



**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 - 1ST SEMESTER FINAL EXAMINATION
SUPPLEMENTARY EXAM 2014
CUSTOMS LAW [CFS2201]
TIME ALLOWED: 3 HOURS**

INSTRUCTIONS TO CANDIDATES

1. Answer all questions in Section A and any 3 in Section B.
2. Start the answer to each full question on a fresh page of the answer sheet.
3. Questions may be written in any order, but must be legibly numbered.
4. Write legibly.

INFORMATION FOR CANDIDATES

1. The paper contains six (6) questions and 9 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

SECTION A

Question 1 [20 marks]

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

- 1.1 EXCISE deals with imports and exports. CUSTOMS laws deal with the levying of a tax on certain locally manufactured products.
- 1.2 A bounty will result in the imposition of countervailing duties.
- 1.3 Cheap imported goods will always indicate that there is dumping.
- 1.4 Rules of origin are an important tool in the implementation of a Preferential Trade Area.
- 1.5 A free trade area is made up of separate Customs territories in which trade amongst qualifying goods is dutiable.
- 1.6 One of the functions of Customs is to implement trade liberalization measures connected to the movement of goods across borders.
- 1.7 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.
- 1.8 *Travaux Preparatoires* refers to a record of parliamentary debates on Customs legislation.
- 1.9 An amendment to the Zimbabwe Customs and Excise Act only requires the signature of the Minister of Finance in order for it to be implemented as law.
- 1.10 The Revenue Authority Act (Chapter 23:11) is a principal legislation which is an Act of Parliament.
- 1.11 The customs or moral beliefs of a nation can influence the formulation of laws on imports and exports.
- 1.12 Before a Customs Administration joins the membership of the WCO, it is mandatory that the country belongs to the WTO.
- 1.13 A common external tariff is an essential element of a Customs Union.
- 1.14 Harmonized Customs Laws within a Regional Economic Community will go a long way in facilitating trade amongst the membership.

- 1.15 While the HS Code developed by the WCO goes up to six digits, some countries have developed their tariff coding to go up to eight digits.
- 1.16 The highest governing organ of the WTO is made up of Heads of States and Governments.
- 1.17 The WCO must always be notified of the existence of regional trade arrangements since these are contrary to the *most favoured nation* principle.
- 1.18 All contracting parties of the WTO must use MFN rates of duty when they trade amongst themselves. A trade agreement can supersede this principle.
- 1.19 The highest governing organ of the WCO is the Council which is made up of Heads of Customs Administrations.
- 1.20 It is possible for a country to have preferential trading areas with different countries. For purposes of a common external tariff a country can only belong to one Customs Union.

Question 2 [20 marks]

This question comprises two parts. Questions 2.1 to 2.25 are multiple choices. Choose the best correct statement. Questions 2.26 to 2.30 require you to indicate the correct Article of GATT which is applicable.

2.1 Which of the following statements is wrong?

- A** The WCO collaborates with the WTO on trade facilitation issues.
- B** The September 11, 2001 event has not had an effect on Customs Operations.
- C** The original Kyoto Convention of 1974 was revised.
- D** The World Trade Organization replaced GATT.
- E** Some of Zimbabwe's Tariffs are bound by GATT/WTO.

2.2 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.

2.3 The role of modern Customs Administration is to

- A** collect revenue.
- B** facilitate trade.
- C** control imports and exports.
- D** contribute to national security objectives.
- E** all of the above.

2.4 GATT/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.

2.5 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.

2.6 The following can be sources of Customs Laws:-

- A** Economic policies of a nation
- B** International Organizations such as UNCTAD
- C** WCO conventions
- D** Political environment of a country
- E** All of the above.

2.7 According to Widdowson, which of the following scenarios would best suit an environment where traders fully comply with Customs to the extent that very little of Customs Control would be required?

- A** Laissez faire approach.
- B** Balanced Approach.
- C** Crisis Management.
- D** Red Tape Approach.
- E** None of the above.

2.8 GATT was created to

- A** ensure that contracting parties enforce import and export controls in their countries.
- B** assists contracting parties to maximize revenue collections.
- C** develop the full use of the resources of the world through expanding the production and exchange of goods.
- D** ensure that through the IMF and the World Bank richer nations assist developing countries.
- E** none of the above.

2.9 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.

2.10 Which of the following does not represent the aims of the WCO?

- A.** Foster co-operation in Customs matters.
- B.** Advise member administrations of Customs matters.
- C.** Prepare conventions and recommend their adoption.
- D.** Represent the interests of Customs Administrations at international forums.
- E.** Penalize member administrations who do not adopt its instruments.

2.11 Which of the following statements is wrong?

- A** Qualifying goods originating in a Free Trade Area and a Customs Union can move within the member states duty free.
- B** The WTO discourages the use of subsidies.
- C** A bounty has the same effect as a subsidy.
- D** Regional Economic Communities such as COMESA and SADC discourage 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.

2.12 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.** Harmonized hours of operation at common border posts such as Musina and Beitbridge
- E.** None of the above.

- 2.13 Which of the following statement is wrong?
- A** The Kyoto Convention incorporates certain elements of the Istanbul Convention.
 - B** The Istanbul Convention is an improvement of the ATA Carnet Convention.
 - C** The Istanbul Convention gives guidelines on how permanent exports must be handled by Customs.
 - D** The Kyoto Convention encourages parties to become parties to the Istanbul Convention.
 - E** One of the principles of the Istanbul Convention is that Customs must specify a time limit at which goods imported temporarily must be exported.
- 2.14 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 87 dealing with the classification of goods.
 - B** Section 107 dealing with the valuation of imported goods.
 - C** Section 127 dealing with the liability for the payment of excise duties.
 - D** Section 92 dealing with countervailing duties on imported goods.
 - E** Section 90 dealing with anti-dumping duties.
- 2.15 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.
- 2.16 A Free Trade Area (FTA) must exhibit the following characteristics:-
1. Qualifying goods can move customs duty free within the FTA
 2. The Customs Administrations must use the same valuation system
 3. Common rules of origin in respect of trade amongst its membership
 4. Common hours of operation at all border posts within the FTA (eg if Plumtree in Zimbabwe operates from 06h00 to 18h00 then Kasumbalesa border post in DRC must operate the same hours).
- A** Only statement 1 is correct.
 - B** Only statement 3 is correct.
 - C** All statements are correct.
 - D** Only statement 4 is wrong.
 - E** Statements 1 and 3 are correct.

2.17 “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.

2.18 26th January, which is celebrated in Zimbabwe as the International Customs Day, signifies the day when

- A** Zimbabwe joined the World Customs Organization.
- B** the Customs Cooperation Council adopted a working name of the WCO.
- C** the inaugural session of the Customs Cooperation Council was held in Brussels in 1953.
- D** a committee was set by 13 European countries to investigate ways of enhancing cooperation in Customs matters.
- E** the Convention formally establishing the Customs Cooperation Council came into force.

2.19 The rate of duty on shoes manufactured from specific rubber soles is given as, “ 40% plus \$30 per pair ”. This is an example of

- A** an ad valorem rate of duty.
- B** a specific rate of duty.
- C** a compound rate of duty.
- D** a WTO tariff binding.
- E** none of the above.

2.20 Which of the following procedures can be used to monitor or control containerized transit traffic?

- A** Legal prescription of the maximum time limit within which goods in transit must leave the country.
- B** Highway patrols by the Customs Authority.
- C** Legal prescription of authorized routes in respect of traffic in transit.
- D** Container seals.
- E** All of the above.

SECTION B

Question 3 [20 Marks]

(a) The Zimbabwe Revenue Authority has adopted the Harmonized Commodity Description and Coding System (HS). Apart from trade negotiations at regional and international forums, give and explain three other ways in which the Harmonized System is used in Zimbabwe. [6 marks]

(b) Explain and distinguish the following terms: - [3 marks]

- (i) One Stop Border Stop
- (ii) Coordinated Border Management
- (iii) Single Window

(c) Give 2 objectives of the International Convention on the Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention). [2 marks]

(d) The Revised Kyoto Convention is divided into three broad parts. Give the names of these parts and explain the relevance of these parts when a country accedes to the Revised Kyoto Convention. [4 marks]

(e) Give and explain any two characteristics of an outdated Customs Legislation. [2 marks]

(f) Give and discuss 2 examples in which the WCO has managed to influence Customs Legislation or Procedures in Zimbabwe. [3marks]

Question 4 [20 Marks]

In his thesis, *The Wealth of Nations*, Adam Smith explains the principle of Equity as follows, “The subjects of every state ought to contribute towards the government, as nearly as possible, in proportion to their respective abilities...”

Give and explain the three remaining principles or canons. In your explanation illustrate the relevance of each of these principles to Customs Laws in Zimbabwe by giving examples.

Question 5 [20 Marks]

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; | 5 Marks |
| (b) alignment of procedures and formalities; | 5 Marks |
| (c) development and sharing of common facilities; | 5 Marks |

(d) establishment of one stop border post control.

5 Marks

Explain the meaning of each of the above 4 given areas and show how the implementation of each of these will facilitate trade.

Question 6 [20 Marks]

“GATT/WTO has had an impact on the Customs Laws and procedures in Zimbabwe”.

(a) Discuss the above statement and give 4 examples to illustrate the impact of GATT on the Customs Laws or procedures in Zimbabwe. **14 Marks**

(b) Give any 2 examples which show complementarities between the WCO and WTO. **6 Marks**

END OF EXAMINATION PAPER