

CUSTOMS

1.40

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
It is necessary that the planned liberalization of customs preferences be transparently communicated to the interested industry and that the industry's consent be ensured, based on an assessment of the positive impact on the relevant sector, at least 12 months prior to the commencement of the preference	2018			√
We propose the following changes to the time limit in customs declarations: (1) the period of payment of a customs duty of 30 days from the date of the invoice; (2) the date of issue of the customs invoice - it is recommended that this be the final date of clearance of goods and not the date of the acceptance of a declaration.	2018			√
A significant number of legal provisions require further specification through by-laws as well as alignment with other relevant laws, such as: (1) the VAT Law, regarding the treatment of a foreign legal entity in a customs procedure; (2) The quality control of goods is significantly slowed down by sampling at each importation, even at the importation of goods within the core activity. We suggest that, based on risk assessment, authorities should decrease the sampling frequency and start accepting analyses of accredited overseas laboratories relating to products that are regularly imported	2018			√
Increasing efficiency at all levels of administration: deciding on taxpayers' complaints; a more efficient handling of requests that are in the administrative procedure; a better on-line information system and the introduction of on-line services within customs procedures, allowing a legal entity to access information relevant to it; introducing a simplified correction of a customs document based on the correction of the quantity of goods cleared	2018		√	
Introduce a simplified verification and official confirmation of a tariff code by the Customs Administration when importing or exporting goods considered to be predominant for a legal entity. Also, when conducting a subsequent control and establishing a different tariff classification, this should not be considered as a customs offence, as the customs declaration has been accepted (approved) by the customs authorities	2018		√	

CURRENT SITUATION

The 2018 amendments to the Customs Law significantly aligned customs procedure with EU customs law, in particular for legal entities that link the simplified customs procedure to the process of an Authorized Economic Operator ("AEO"). The instructions are publicly available on the Customs Administration's website.

The Customs Tariff is harmonized with the EU nomenclature each year in November.

The Free Trade Agreements (FTA) have positive effects on economic growth enabling legal entities in Serbia to increase

the volume of production and, in turn, competitiveness in the regional market, in particular with EU and CEFTA members.

POSITIVE DEVELOPMENTS

The following positive developments have been identified that affect day-to-day business operations:

- Further alignment with the EU regulations.
- The introduction of AEO authorization in the Law and the adoption of Protocol 5 of the CEFTA Agreement is in line with EU practices. Acquiring this status will be a precondition for the simplified customs procedure. The ultimate outcome of the AEO is simplified communi-

cation and exchange of documents with the Customs Administration.

- Applicability of CEFTA Decision No 3/2015, which allows its members to use the full accumulation of origin materials. Full preferential origin accumulation will be used within CEFTA members by adding all production phases. The final product will have the status of preferential origin in the country where the last production process is completed. This will have a positive impact on the import customs procedure and, in particular, it is a good opportunity for future foreign investments in production facilities in Serbia.

REMAINING ISSUES

Customs Law

- Liberalization of customs preferences for import significantly affects existing operations of legal entities in terms of planning and making future business decisions. In order to ensure the continuity of operations of existing legal entities, it is very important that planned preferences are timely and transparently communicated, as well as to ensure an agreement with the affected industry regarding the abolishment or reduction of import duties.
- In 2015 a significant customs duty relief was abolished for the import of new equipment not produced in the country for the purpose of expanding and modernizing existing production. We believe that duties for equipment, prescribed by the Law on Customs Tariff should be revised and reduced or abolished for products which are not produced in Serbia. Generally, duty relief can be a crucial driver for business expansion and further investments.
- Foreign entities have no access to easy registration and participation in a customs procedure, in particular with regard to completing the customs declaration. This issue has become particularly relevant now that foreign entities can register as VAT taxpayers through a VAT proxy. This has a direct impact on VAT treatment, since in practice the Tax Administration determines the right to deduct input VAT, i.e. tax exemption for exports, primarily on the basis of the customs declaration.
- The Customs Law stipulates that the maturity period of a customs debt may not exceed 8 days, which is too short for taxpayers who process a lot of customs documents on a daily basis. We suggest that customs authorities should enable the debtor to pay the customs debt within a period not exceeding 31 days. We believe that this would allow flexibility in customs clearance, resulting in a reduced number of errors in the processing of customs documents.

- The Customs Law excludes the possibility of rectifying customs documents if, following customs clearance, based on the inventory stock count of goods at the receiving dock, the receiver identifies a discrepancy in the inventory relative to the quantity reflected in the customs documents. Such omissions are mainly unintentional and occur during the loading or delivery of goods, but they result in legal violations on the part of the legal entity, even when the taxpayer self-declares the omission.
- Quality control inspections are regular at each importation of goods but are slowing down the customs clearance process even for the regularly imported goods that have been inspected by foreign accredited laboratories. Overall, the quality control tests are without deficiencies in the case of regular importers.
- In the customs clearance process, technical obstacles are being encountered on a daily basis slowing down and complicating customs clearance and their application varies considerably from one customs office to another. The most common examples are the following: (1) insisting on the seal of a foreign vendor on a commercial document, even though this is not a requirement abroad, (2) insisting on a written contract, even though a written contract is not mandatory; (3) an invoice in electronic form is not accepted as an original, i.e. valid document, and it is insisted on a paper document.
- The Decree on Customs Procedures and Customs Formalities prescribes that when considering a request for a binding information, if it is necessary to carry out the examination of goods that cannot be performed in the competent customs laboratory, the Customs Administration (CA) will obtain the offer of the organization or the person who will perform the analyses, and the person who submitted the request is obliged to pay the costs of those analyses. Considering that in accordance with the new Customs Law, the administrative fee for the analyses service should be paid to the CA, it would be appropriate that the applicant should pay only the statutory administrative fee, while the fee for the service of the authorized laboratory should be paid by the CA.
- The new Customs Law stipulates that economic operators may be authorized to use a comprehensive guarantee with a reduced amount for customs debt and other charges, or to have a guarantee waiver. This right is restricted by Article 141 of the Regulation on Customs Procedures and Customs Formalities, which only prescribes the possibility of reducing the reference amount by 50%.
- The Decree on Customs Procedures and Customs Formalities provides that, until the date of deployment of

electronic systems the movement of goods between the temporary storage facilities shall be effected by applying the transit procedure. This restricts the rights of holders of the AEO authorization.

- The current application of the locator has narrowed down the rights of authorized economic operators (AEO), especially the rights of authorized consignors and consignees, as well as the rights of persons engaged in the transit procedure under the TIR Convention. Although the Decree on Customs Procedures and Customs Formalities does not prescribe the possibility of placing locators on means of transport, as measures for identification of goods, it is not clear whether this practice will be changed.
- The Foreign Exchange Law, stipulates that the middle exchange rate of the Dinar used for the calculation of the customs duties is determined on the last day of the week preceding the week in which the duties are levied. Consequently, the period for lodging the supplementary declarations is limited to only 10 days, even though this deadline could be extended up to 31 days, having in

mind that the goods released to one person during the period which may not exceed 31 days, may be covered by a single entry into accounts at the end of that period and the opportunity can be given to a debtor to pay duties globally after the period of aggregation.

- The fee for the parking at the terminals where the customs formalities are performed, in the amount of RSD 1,200, is determined by the act of the Minister of Finance. The new Customs Law stipulates that the customs authorities do not charge fees for carrying out customs controls, which should include the possibility of access to the customs premises at no extra cost.

Free Trade Agreements ("FTA")

FTAs are applied without major difficulties, but documents of origin should be issued and processed more efficiently, by, for instance, shortening the time for the issuance of binding information on goods origin "BTI" also in cases when the EUR1 certificate is supported by all evidence of origin but is rejected for a missing seal in box No. 12.

FIC RECOMMENDATIONS

The FIC proposes the following improvements of the efficiency and transparency of the customs clearance procedure:

- Transparently communicate the planned liberalization of customs preferences with the interested industries and ensure the industry's consent at least 12 months prior to the commencement of the preference.
- We propose the following changes to customs declarations: (1) the date of issue of the customs invoice - it is recommended that the date of issue of the customs invoice should be the final date of clearance of goods and not the date of the acceptance of a declaration; (2) allow the use of a comprehensive guarantee with a reduced reference amount for several customs procedures, as well as relief from the obligation to provide the guarantee, in the manner prescribed for the transit procedure.
- A significant number of legal provisions require a further specification through by-laws as well as compliance with other relevant laws, such as: (1) alignment of customs procedure with VAT Law, regarding the treatment of a foreign legal entity in a customs procedure; (2) decrease the frequency of sample-taking for core products and accept the analysis of accredited foreign laboratories.
- Increase the efficiency at all levels of administration: efficient handling of requests that are in the administrative procedure; a better on-line information system available to all parties involved in customs process; introducing a simplified correction of a customs document based on the correction of the quantity of goods cleared.
- Align the Decree on Customs Procedures and Customs Formalities with the new Customs Law, in such a way that the additional costs of the laboratory analysis are not borne by the applicant for the issuance of a binding information and abolish the fee for using customs terminals.