention on Harmonised Commodity Description and Coding System, probably at the 6 digit-level itself which is to come into force from January 1, 1987.

4. Almost all commodities imported into India are charged to duty on ad-valorem basis. As such it is particularly important that staff should be adequately trained in any system of valuation adopted by India since collection of duty is dependent upon correct valuation. This is particularly so as India depends for the major part of its internal revenue on indirect taxation and Customs duty forms an important element of this revenue. The declared invoice values are generally accepted even in the present system of valuation prevailing in India, which is based on Article VII of the GATT. However, with liberalised imports and high rates of duty, it is imperative that the system is properly implemented as loss of revenue may otherwise be considerable.

5. Legislation to bring the Agreement on GATT Valuation into force is also time-consuming as under India's laws, 'Money Bills' have special procedures requiring more time. One has also to provide for the possibility that Parliament may refer such legislations to Select Committees for a more detailed examination, which would take considerable time.

6. For all these reasons, India would require three and a half years from 1.1.1986 to implement the Agreement. The half year becomes necessary because it is more convenient to bring in such laws into effect soon after the financial year ends.