

**International Federation of Freight Forwarders Association (FIATA)**

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## **FIATA POSITION PAPER**

on

### **FIATA's comments on WCO draft Customs - Tax Cooperation Guidelines**

FIATA would like to thank the WCO for giving the opportunity to comment the draft document submitted by the Secretariat and entitled "GUIDELINES FOR STRENGTHENING COOPERATION AND THE EXCHANGE OF INFORMATION BETWEEN CUSTOMS AND TAX AUTHORITIES AT THE NATIONAL LEVEL". Cooperation and exchange of information between Customs and tax authorities is indeed an important area and FIATA is more than happy to provide its comments and views on it.

The outcomes of the survey circulated by the WCO to its members on Customs-Tax Cooperation shows that 93% of the respondents are already exchanging information with their respective tax authority either through a Memorandum of Understanding or other regulated process. This is for instance the case in Australia as the DIBP/ABF acts as the collection agency for the Australian Taxation Office on GST and excise. The other 7% of respondents are actually in the same regulatory environment or agency and already have access to that data. Therefore, FIATA naturally endorses the principle of the WCO paper, i.e. that institutions with fiscal responsibilities should have an appropriate and close working relationship, as reality shows that this is already the case in most jurisdictions.

FIATA also welcomes the reference made to standardization of messaging/communication protocols and Information Technology as enablers for cooperation and exchange of Information. Standardization is a basis for any efficient system put in place, for common understanding and processing. Information Technology would facilitate standardization, communication between Customs and tax authorities, exchange and analyse of data submitted. This is particularly important to focus on this point in the context of the WCO's theme of the Year 2016 "Digital Customs: Progressive Engagement". The use of IT is increasingly growing, it will soon or later become the only way for transmitting data or for communicating and we can see indeed that this is just one step in the process of enhanced connectivity for Customs and fiscal reasons that will continue in future all over the world. FIATA suggests taking advantage of this year's theme to give momentum to the migration from paper-based to paperless approach through each document submitted to WCO Members.

The use of IT in a standardised environment has the potential to significantly increase compliance control, contribute to certainty and predictability in duty collection for Customs, tax authorities and the Private Sector. In addition, legitimate trade would significantly benefit from shorter clearance time and smoother flow of goods at borders and throughout the entire supply chain. FIATA notes that this second point could be highlighted with greater emphasis in the draft document as presented, which focuses mainly on improving the collection of duties taking account of a trade environment permeated by tax evasion, fraud, money laundering, etc. Paragraph 24 of the draft document suggests that better cooperation between Customs and tax authority would “enhance trade facilitation, reduce compliance costs, and increase transparency and optimal utilisation of resources”. FIATA believes these are values to fight for with precisely the same impetus as in combating illicit business. Legitimate trade constitutes the major part of global trade, mentioning its contribution in efficient functioning of Customs and tax authorities as well as the benefits it could obtain from an improved collaboration between the two authorities in cooperation with the Private Sector in our view would be adding a welcome dimension of compliance awareness. Legitimate trade can be a valuable partner for national authorities, if involved in national debates on trade-related issues and compliance awareness campaigns. As the Private Sector is committed with time and effort to support WCO’s work, it should be considered an essential partner for global trade standards improvement.

FIATA would also like to make a clear distinction between the situation where Customs and tax authorities are in the same regulatory environment or agency and the situation where Customs and tax authority are separated in different entities. For those economies where Customs and tax are in the same regulatory environment it is easy to vertically integrate compliance issues in relation to tax collection and compliance monitoring through GST, excise, Customs duty, company tax, employee taxation and any other tax or charge that may apply. However, the way the paper is drafted indicates the type of data to be exchanged between authorities in a way that could make the rules of the collaboration between Customs and tax authorities and their alignment too rigid. An alignment between Customs and tax authorities in a purely fiscal collection arrangement seems more difficult to achieve that a system where some flexibility in the choice of the data to be exchanged should be guaranteed. On the other hand, we must draw the WCO’s attention to the fact that any one set of data that is supposed to be provided by the Private Sector should be discussed with it and the possible re-utilisation of existing data archives should be always considered before moving into a new standard.

Reinventing the wheel may be potentially leading to problems, FIATA is therefore of the opinion that the WCO should focus on new instruments which are not in place under existing Customs and tax authorities’ arrangements having regard to the fact that much may be well available and already in use. An example would be to look for solutions in which Customs duty could be deferred and reported on a specific time referenced return, cargo release without duty or GST payment, in collaboration with legitimate trade, if required assisted by trusted traders’ programmes such as the AEO. In this context, the use of the evolving IT systems that modern technology makes available seems highly relevant for the development of valuable solutions which could benefit both the administrations and the trading community.

**In conclusion:**

- FIATA agrees with the principle of Customs/tax authority collaboration, as it is already in place in most jurisdictions all over the world, so long as this does not require subverting existing consolidated collaborative paradigms;
- The agreements signed between Customs and tax authorities are currently flexible on the level of the data to be exchanged and the achievements to be pursued, and this is an advantage that need not be overlooked;
- FIATA would wish to see more emphasis on the references to legitimate trade in the document. Legitimate trade already expressed several times its wish to cooperate with national authorities for shared benefits regarding Customs procedures and trade flows. Legitimate trade would like to be seen as an experienced partner;
- 2016 is the WCO Year of Digital Customs, FIATA estimates that much focus should be put on IT and potential solutions to be developed to enhance cooperation between Customs and tax authority using IT tools.

FIATA is happy to continue the discussion on that matter with the WCO and other stakeholders.

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### **About FIATA**

FIATA, the International Federation of Freight Forwarders Associations, was founded in Vienna, Austria on May 31st 1926. It is a non-governmental organisation that today represents an industry covering approximately 40,000 forwarding and logistics firms, employing around 10 million people in some 160 countries. FIATA has consultative status with the Economic and Social Council (ECOSOC) of the United Nations (inter alia ECE, ESCAP, ESCWA, etc.), the United Nations Conference on Trade and Development (UNCTAD), and the UN Commission on International Trade Law (UNCITRAL) as well as many other UN related bodies, e.g. the World Bank. It is recognised as representing the freight forwarding industry by many other governmental organisations, governmental authorities, private international organisations in the field of transport and logistics, such as the European Commission (through CLECAT), the International Chamber of Commerce (ICC), the International Air Transport Association (IATA), the International Union of Railways (UIC), the International Road Transport Union (IRU), the World Customs Organization (WCO), the World Trade Organization (WTO), etc.

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