

# IMPORT PROCEDURES IN ARMENIA

2017

By the Business Support Office - Armenia



The Business Support Office was established by the European Bank for Reconstruction and Development with the objective of promoting a structured partnership and constructive policy dialogue between the state and the private sector in Armenia.

## CORE MISSION

Our mission is to raise any key issues that affect the business environment, provide technical assistance to the Government in the process of developing strategies and reforms to address identified impediments, and, in parallel, facilitate prior consultations with the business community and transmit feedback on proposed reforms to the authorities.

## PUBLIC-PRIVATE DIALOGUE

Public-Private Dialogue (PPD) is a vital part of the private sector development leading to reform process, PPD and its practice in many countries has proven to accelerate any reform process and what is more important to include and combine the interests of all the stakeholders.

The key factor for the reform facilitation is that the entrepreneurs get the opportunity to be engaged into the process, clarify and understand what their Government is trying to achieve with a reform package, consequently they are more likely to accept and work with the reforms in practice.

The information presented below illustrates import-related procedures and specifically reveals the import-related problems that individuals and businesses face in Armenia. The data was collected from the BSO survey and seminar with Armenian importers.



## COMPLICATIONS FOR IMPORTERS IN ARMENIA ACCORDING TO SMEs

The BSO initiated a public-private dialogue during the seminar on import procedure in Armenia the 23rd of May, 2017 with the participation of businessmen and the State Revenue Committee (SRC) representatives. The businesses participating during the event had the opportunity to raise and discuss the actual problems they face with the import procedures, propose the changes they would like to see when they are faced with import procedures and find solution mechanisms in course of discussion with SRC representatives.

The following import procedure-related problems were raised by small and medium-sized enterprises (SMEs):

- Each importing entrepreneur should apply for the transaction value method application regardless of which country the product comes from and at what price. The permit issuance process extends the import procedure by at least 2 to 3 days.
- Even if the invoice prices are higher than the reference prices, the declarant is told that if he/she shall not use of the method of transaction value method the prices shall be "rounded to", which means that customs prices are going to be higher, prices are going to be increased.
- If the businessmen has received a transaction value method application permission, but their invoice price is lower than 50% of the reference price, he/she is unable to carry out customs clearance, according to invoice prices, as long as they do not call and demand superior authority to implement the transaction price method. Otherwise, the 50% of reference prices is considered as customs value for those goods.
- So-called "cargo" importing from Turkey, China and Dubai continues (imports with kg-s) without providing documentation to SMEs. This situation affects the formation of the documentation provision and affects the competition.
- The applied reference prices do not correspond with market prices and as a result, there are cases when the latter are several times higher than the actual prices. In effect, the taxes and duties payable for imports become as high as the value of the goods themselves. It is necessary to establish a flexible procedure for the revision of the reference prices.
- There are cases when for the transaction value method application businessmen are

required to obtain the declaration of export of the sending organization. This requirement is not provided for by the Euroasian Economic Union (EEU) Committee Decree N 376, and businesspeople often are often unable to obtain it.

- In accordance with EEU customs legislation the customs fee of AMD 3500 in practice complicates the import process with 1 to 2 days of extension of the customs process in total, as it is defined for the transporter who doesn't mainly do that. If the importer wants to do it himself he is forced to visit the Ararat Customs house. And if goods are collective (one container contains more than one shipment), it is necessary for all the declarants to individually follow the procedure and to individually make the payments upon unloading shipment.
- There are no free computers for customs self-declaration and for the declarant to make corrections and changes to their online declaration. The declarant has to return to the office to implement new corrections and print the new declaration.

«So-called "cargo" importing from Turkey, China and Dubai continues without documentation»

- Even to goods imported from EU countries, anti-dumping measures may be applied, if the importing businessman fails to prove that the goods are produced in the respective EU country.
- The processes differ in their complexity and duration depending on a customs house: the procedure which takes a few minutes at Zvartnots customs house, in Ararat customs house may take 1 to 1.5 days.
- If the businessman has samples, posters or catalogs in his invoices, that are sent free of charge, for them, the reference prices are set by customs taxes and fees are calculated, regardless of the fact that the given shipment is cleared with the transaction value method.
- In case of the declaration refusal, the declarant waits up to 10 days to be able to submit a new declaration.

## SURVEY RESULTS

In order to support our research, have a more realistic analysis of the procedures of importing in Armenia, and be able to submit recommendations to the Government for reforms, the BSO also carried out a survey, interviewing 102 SMEs, mainly micro-businesses, from a wide variety of sectors.

## IMPORT TAXES LEVIED

In the survey, some businesses have noted they pay up to 200% tax on their imported goods, 30% of businesses indicated a 50% tax paid and another 62% answered they paid a 35% tax. Taking into account 20% VAT and maximum 10% customs duties, overall payments levied on imported goods cannot exceed 32%. Obviously the amount being levied is extraordinarily high and unfair. This leads SMEs to go about their imports illegally, by manipulating the paperwork and bribing custom officials. A precise and accurate application of existing rates on imports would give an incentive to SME businesses to use legal documentation. A precise application would also benefit the SMEs that do not use illegal documentation, by ensuring that their prices match those of SMEs not using illegal documentation. This change would promote a more competitive economic environment.

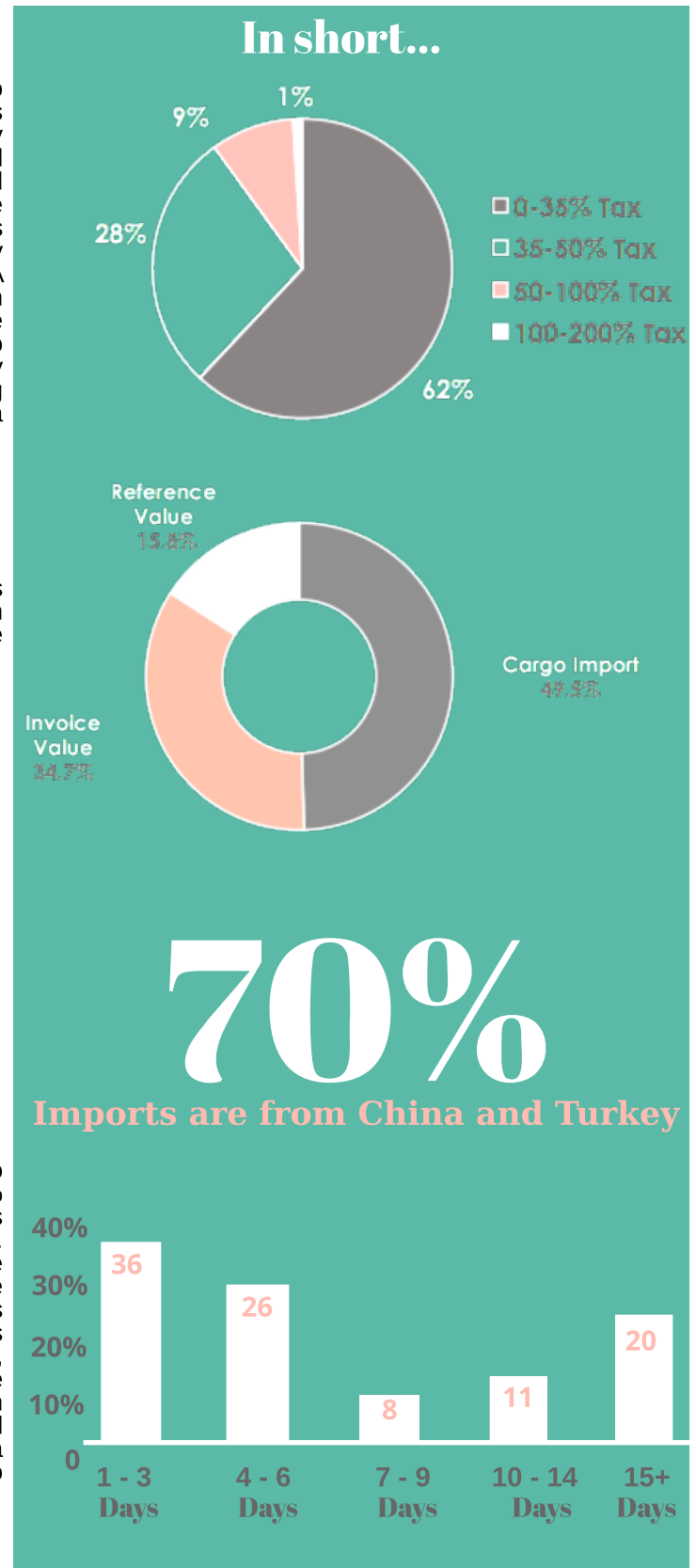
## IMPORT METHOD

While no longer required by law, roughly 71% of imports are brokered. Since third party intervention is no longer an obligation, the process of importing goods should be reviewed and simplified.

**Also, 50% of businesses indicated they clear customs through the “cargo” method. Cargo is measured and taxed by the amount of kilograms being imported.**

## DURATION OF IMPORT PROCESS

It takes longer than 15 days for 20% of businesses to complete their import procedures, with another 20% taking more than 7 days to complete, 36% of businesses are able to complete their transaction within 3 days. Furthermore, it is very rare to complete the transaction the same day the import arrives. A lengthy import procedure increases expenses for businesses, this expense ranges from 15.000 - 65.000 AMD a day. In addition to this expense much time is spent during this whole process, during which the goods may be ruined or become useless. A shorter process will save time and money on imports, allowing for quicker market penetration and pricing. A shorter import procedure would help build a perfect market and create an incentive for importers to use legal documentation.



The current procedures and regulations are expensive and time consuming for SMEs importing goods into Armenia. The time it takes to complete import procedures, heavy taxation on imported goods, and additional expense for holding goods, all contribute to SMEs using illegal documentation and illegal methods for importation. The situation suggests and highlights the need to revise current procedures and regulations enforced by the border authorities. Doing so would encourage SMEs to use legal methods for importation and help build a better market.