

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 engages the BSO's activities during the 2016 year, and outlines our work program for 2017. It features import-related procedures that individuals and businesses face in Armenia. The data was collected from the BSO survey and seminar, with importers in Armenia.



COMPLICATIONS FOR IMPORTERS IN ARMENIA ACCORDING TO SMES

The BSO initiated a private public 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, have 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 SMEs:

- For 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 at least 2 to 3 days.
- Even if the invoices prices are higher than reference prices, the declarant is told that if the latter shall not use of the method of transaction value method the prices shall be "rounded to", which means that customs prices are going to prices higher, prices are going to be increased.
- If the businessmen has received a transaction value method application permission, but their invoice price are lower than 50% of the reference prices, the latter 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 are considered as customs value for those goods.
- So called "cargo" importing from Turkey, China and Dubai continues (imports with kg-s) without documenting SMEs, which 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. It turns out that the taxes and duties payable for imports are equal to value of the goods. 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 the declaration of export of the sending organization, which is not provided for by the EEU Committee Decree N 376 and

entrepreneurs often do not get 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 and one container contains more than one shipment, it is necessary to undergo the procedure separately by all the declarants, make payments one by one to be allowed to unload shipment.
- There are no free computers for customs self-declaration and for the declarant to make some corrections and changes. The latter has to return to the office to be able to implement new corrections and print the new declaration.

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- Even among EU countries- imported goods anti-dumping measures may be applied, if the entrepreneur fails to prove that the goods are produced in the EU countries.
- 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 entrepreneur 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 to be able to submit recommendations to the Government for reforms, the BSO also carried out a survey, interviewing of 102 SMEs, mainly micro

IMPORT TAXES LEVIED

In the survey, some businesses have noted they pay up to 200% tax on their imported goods, 62% answered they paid a 35% tax and another 30% of businesses indicated a 50% tax paid. 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 unjust. This pushes SMEs to go about their imports illegally, by manipulating the paperwork and bribing custom officials. A clear application of existing rates on imports would give an incentive to SME businesses to use legal documentation. It would also benefit the SME companies that do not use illegal documentation, to match the pricing of the SMEs that do use illegal documentation creating a path to a perfect market.

IMPORT METHOD

Roughly 71% of imports are brokered, though not required by law anymore, further detail must be expanded on whether the function of brokers is truly necessary or not. Since third party intervention is no longer an obligation, perhaps the process of importing goods can 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, however 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 sacrificed during this process, during which the goods may be ruined or the business can invest elsewhere in the markets of Armenia. 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.

