DATE ………………………….......... STUDENT NO.…………..……………….........….

EXAMINATION CENTRE …………………………………………………...……………………..….

THE SHIPPING AND FORWADING AGENTS’ ASSOCIATION OF ZIMBABWE



## CUSTOMS LEGISLATION AND PROCEDURES DIPLOMA COURSE

**FINAL EXAMINATION**

**PAPER TWO**

#  GENERAL PAPER

**28 NOVEMBER 2019**

**TIME ALLOCATION: (2 HOURS)**

**INSTRUCTIONS**

* Part A – Answer compulsory Valuation question.
* Part B - Answer 2 questions in this part.
* Remember to write your student number on all your answer sheets.
* Start each new question on a fresh answer sheet.
* This examination script is the property of SFAAZ and must not be removed from the examination room.
* This paper carries 25% of the final examination mark.

**NOV 2019 CLP Diploma Final / P2**

**QUESTION ONE- Compulsory**

1. The attached Invoice, freight statement , Rail Advise Note and Rates of Exchange are for a shipment imported by rail transport.

**You are required to calculate the VDPs for the two items on the invoice using a worksheet. Please show all your calculations on the worksheet. (20 marks)**

1. Explain with an example a situation that warrants the use of the identical method of valuation of goods. (5 marks)
2. A commercial traveller imports 30 pairs of different types of shoes as samples. You notice that they are all left foot shoes. Importer tells you they don’t have a value since they are all for one foot. Explain how you should come up with a Customs value. (5 marks)
3. Give three instances when an importer and exporter are regarded as related and the relationship may affect the valuation of the goods. (4 marks)
4. How are do you calculate freight and insurance for goods imported by post. Support your answer with legislation. (3 marks)
5. What is the purpose of a value declaration form F52A (2 marks)
6. VAT will be reduced to 14½% with effect from 1 January 2020. What is the effect of this on the VAT formula (1 mark)

**{Total 40 marks}**

**NOV 2019 CLP Diploma Final / P2**

QUESTION TWO

The Minister of Finance recently announced the 2020 National budget proposals. In his budget speech he proposed several changes that affect the Customs environment. Some of the proposals covered are in the following extracts:

Extract 1: From Finance bill

 23. New section inserted in Cap. 23:02

(1)  The Customs and Excise Act [*Chapter 23:02*] is amended by the insertion of the following section after section 115—

“115A  Rates of exchange: conversion of foreign currency

When the value or cost of any imported goods, or any element that is required to be included in such value or cost, is expressed in the currency of a foreign country, it shall be converted to the currency of Zimbabwe at the selling rate for that foreign currency, as designated by the Commissioner in consultation with the Reserve Bank of Zimbabwe, applicable as a customs rate at the time the goods concerned were entered in terms of this Act.”.

(2)  Wherever in the Customs and Excise (Tariff) Notice, 2017, published in Statutory Instrument 53 of 2017, duties are expressed as a specific rate in United States dollars as opposed to *ad valorem* rates, such duties shall be converted to Zimbabwe dollars at the prevailing customs exchange rate.

Extract 2: from budget speech

*Customs Duty on Sanitary Wear*

258. Mr Speaker Sir, sanitary wear is a basic commodity for the hygiene of women and girls. However, its unaffordability is exposing the vulnerable to health related problems.

259. I, therefore, propose to extend duty exemption on sanitary wear by a further twelve months and also include sanitary cups and pants on the list of duty free products.

**Extract 3: from budget speech**

*Gwanda Custom House*

267. Furthermore, I propose to appoint a *Customs House* in Gwanda District in order to reduce the cost of doing business.

*Customs Dry Ports*

268. Mr Speaker Sir, congestion due to infrastructure bottlenecks, particularly at Beitbridge and Forbes ports of entry, remains one of the major constraints to trade facilitation.

269. In order to address this challenge, Government has adopted the *Dry Port Concept*, whereby commercial cargo is consigned to specified inland facilities pending final clearance.

270. I, therefore, propose to designate *Customs Dry Ports* in Masvingo, Bulawayo, Makuti and Mutare, in order to relieve pressure on *Ports of Entry*

**Extract 4: From Finance bill**

*Suspension of Duty on Semi-Knocked Down (SKD) Kits Used by the Motor Vehicle Industry*

221. I, propose to remove SKD kits from the specified list of goods liable for duty in foreign currency. I, further, propose to extend the *Facility* for a further 3 years, beginning 1 December, 2019.

 “End of extracts “

From the above extracts

1. A consignment of commercial tyres imported from China has a calculated VDP of $12,500.00. The net weight of the tyres is 570 Kgs. The customs duty rate for tariff 4011.2019 is 20% + USD $5/kg. Calculate the Customs duty and VAT payable using the provisions of section 115A (2) in extract 1 above. (7 marks)
2. Identify the relevant section and the legislation that the minister should amend to achieve his objective of extending the suspension of duty on sanitary wear. (4 marks)
3. You are aware that goods imported by road should be pre-cleared before importation. The Minister has established inland “Customs dry Ports” identified in extract 3 above for “final clearance”. Explain these final clearance procedures. (4 marks)
4. What documentation can be used to move the trucks from border posts to inland dry ports for final clearance (2 marks)
5. Explain what you understand by SKD kits (3 marks)
6. There appears to be a contradiction between the heading of extract 4 and the statement thereafter by the Minister. Explain the Minister’s statement (3 marks)
7. Identify the legislation that will be amended to give effect to the Minister’s proposal on SKD kits. (2 marks)
8. Explain the stages the Finance Bill will go through before it becomes law. ( 5 marks)

**{Total 30 marks}**

QUESTION THREE

1. Explain with examples and with reference to the Customs Act the following offences:
2. Possession of blank foreign invoice
3. Damaging a Customs boom
4. Using a fake Customs date stamp
5. Importing dogs without a Veterinary permit (12 marks)
6. From extract 1 in question 2 above the Minister referred to “specific” rate of duty and “ad valorem” rate of duty. You are also aware that there is a “combination” rate of duty and an “alternative” rate of duty. Explain each of these four rate with specific rates from the Customs tariff. (12 marks)
7. The Minister of Finance in his 2020 budget speech proposed to appoint Gwanda as a Custom house. Identify the legislation that needs to be amended by the Minister to appoint Gwanda as a Custom house. (2 mark)
8. What are the activities that can be conducted at a Customs house? Support your answer with legislation ( 4 marks)

 **{Total 30 marks}**

**QUESTION FOUR**

1. In your own words and with reference to legislation, explain the Inward Processing rebate. Your answer should cover imported raw materials, the finished products and waste from the manufacturing process. (10 marks)
2. Calculate the drawback to be claimed by an importer of textile material for the manufacture of vehicle tarpaulins. The following manufacturing formulas have been approved by ZIMRA:
3. Standard double cab tarpaulins consume 3 square metres of material
4. Ford Ranger extended cab tarpaulins consume 5 square metres of material
5. Standard single cab tarpaulins consume 7.5 square metres of material

Import documents for the material show a VDP of $28 174.00 for 6000 metres. The material width is 900 mm. Customs duty was paid at 15% and reflected as $4,226.10.

The importer has already claimed the VAT paid on the bill of entry as input tax so he cannot claim drawback on VAT paid on this entry.

Calculate the drawback to be claimed on an export of 80 x Ford Ranger covers, 65 standard single 1\ cab covers and 75 standard double cab covers.

(10 marks)

1. Identify six anomalies in the operations of a bonded warehouse that may result in the closing of the bonded warehouse by Zimra. (6 marks)
2. to Zimbabwe currency

**{Total 30 marks}**