

Unofficial translation, 3-12-98

## **THE LAW OF THE REPUBLIC OF ARMENIA ON CUSTOMS USER FEES**

### **Article 1. Subject of regulation of the Law**

The Law defines the scope of payers of Customs user fees in the Republic of Armenia, the amount of customs user fees, terms of accounting and paying.

### **Article 2. The term "Customs user fees"**

Customs user fees are compulsory payments, amount and collection procedures of which are determined by the Law.

### **Article 3. Rates of Customs user fees**

1. For carrying out customs formalities (except cargo processing) related to goods and other articles as well as to transportation of currency and foreign currency transported by banks, crossing the customs border of the Republic of Armenia, 3,500 drams are paid as customs user fees.
2. The amount of customs user fees paid for cargo processing
  - a) 1,000 drams for carrying out customs control of each cargo under 1 ton of weight;
  - b) 300 drams for each additional (or less) ton for cargo over 1 ton of weight.
3. When customs formalities related to goods, or some parts of these formalities are carried out elsewhere than in places determined by Customs bodies, for each corresponding action customs user fees will be equal to the doubled amount determined by this article.
4. For granting the documents (forms) filled by Customs bodies in order to present them to other bodies, the amount of customs user fees is equal to 1,000 drams.
5. For carrying out Customs accompanying on the territory of the RA, the amount of customs user fees is equal to 10,000 for each 100 km. In case if goods are damaged during transit transportation and being under Customs protection, Customs accompanying is compulsory, in all other cases it is left up to the carrier and is carried out on the basis of written request presented by him.
6. For providing Customs warehousing by Customs bodies, the amount of customs user fees is:

Unofficial translation, 3-12-98

- a) 1,000 drams daily for cargo under 1 ton of weight, but it should not exceed 0,01% of Customs value of cargo.
  - b) 1,000 drams daily per ton for cargo weighing 1 ton or more but it should not exceed 0,01% of Customs value of cargo.
7. For the purposes of Customs inspection of vehicles, the amount of customs user fees is:
- a) 2,000 drams for a car with not more than 10 seats,
  - b) 5,000 drams for all other vehicles.

### **Article 4. Privileges in payment of Customs user fees:**

The following goods are exempted from Customs user fees:

- a) those that during transportation enter customs territory of RA within the framework of humanitarian aid programs. Where the Law (and international agreements) does not clearly provide the terms of identification of such humanitarian or technical (and other) aid programs, these terms are provided by the authorised body of the Government of RA co-ordinating the issues related to humanitarian aid.
- b) accompanying goods determined by the Law, transported by physical persons ( with the exception of entrepreneurs) across the Customs border of RA ( with the exception of vehicles of individual use).
- c) the part of goods imported by physical persons (with the exception of entrepreneurs), which is not subject to Customs duties according to this Law.
- d) cultural values, temporarily exported with notification of intended return in compliance with the order established by the current legislation.
- e) vehicles carrying out regular international conveyances in the process of transportation.

f) goods determined by international agreements.

#### **Article 5. Indexation of Customs User Fee Amount**

Starting from February 2000 the rate of customs user fees in drams established by Article 4 of the present law shall be augmented for each 12 months period by percentage at the rate of whole number of the average currency exchange rate change occurred in the previous year.

#### **Article 6. Payment and Refund of Customs User Fees; The Accountability of Not Paying Customs User Fees**

Unofficial translation, 3-12-98

1. According to this law, the payment of customs user fees shall be charged within a three-day period after the appropriate services have been provided.
2. Customs user fees shall be paid in the official/national currency of the Republic of Armenia.
3. Extra paid customs user fees are subject to refund upon the request of commodity owner within a three-year period after they had been paid.
4. Should the amount of user fees paid at the customs exceed the rate established in compliance with the present law, the settlement of payments shall be made by the Customs Department on the bank account of the payer, or within 30 days since the date of submitting the payer's application for reimbursement.
5. Should the payer fail to comply with the payment deadline, a penalty is charged for each day in the amount of 0.25% unpaid customs user fees.

#### **Article 7. The Use of Customs User Fees**

1. In compliance with the Law on Annual State Budget, available funds that have been obtained through payments of customs user fees according to the present law shall be transferred to the customs for technical updating and staff encouragement.
2. In compliance with the law on "State Budget of the Republic of Armenia" the Government of the Republic of Armenia shall submit charges account of the funds obtained through payments of customs user fees together with a quarterly account of the State Budget Implementation to the National Assembly of the Republic of Armenia.

#### **Article 8. The Entrance of Law into Effect**

1. The present Law shall enter into force on January 1, 1999.
2. Upon the entrance into effect of the present law. Article 11 of the law on "Customs Tariff of the Republic of Armenia shall be repealed.

Unofficial translation, 3-12-98

#### **INFORMATION ON THE AMOUNT OF CUSTOMS USER FEES**

There are 877 employees in the Customs System of the RA. Average salary included payable Income Tax and obligatory Social payments is about 72,400 Dr.. Starting from January 1, 1999, salaries of State budget sector employees are expected to be increased by 30%, then the average salary could be estimated approximately 94,120 Dr.. Taking into account, that Employees at Customs points work day and night in four shifts, then the average monthly working hours per employee will total to 165 hours, or average payment per hour approximately will be 570 Dr. So the total salary fund per year will be about 990,518,880 DR.

200 million Dr. are only needed for current expenditures (business trips, maintenance of transportation means. Customs uniforms, communications service payments, payments for electricity etc..

There are no Cargo scales in Customs points, and equipment for Cargo inspection. In coming two years nearly 400 million Dr. are needed to install these scales and equipment.

To insure normal activity of Customs System and to cover other expenditures (to replace mobile homes with main buildings, implementation of current constructions and renovations etc.) nearly 1,2 billion DR. are needed per year.

Thus to estimate one inspector/hour for implementation of Customs Control the direct and indirect costs are 570Dr. and 855 Dr. respectively that totals to 1,425Dr.

Taking into account the above - mentioned data the following calculations of expenditures are presented based upon the rates mentioned in draft Law on Customs User Fees.

1. Customs formalities comprise several actions,

- a) the estimated time for preliminary declaration according to the statistical data approximately is 30 minutes.
- b) the estimated time for evaluation of declaration (examination of documents and counting of payable amounts) according to the statistical data approximately is 90 minutes.

Unofficial translation, 3-12-98

c) the estimated time for fulfilment of customs payments (compulsory payments to state budget) formalities according to the statistical data approximately is 20 minutes.

Thus customs formalities (cargo processing excluded) last 2 hours and 20 minutes, therefore user fees must be 3,500 drams.

2. Customs user fees for cargo processing (less than one ton) are fixed at 1000 drams. This amount involves the cost of cargo processing, deliverance of merchandise to officer and receive of merchandise from officer (or workplace specified by customs authority). The estimated time for cargo processing is approximately 30 minutes. The estimated time for investigation and registration of 1 ton cargo is approximately 10-15 minutes.

3. Customs user fees for Customs formalities, accomplished outside of specified workplace or extra working hours, is equal to double payment for such activities within specified workplace or working hours, since it is connected with additional expenditures.

4. Customs user fees for documents (forms) provided by the customs to be submitted to other authorities is fixed at 1000 drams, which is for completing such documents (forms) and working time. The estimated time for examination of appropriate documents for filling of such documents is approximately forty minutes.

5. The user fees (equal to 10.000 drams per 100 km) for customs accompanying are derived from the situation that accompanied customs officer has to return to his workplace himself. And trucks that are accompanied by customs basically move with average speed of 35 km/h.

6. The projected amount of Customs user fees for preservation of goods is defined taking into account the international experience in this field.

7. 1 hour and 30 min. of working time are needed for Customs inspection of vehicles with not more than 10 seats, and the defined amount of Customs user fees is 2000 Dr.. 3 hours of working time are needed for Customs inspection of vehicles (with more than 10 seats, trucks etc.) and the defined amount of Customs user fees is 5000 Dr..