



**National University of
Science and Technology**
Think in Other Terms



**FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
BACHELOR OF COMMERCE HONOURS DEGREE IN FISCAL STUDIES
PART II – 2nd SEMESTER FINAL EXAMINATION – APRIL/MAY 2014
CUSTOMS LAW [CFS 2201]
TIME ALLOWED: 3 HOURS**

INSTRUCTIONS TO CANDIDATES

1. Answer **all** questions in Section A and any **3** in Section B.
2. Sections A has 2 questions, each carrying 20 marks and are **ALL** compulsory.
3. Sections B has 4 questions, answer **3** questions and, each carries 20 marks.
4. Start the answer to each full question on a fresh page of the answer sheet.
5. Questions may be written in any order, but must be legibly numbered.
6. Write legibly.

INFORMATION FOR CANDIDATES

1. The paper contains six (6) questions and 8 pages.
2. Section A carries 40 marks and Section B carries 60 marks. Each question in Section B carries 20 marks.
3. Please note the meaning of the following abbreviations:

CCC	- Customs Cooperation Council
GATT	- General Agreement on Tariffs and Trade
WCO	- World Customs Organization
WTO	- World Trade Organization
UNCTAD	- United Nations Conference on Trade and Development
SACU	- Southern Africa Customs Union

SECTION A (40 MARKS)

Question 1 [20 marks]

Please indicate whether the following statements are **True** or **False**. Use the separate answer sheets provided.

- 1.1 CUSTOMS duties are a revenue measure whereas EXCISE duties are levied to protect local industry against foreign completion.
- 1.2 The World Customs Organization has had an impact on the Customs laws of Zimbabwe, whereas the World Trade Organization (WTO) has not affected the making of Customs Laws since it is a non-Customs institute.
- 1.3 The Brussels Definition of Value (BDV) superseded the WTO Valuation Agreement.
- 1.4 It is mandatory that the Customs Laws of countries participating in Free Trade Area are aligned.
- 1.5 Developed countries are increasingly depending on Customs duties in running their national budgets.
- 1.6 One of the purposes of autonomous Revenue Authorities such the Zimbabwe Revenue Authority (ZIMRA) and the South African Revenue Service (SARS) is to enable the revenue collection function operate with greater autonomy than the pure civil service
- 1.7 Countervailing duties are trade import duties imposed to neutralize the effects of dumping.
- 1.8 The latest version of Customs Tariff Nomenclature is HS 2012.
- 1.9 The Bali WTO Ministerial Agreement on Trade Facilitation of December 2013 specifically eliminated the provisions of GATT 1994 which dealt with the publication of trade laws.
- 1.10 Zimbabwe is not party to the Revised Kyoto Convention.
- 1.11 A memorandum of understanding outlines a legal basis for the exchange of information and the provision of administrative assistance. It is a binding agreement between the contracting parties for the proper application of only customs laws,.
- 1.12 A Customs Union such as SACU must operate a common external tariff.
- 1.13 Complicated rules of origin used by trading partners can be a barrier to trade.

- 1.14 A Customs Union is a stage of Regional economic integration which immediately follows a Free Trade Area.
- 1.15 The Protocol of Amendment to The International Convention on the Simplification and Harmonization of Customs Procedures was concluded in 1973 and it came into force in 1974
- 1.16 **Stare decisis** refers to the common law principle that a decision of a court will not be applied in subsequent cases. It embodies the doctrine of precedent.
- 1.17 Rules of origin are more relevant in a Preferential Trade Area than in a Free Trade Area.
- 1.18 The Revised Kyoto Convention is a WTO instrument.
- 1.19 An agreement between the Zimbabwe Revenue Authority and the Malawi Revenue Authority on mutual administrative assistance is an example of a plurilateral arrangement since they both belong to SADC and COMESA and both organizations deal in Customs matters.
- 1.20 “The Wealth of Nations” by Adam Smith, ancient as it is, is still relevant to modern taxation laws.

Question 2 [20 marks]

Select the best answer to each of the following multiple choice questions.

- 2.1 WTO negotiations rounds and agreements would be expected to deal with
- A Trade facilitation issues.
 - B Reduction of Customs duties.
 - C Rules of origin.
 - D Issues of trade in services.
 - E All of the above
- 2.2 The *Most Favoured Nation* treatment under WTO:-
- A Lays down a rule of non-discrimination
 - B Does not allow WTO members to charge each other customs duties
 - C Allows countries to levy export duties
 - D Applies to tariffs as well as other trade regulations
 - E None of the above.
- 2.3 The Convention on Temporary Admission (Istanbul Convention) is based on the following principles:-
- A To harmonize and simplify procedures relating to temporary admission.
 - B To assist business by ensuring that goods imported for display and re-export in the same condition are not duty paid.

- C Temporary imports must be duty paid.
 - D Temporary exports must be dutiable.
 - E Only A and B are correct
- 2.4. Which of the following statements regarding the contents of the Revised Kyoto Convention is correct?
- A It contains 4 Annexes ie the Body, the General Annex and 2 Special Annexes
 - B The Convention mandates Contracting Parties to accede to the provisions of the Body and General Annex. This is not optional.
 - C The General Annex contains individual Customs procedures and practices relating to imports and exports
 - D The Body contains the core Customs policies and procedures.
 - E The Specific Annex is not optional.
- 2.5 Which of the following statements is the Safe Framework of Standards is correct
- A It is made up of 4 pillars
 - B Each of the pillars has 10 standards
 - C It only emphasizes partnership between Customs and Business
 - D It is one of the WCO Conventions
 - E It is based on the need to maintain security of the supply chain to the maximum extent possible
- 2.6. According to Widdowson, which of the following scenarios would best suit an environment where a Customs Administration exercises little control and achieves little in the way of trade facilitation?
- A Laissez faire approach.
 - B Balanced Approach.
 - C Crisis Management.
 - D Red Tape Approach.
 - E None of the above.
- 2.7 Which of the following statement regarding VALUATION is correct?
- A Undervaluation or overvaluation can be used for capital flight or to externalize funds.
 - B Correct valuation of imports is important since most tariffs are based on ad val
 - C The correct value of imported or exported goods is required for statistical purposes.
 - D The WTO does not support the principle of “normal value” in the valuation of imported goods.
 - E All the statements above are correct
- 2.8 Which of the following is out of line with the rest?
- A Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), which is a UNESCO convention.
 - B The Convention on Temporary Admission (i.e. Istanbul Convention).
 - C Memorandum of Understanding between the Zimbabwe Customs and the National Railways of Zimbabwe.

- D The Revised Kyoto Convention.
 - E Convention on the Means of Prohibiting and Preventing the Illicit import, export and Transfer of Ownership of Cultural Property – a UNESCO Convention.
- 2.9 Which of the following statement is wrong?
- A According to the WTO, where member countries have to protect domestic production, this must only be done through tariffs, and such protection must be kept at a low level.
 - B The WTO discourages the use of subsidies.
 - C The WTO aims at developing the full use of the resources of the world through production and exchange of goods.
 - D Regional Economic Communities such as COMESA and SADC encourage trade among the partner member states.
 - E In regional trading arrangements a Protocol and a Treaty are the same and there is no difference between the two.
- 2.10 GATT/WTO negotiations, rounds and agreements are an example of
- A Bilateral negotiations.
 - B Multilateral Negotiations.
 - C Memorandum of understanding.
 - D Mutual administrative assistance.
 - E Double taxation agreement.
- 2.11 26th January, which is celebrated in Zimbabwe as the International Customs Day, signifies the day when
- A Safe Framework of Standards was approved in Brussels by the WCO Council
 - B. Zimbabwe joined the World Customs Organization.
 - C the Customs Cooperation Council adopted a working name of the WCO.
 - D the inaugural session of the Customs Cooperation Council was held in Brussels in 1953.
 - E The Convention formally establishing the Customs Cooperation Council came into force.
- 2.12 Assume that the following are the correct sections found in the Customs and Excise Act (Chapter 23:02). Which of the section is odd and not in line with the others listed therein?
- A Section 99 dealing with customs agreements, conventions, or treaties between Zimbabwe and other countries.
 - B Section 92 dealing with countervailing duties on imported goods.
 - C Section 90 dealing with anti-dumping duties.
 - D Section 149 dealing with the supervision of operations of a manufacturer of excisable products.
 - E Section 87 dealing with the classification of goods using the Harmonizes System Nomenclature.
- 2.13 Which of the following facts would you require in order to assess the customs duty of imported goods?

- A The country of origin.
 - B The HS Code of the goods.
 - C The value of the goods.
 - D The description of the goods.
 - E All of the above.
- 2.14 Measures taken by a Customs Administration in collaboration with another Customs Administration for the proper application of Customs laws for the prevention, investigation and repression of Customs offences would be covered in a
- A Memorandum of Understanding.
 - B Mutual Administrative Assistance.
 - C Treaty.
 - D the Johannesburg Convention.
 - E Statements B and D are correct.
- 2.15 Which of the following does not qualify to be termed a “non-tariff” barrier to trade?
- A Bureaucratic Customs procedure and documentation.
 - B High rates of customs duty.
 - C Lack of adequate infrastructure facilities at border posts.
 - D Exorbitant toll charges along the major highways.
 - E Complicated Customs laws.
- 2.16 *“National legislation shall specify the procedure to be followed by the Customs after it has been discovered that a Customs Offence has occurred...”*
Where would you expect to read the above standard from?
- A Customs and Excise Act (Chapter 23:02).
 - B Customs and Excise (General) Regulations, Statutory Instrument 154 of 2001.
 - C Revenue Authority Act (Chapter 23:11).
 - D Revised Kyoto Convention.
 - E Convention on the Harmonized Commodity Description and Coding System.
- 2.17 The Single Window Concept is
- A Is tool for trade facilitation.
 - B Is another term for coordinated border management.
 - C results in the ineffective and inefficient deployment of resources.
 - D Has benefits to Government and none to traders.
 - E Encourages the use of multiple agencies in trade.
- 2.18 The Harmonized Commodity Description and Coding System is a tool which can be used for
- A Tariff Negotiations.
 - B Compilation of Statistics.
 - C Determining rules of origin.
 - D Levying of customs duties.
 - E All of the above.

- 2.19 Which of the following is not a function of the WTO?
- A. Handling of trade disputes.
 - B. Monitoring national trade policies.
 - C. Serving as a forum for trade negotiations.
 - D. Cooperating with other international organization
 - E. Raising the level of customs duties.
- 2.20 Which of the following instruments/procedures are not relevant to Trade Facilitation?
- A. Computerization of Customs systems.
 - B. One Stop Border Posts.
 - C. Interconnectivity of the Customs computer systems in a region such as SADC.
 - D. The use of scanners at border posts
 - E. None of the above.

SECTION B [60 MARKS]

Answer **any 3** of the following questions. Each question carries 20 marks

Question 3

- (a) Explain the meaning of the following pair of terms, which are used in Customs Law. Illustrate your answer with examples.

- i. *ad valorem* and *specific rates* of duty
- ii. *tariff* and *non-tariff barriers* to trade
- iii. *bilateral* and *multilateral* treaty

[3,3,3 marks]

- (b) Outdated customs laws constraint social and economic progress by acting as significant non-tariff barriers..." (Customs Modernization Handbook).

List any 4 characteristics of outdated Customs Legislation.

[4 marks]

- (c) The World Trade Organization recognizes that dumping is an unfair trade practice.

- i. What is dumping? **[1 mark]**
- ii. Give and explain the three essential elements which are necessary for dumping to be actionable? **[3 marks]**

- (d) Give any 3 benefits of the International Convention on Mutual Administrative Assistance in Customs Matters, 2003. (Johannesburg Convention). **[3 marks]**

[20 marks]

Question 4

Discuss four (4) sources of Customs Laws and for each given source, illustrate your answer by giving examples. **[20 marks]**

Question 5

The WTO Valuation Agreement provides for 6 methods used in the valuation of goods for Customs purposes.

Give and explain each of the first FIVE valuation methods, using the order in which they must be followed or implemented. **[20 marks]**

Question 6

Article 8 of the WTO Bali Ministerial Conference of December 2013 identified the need for the cooperation of border agencies in facilitating trade. It identified the following key areas for Customs to cooperate and coordinate

- (a) alignment of working days and hours;
- (b) alignment of procedures and formalities;
- (c) development and sharing of common facilities;
- (d) Establishment of one stop border post control.

Explain the meaning each of the above 4 given areas and show how the implementation of each of these will facilitate trade. **[20 marks]**

END OF EXAMINATION PAPER