

CUSTOMS

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WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
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.	2018			√
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.	2018	√		
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; (3) adopt new Explanations of the Customs Administration related to the inward processing procedure. The opinions of the Customs Administration should contain an interpretation, and not just a citation of regulations; (4) specify the procedure for determining and changing the customs value in the event of a goods' price change; (5) by adopting an appropriate Explanation from the CA, change the interpretation that the implementation of temporary export requires the approval of the customs authority, as this is contrary to the legislation or harmonize the regulations; (6) adoption of an act of the CA which would explain the procedure for determining and changing the customs value in case of transfer prices; (7) ensure the full applicability for "new" rules of origin on trade with PAN-EU members; (8) improve efficiency for issuing "BTI" documents.	2021	√		
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, improve the risk analysis system according to which goods and / or importer type would be identified for an accelerated or simplified import procedure.	2018		√	
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.	2019			√

CURRENT SITUATION

The general rules and procedures that apply to goods brought into and out of the customs territory of the Republic of Serbia (later "RS") are regulated by the Customs Law ("Official Gazette of the RS No. 95/2018, 91/2019, 144/2020, 118/ 2021, 138/2022) and other bylaws; The customs tariff, which is harmonized with the Combined Nomenclature of the European Union once a year; then international free trade agreements signed with members of the following agreements: CEFTA, EFTA, EU, Turkey, Eurasian Economic Union and Great Britain; as well as the application of various customs procedures: NCTS, NCTS-P5, AEO, as well as other procedures regulated by the Customs Law.

Continuous amendments to the Customs Law and by-laws significantly facilitate and simplify the application of customs procedures for legal entities operating on the territory of the RS. However, a very important role is played by international agreements on free trade, since their implementation increases the competitiveness of products on the regional and international markets.

The Republic of Serbia recognized the importance of expanding business cooperation with the EU and during 2022 accepted and ensured the effective application of new, i.e. transitional rules on the preferential origin of goods that are under the umbrella of the Regional Convention on the Pan-Euro-Mediterranean Union (PEM Convention). The new rules introduced significant simplifications when proving the origin for goods produced in countries that are signatories to the PEM Convention.

With the aim of improving technical functionality, we support investing in the "National One-Stop System" project, which will connect all participants in foreign trade, both state authorities and the business community, and enable faster and more efficient exchange of data and documents. The project was initially presented in 2020, and the completion of the project is expected in 2025.

POSITIVE DEVELOPMENTS

Regarding previous White Book edition, the following positive developments have been identified that affect legal entities daily operations:

- During 2022, the adoption and harmonization with EU regulations and acceptance of more flexible rules on the origin

of goods between the Republic of Serbia, CEFTA countries and PAN-EU members, which is very significant for the wider application of bilateral preferential trade agreements.

- Custom policy in the area of concessions adopted by the Government was aimed at supporting the growth of production, exports and investments in the Republic of Serbia.
- During 2023, the Customs Administration published documents that significantly clarified the application of the new Law on Value Added Tax (especially with regard to the application of the amended Article 10a, which regulates the absence of the obligation to register a foreign person in the VAT system if he trades goods that are customs warehousing procedure). Also, the interpretations issued by the Customs Administration were significantly more precise and detailed compared to the previous ones, especially with regard to the manner of conducting customs procedures.

Certain improvements in work efficiency are noticeable of the Customs Administration, and to the greatest extent it has been reflected in:

- In terms of more efficient resolution of requests in administrative proceedings, issuing decisions in misdemeanour proceedings and making conclusions.
- Wide application of the online system "New Application Platform (NAP)" in foreign trade, and that the share of customs declarations submitted electronically exceeded the number of customs declarations submitted in paper form.
- A partial improvement was noted in the process of approving simplification (domestic customs clearance), considering the circumstances in which business entities operate are taken into account, and that financial indicators are not necessarily insisted upon.

REMAINING ISSUES

General Comments of the Council

- 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 regard-

ing 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.
- 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 payed 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.

Application of legislation

- The Customs Law prescribes a regular maturity of the customs debt of 8 days, but also the possibility that the total amount of import duties related to all goods released to a legal entity during the period (max. 31 days) determined by the customs authority, can be included in one collective posting of by the customs authorities at the end of that period. On the basis of which the invoice for the given period would be issued, and in this way, there would be a reduction in administrative errors during the realization of a larger number of customs declarations for the majority of importers with a larger volume. It was noticed that this possibility is not applied in practice and thus the process was not improved.
 - 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 declarant 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. Even though there were attempts for salvaging problems more efficiently, there is still one of the operations that significantly slows down the custom process, even when it comes to the goods regularly imported and inspected by accredited laboratories.
 - The regulation on customs procedures and customs formalities foresees that until the day of the introduction of electronic systems, the movement of goods between temporary warehouses will be carried out using the transit procedure. This reduces the rights of AEO authorization holders and an exemption should be introduced.
 - The following deviations have been noted in practice: I) decisions on the request to amend the customs declaration are made after the prescribed deadlines; II) full implementation of Article 158 of the Law is not allowed, declarations are still forwarded electronically, although the Law allows the holder of the approval to submit a declaration in the form of recording in business books, III) restrictive approach is still applied when it comes to discounts and still insists on submitting contracts in writing although it is no longer necessary.
 - Customs Authority has provided the official Explanation on how the duties are calculated and the customs value is determined for finished products that are exported to the territory of Serbia outside the zone, and which are produced in the free zone from materials for which exemption from customs duties was applied. The application of the Explanation has been delayed few times and still it is not adopted.
 - Customs regulations do not define temporary export as a special customs procedure, which means that the temporary export of goods does not require the approval of the customs authority, but to apply the provisions relating to the export of goods. However, the customs authorities require temporary export to be applied for and an authorization issued, which unnecessarily slows down and complicates the implementation of the export procedure.
 - The problem was noticed that in the case of the need to

change a large number of declarations related to a longer period of time, the changes would be made for each declaration individually. Although the introduction of NAP significantly facilitated users to communicate with competent customs offices through the exchange of electronic customs declarations for certain customs procedures (for example, for import and export), it seems that the complete automation of customs procedures would be of great importance for legal faces. Namely, it would imply further simplification of the process, as well as a significant saving of costs and resources in direct commu-

nication with customs offices. In addition to the above, NAP users often face a delayed procedure for registering an electronic customs declaration, since the system is often overloaded and the application itself is still unable to process a large number of customs declarations.

- Since the procedure for issuing invoices is digitized to a significant extent, we believe that the customs authorities should contribute to the additional digitization of the procedure for exercising the right to tax exemption from Article 24 of the VAT Law.

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) 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, 2) It is necessary to prescribe a simplified procedure that defines the process of correction of the customs value of previously imported/exported goods for a longer period of time.
- 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; (3) specify the procedure for temporary export in order to customs authority approval is not required and regular export procedures can be applied in practise; (4) adoption of an act of the CA which would explain the procedure for determining and changing the customs value in case of transfer prices, and to specify the procedure for determining and changing the customs value in the event of a change in the price of goods ; (5) introduce an exemption from conducting misdemeanor proceedings for a person who only requests to change the data on the quantity of goods in the customs declaration after the end of the procedure and after determining the actual quantity of delivered goods; (6) consider the introduction of customs relief for the import of new equipment that is not produced in the country.
- Increase efficiency at all levels of administration: continue to improve the online information system so that it is accessible to all parties involved in the customs process; introducing a simplified correction of the customs document based on the correction of the quantity of goods that have been cleared; improve the system of risk analysis on the basis of which the type of goods and/or the importer for which an accelerated or simplified import procedure can be approved would be identified. We propose to consider the additional involvement of customs authorities during the verification of electronic invoices in such a way as to enable the sending of electronic invoices in their integral form, and that traffic participants do not print external representations of them.
- 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.