

# SOME SUGGESTIONS ABOUT IMPROVEMENT OF CUSTOMS FORMALITIES

by Dr. ĐOÀN THỊ HỒNG VÂN

In the past 50 years, acting as the guardian of the economy, the Vietnam customs have contributed to the national development. Annually the customs handled an amount of exports and imports equivalent to 33% of Vietnam GDP; customs duties represented 11% of the budget income. The customs also discovered and fined thousands of cases of violation of law, retrieved billions in taxes and thousands of antique items; supplied numerical data which were helpful to making national policies, or foreign trade policies to be precise.

Recently, the customs formalities have been reformed with a view to making them simple, uniform, standardized and more convenient for foreign trade, investment or tourism businesses (according to the estimate of Phan Văn Đình, Director of the Customs General Department).

Besides these achievements, however, the customs have committed many mistakes which should be corrected as soon as possible because at present, Vietnam has been a member of ASEAN, the US-Vietnam relation has been normalized, and the EU-Vietnam relation has been changed basically.

Before presenting my suggestions about improvement of customs formalities, I would like to say something about the Vietnam customs.

## 1. Formation and development of the Vietnam customs

On Sep 10, 1945, the Provisional Government of Vietnam Democratic Republic issued the Decree No 27/SL establishing the Customs and Indirect Tax Agency which would become the Vietnam Customs later.

On April 6, 1955, the Agency was officially renamed the Central Customs Agency, and on a later time, the Vietnam Customs Department, being affiliated with the Ministry of Industry and Commerce, and then, with the Ministry of Foreign Trade. On Feb 27, 1960 the Government Council promulgated the Rule of the Customs. Although it was simple but it stated clearly the functions and duties of the customs. The Rule, later on, were developed into the Ordinance on the Customs.

On Aug 12, 1976 the first general meeting of the customs was held in HCMC to unify the organization and operation of the customs all over the country. On Aug 30, 1984, based on the Resolution No 547/NQ-HĐNN 7, the Council of Ministers approved of formation of the Customs General Department directly under the Council of Ministers. On Feb 20, 1990, the National Council passed

the Ordinance on the Customs. This was the first complete law document about the customs which marked the maturity of the Vietnam Customs.

According to the Ordinance, the customs have two functions:

- Managing the customs activities.
- Struggling against smuggling.

The Ordinance also prescribed rights and duties of the customs.

The Vietnam Customs are organized into three levels: General Department, departments at province and cities, the customs offices at ports, airports, etc. Up to 1994, there are 28 customs departments at provinces and cities, and 131 customs offices with the total personnel of 4,380 officers.

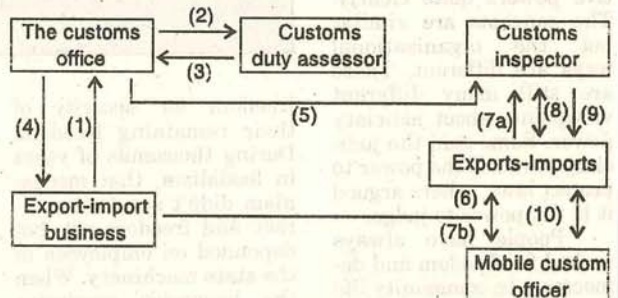
In comparison with their first stage of development, the Vietnam Customs have enlarged their personnel, enhanced their professional knowledge and skills, but at present, their personnel can't complete their tasks as standard required.

## 2. Tasks of the customs

The Vietnam Customs perform the following tasks: inspecting, controlling flow of goods, and handling complaint. The most important one is the tasks of inspecting which includes: receiving customs declarations, inspecting what were declared and collecting customs duties and fees.

### a. The reverse process and its shortcomings

For a long time in the past, because of limited knowledge and skill, bad equipment and lack of practical regulations, the Vietnam Customs have performed their tasks according to the reverse process. This process is unreasonable as showed in the following chart.





(1) Businesspersons submit customs declarations at customs department. This job takes a long time because all declarations are sent here.

(2) Businesspersons send their customs files to customs duty assessor.

(3) Files are returned to customs department for approval.

(4) Businesspersons receive tax notice and complete their customs declaration.

(5) Copies of customs declarations are sent to customs offices at ports, airports...

(6) Businesspersons bring their goods to customs offices for inspection.

(7a) Businesspersons register for inspection

(7b) Businesspersons inform the mobile customs officers.

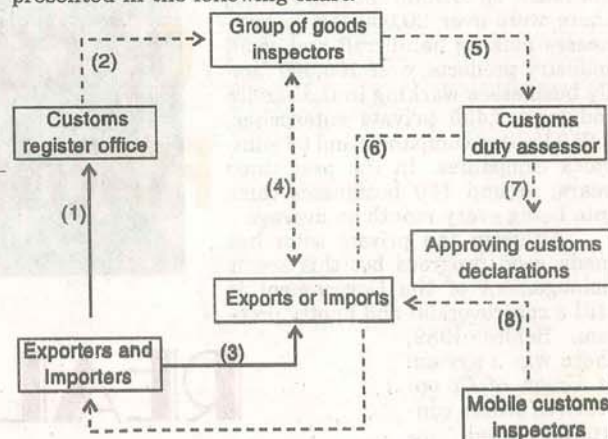
(8) Customs officers inspect goods and make records.

(9) Businesspersons receive their approved files.

(10) Businesspersons inform mobile customs officers and have their goods exported (or imported).

In this process, based on the customs declarations,

ment reduced the crowd waiting outside the customs office, moved the customs duty assessor office to the port and airport, and then, moved the customs register office to the Saigon Port and Tân Sơn Nhất Airport. Thus, the HCMC Customs Department have to deal with some problems only: inspecting goods at private warehouses, goods processed for foreign companies, foreign investment. As of Dec 1, 1994 the customs office at the Saigon Port has piloted the "one-door customs formalities" scheme which could be presented in the following chart:



Note: - - -> done by the customs

-----> done by businesspersons

(1) Businesspersons apply the customs declarations at office at port.

(2) Declarations are sent to goods inspector.

(3) Goods are brought to the office of goods inspectors.

(4) Goods are inspected and records are made.

(5) Tax notices are issued.

(6) Tax notices are received.

(7) The customs declarations are approved by the customs office holder.

(8) Goods are allowed to go out (or in).

This process is better than the reverse process: tax is calculated after goods were inspected; the customs declarations are transferred by customs officers so they could co-operate together more effectively. These improvements made the custom formalities simpler and reduced bribery. However, there are some shortcomings in this process such as: it takes a long time to inspect a declaration for tax arrears, cases of tax avoidance are still common.

### 3. Some suggestions

- In order to struggle against tax avoidance, we can have banks collect tax from business's account at banks, or we can bring the Tradenet system into use in order to facilitate this task.

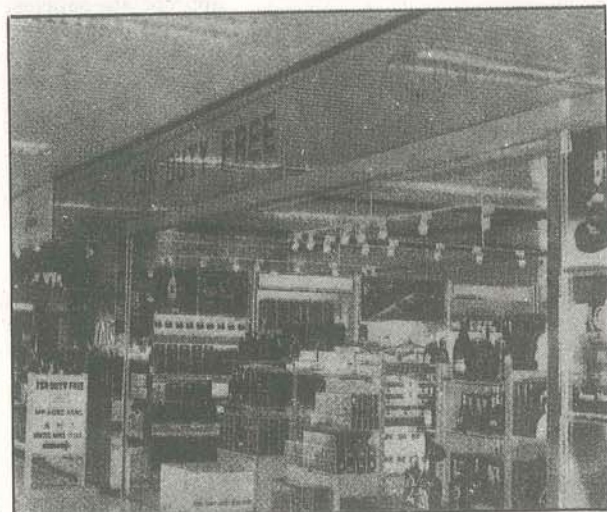
- Standardizing all trading documents (bills, invoices, etc) relating to the customs activities.

- Realizing ASCUDA project (Automation System Customs Data)

- Organizing training courses or refresher courses for customs officers with a view to standardizing the army of customs officers.

- Giving material incentives and using disciplinary measures properly.

- The Government had better make the Customs Law and publicize it, improve the Law on customs duties, keep the tax rate under 60%, impose excise tax, and make 8-digit goods list as ASEAN countries did.



the customs decided how much tax they must pay. After that, the customs inspected the amount of dutiable goods. At this part, there could be some negligence, because there could be a difference between declared goods and goods submitted for inspection. Moreover, businesspersons brought their files themselves from this office to another, so they could have chances to offer bribe to some customs officers. As for honest businesspersons, they could find the customs formalities too complicated and time-consuming.

#### b. New formalities: some marked improvements

After the Government issued the Decree No 38/CP on the administrative reformation, the customs have reformed the formalities. On June 15, 1994 the Decision No 80/TCHQ was issued by the Customs General Department, and on Sep 16, 1994, the Directive No 1121/TCHQ giving regulations and instruction in reforming the customs formalities.

Realizing these orders, the HCMC Customs Depart-