CHAPTER 7

Customs Duty Relief and Exemptions

François Corfmat and Adrien Goorman

In addition to the valuation problems addressed in the previous chapters, there are two other areas in which customs systems are commonly vulnerable to significant abuse. The first is in the duty relief regimes that are commonly provided to ensure that—consistent with the basic trade policy objective of imposing import tariffs only on domestic consumption and production—goods in transit, and goods used to produce exports, do not bear duty. The second is in the provision of exemptions from duty often extended, however unwisely, to particular goods, persons, or activities. This chapter and the next—which focuses on the special issues associated with transit—deal with the associated problems of control.

A. Duty Relief Regimes

Customs laws make provisions for these regimes and establish regulations for their administration and control. The regimes falling in this category are temporary admission for inward processing (TAP), drawback, bonded manufacturing warehouses, duty-free zones or free trade zones (FTZs), duty-free shops, bonded warehouses (for storage), and temporary admission for reexportation in the same state.

The implementation of duty relief regimes requires specially designed procedures to allow customs administrations to monitor the temporary entry of goods and enforce payment of duties, taxes, and penalties when an offense takes place. While the administrative requirements and control procedures for some of these regimes are relatively simple, for others they are complicated. Experience shows that many countries have had great difficulty in properly administering and monitoring the regimes, which has resulted in abuse, fraud, and significant revenue leakage. In several developing countries, the inability of the customs administration to properly implement duty relief systems for their export industry has increased production costs, thus reducing their manufacturers’ competitiveness in export markets, and has had a negative impact on the ability of these countries to attract investors. Faced with serious administrative difficulties in administering temporary admission or drawback systems, and with
revenue loss, some governments have seen no better solution than closing down bonded warehouses or zero-rating imported industrial inputs despite critical revenue needs. These solutions are likely to have been less optimal than those that could have been adopted if effective customs administration had existed.

The discussion here is limited to a discussion of the main regimes, in particular the three main duty relief systems for export: the TAP, drawback, and FTZ.

**Rationale**

The purposes of import tariffs are to raise revenue for the government and protect favored domestic activities. To the extent that imported goods are used to produce exports, however, tariffs will tend to reduce a country’s competitiveness in world markets. The effect is akin to imposing an export tax on these commodities, but with the additional effect of distorting firms’ production decisions by inducing them to substitute away from the use of imported intermediate goods. Most countries do not wish to have this effect, and so establish systems to mitigate the anti-export bias of tariffs by ensuring that tariffs are not paid on intermediate inputs into the production of exported goods. If it is desired to tax exports, this is best done directly, without distorting production decisions. In theoretical terms, the case for excluding exports from tariffs on the use of intermediate inputs is not entirely clear: it mitigates the effect of protecting domestic producers, which may be part of the purpose of the policy; and if the purpose of the tariff is to raise revenue, the exclusion of use in exports implies a higher rate, and hence more distortions, on domestic activities. Nevertheless, it is usual practice to seek the exclusion from import tariffs of intermediate purchases used directly in the production of exports. The concern in this chapter is with how best to implement this standard policy.

**Same objective, different mechanisms and risks**

TAP and drawback have the same objective, but there are significant differences in the mechanisms by which they are implemented, the revenue risk involved, and the advantages they give to the export manufacturer. The choice between TAP and drawback depends on preference rather than feasibility. TAP is preferred by exporters, but carries a greater revenue risk through the possibility of leakage of the goods to the local market. Drawback involves less risk to the revenue, but the experience of delays and uncertainties about repayments have acted as a disincentive to exporters, or have led them to factor the delays and

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96Unless further measures are taken, exporters will still bear import tariffs to the extent that they make use of inputs purchased from domestic firms that have paid tariffs on their imports.
uncertainties into their cost and price calculations. The ideal policy is likely to involve using both TAP and drawback: TAP, typically negotiated with customs, may be appropriate, for instance, for those who export all their product—and know in advance that this will be the case—and drawback for those who sell both abroad and domestically. However, in situations where fraud is a particular problem and the administrative capacity to administer the programs is lacking, drawback only may be the best approach. This provides the government with the revenue up front, and it is able to verify later that the exports have taken place before the refund is paid. A disadvantage for business is that the manufacturer must pay the duties and taxes and often wait a considerable period of time before the refund is made, thereby reducing the company’s working capital.

FTZs have the same basic objective as TAP and drawback, but are established on the basis of a broader set of objectives and rules, and may not be an appropriate solution in many cases. There are variations on these regimes, such as duty-free importation for materials of the same kind, technical specification, and quality as local materials that were incorporated in goods already exported. This regime can be allowed for manufacturers exporting only occasionally or only a small part of their production.\(^\text{97}\)

**Temporary admission for inward processing**

**Definition and characteristics**

Temporary admission for inward processing is the regime under which imported materials intended to be used in the manufacture of export goods, or to be transformed or repaired, are conditionally exempt from duties and taxes. Manufacturers exporting a given minimum percentage of their production can register for the system provided they establish security for the duty in the form of a bond and keep prescribed books and records to document the quantities of materials used and products manufactured and exported or sold in the local market. The TAP system is relatively difficult to administer and requires well-developed and efficient customs administration. It is effectively implemented in many developed countries and some developing countries.

Although, as already noted, TAP is more attractive to exporters than is drawback—because no funds are used in paying import duties and there are no problems of refund—this approach may be impractical for small manufacturers, since it could create an excessive administrative burden and a higher revenue risk. For small or irregular exporters, a quick, reliable system of export drawback should be available that includes the following features: simplicity of program and regulations (easily understood by manufacturers and easily administered by

\(^\text{97}\)Such a regime is applied in various countries, including the EU (EXIM system), Chile, and Brazil.
customs); precise definitions of the types of goods and companies that qualify; and assurance of quick refunds of the import duties paid (see section on drawback).

**Revenue risk and problems experienced**

Where customs controls are weak, revenue may be lost if exempt materials are used in the production of goods sold in the local market, thus evading the duties and taxes due. Because inputs into production are normally taxed at low tariff rates, the size of possible revenue loss is reduced. However, if the system is widely abused, the loss may still be significant. The temporary admission entails, therefore, a higher risk to customs revenue than the drawback system.

In several developing countries, temporary admission for industrial inputs is the only system of duty relief available to export manufacturing. In many cases the customs administrations of these countries do not have the resources to effectively administer either the TAP system or a drawback system. Their only alternative is to exempt the raw materials and components imported by export manufacturers and apply whatever administrative controls are within their capabilities to verify that the materials are being used for the stated purposes and the final products are actually exported. The more limited controls that are in place often leave a great deal of opportunity for abuse and revenue loss. Because of the revenue risk, some governments have restricted the regime to certain goods or to large companies. This often leaves a significant part of the nontraditional export sector without duty relief and, therefore, impairs the development of export industries.

**Administrative requirements for effective control**

The main requirements for effective administration of the TAP regime include the following:

- A bond needs to be provided by the approved export manufacturer to secure duty payment in case of abuse or fraud. The bond can be waived for established and solvent companies that pose little revenue risk.

- The ratio of imported materials used in one unit of output (“input-output coefficients”) needs to be determined and agreed upon between the manufacturer and the customs administration. It needs to be updated periodically and each time manufacturing processes or tariff rates are changed.

- Records and accounts of raw materials imported and duties and taxes paid need to be maintained together with details of materials stored, materials used in production, and accounts of final goods produced, exported, and sold in the local market.
There are two principal methods to account for, and control, the system. One is the matching of export documents with specific import documents, which is a traditional and complicated method and should be avoided. The other is to make a single, global declaration of the total quantity of materials imported during a given period and the total quantity of final goods delivered for export (and thus exempt) and delivered to the local market (with duties and taxes due) in the same period. This is the recommended method for the most effective control of the system. It requires detailed accounting by the trader and careful verification by customs.

Customs headquarters, and possibly additional units at the customs offices of the main industrial centers, need to be established to monitor and audit the manufacturing companies approved under the system.

A selected number of staff need to be trained in the audit of TAP.

Because it is administratively demanding, for both the manufacturer and the customs administration, the TAP system should be available only to manufacturers that, on a regular basis, export a given minimum percentage of their production. Manufacturers that export only a small part of their production, or only export sporadically, should be given duty relief through drawback.

The TAP control system should be fully computerized.

**Drawback**

**Definition and characteristics**

Drawback is a system under which the import duties and taxes paid on imported inputs are refunded to the exporter. Drawback is not an export subsidy and is, therefore, in compliance with World Trade Organization (WTO) rules\(^98\) so long as it only provides for a refund or remission up to the amount of duties and import charges levied on the imported inputs actually used up in the production of the exported goods.

In most countries drawback may be claimed only by direct exporters.\(^99\) Goods eligible for drawback should include all raw materials and intermediate goods used for the production of final exports, including imported packaging. The refund should be for 100 percent of the duties and taxes paid on the inputs. The refund does not necessarily have to be in cash and some countries, such as

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\(^98\)Under the Agreement on Subsidies and Countervailing Measures.

\(^99\)In Korea, Chile, and Colombia, for example, the drawback scheme includes direct and indirect exporters (the latter being firms that sell to exporters).
Brazil, issue credit certificates to the exporter that can be used for paying duties on future imports.\textsuperscript{100}

Drawback, like TAP, is based on a calculation of the duty on imported inputs incorporated in one unit of output. The amount to be refunded should equal the product of the value of each imported input used in producing exports and the corresponding tariff rate. There are two methods to determine the import duty content of exports that are commonly used: fixed drawback rates and individual drawback rates.

Under the fixed-rate system, the refund is calculated according to a preset schedule for each exported good based on input-output coefficients. Korea and Taiwan use this system and publish updated drawback schedules every six months. It provides ease of administration as it uses automatic rates of drawback not related to the specific performance of the manufacturer. However, it requires the estimation of a potentially large number of coefficients—possibly hundreds—and their frequent updating. The calculated amount can sometimes be too low, in which case the exporter does not receive full relief of the duty element in his export products, or too high, in which case the drawback contains an element of subsidy and does not comply with WTO rules.

Under the individual rate system the drawback is based on the manufacturer’s performance and is verified by an audit of the books and records of the enterprise by customs. This system relies more heavily on self-assessment as the manufacturer is responsible for establishing rates of yield or conversion ratios to claim drawback. It is the responsibility of the administration to verify the yields or conversion rates through audits. This approach is fairer to all manufacturers because it relates specifically to the performance of an individual company and is not based on an industry average.\textsuperscript{101} Most industrialized countries use this system.

The administration of drawback requires largely the same information, administrative control, and organizational setup as the administration of TAP. It has a similar degree of difficulty, although the payment of refunds under drawback imposes an additional administrative burden that does not arise under TAP. On the other hand, the greater revenue risk under TAP—the money being collected up front under drawback—requires tighter control on the use made of the imported input.

\textsuperscript{100}This contradicts, however, the principle of quick refunds and can be a disadvantage as the manufacturers may have to wait a considerable period of time, thereby reducing their working capital.

\textsuperscript{101}Individual drawback can lend itself to corruption insofar as its implementation involves direct contact between importer and customs collector. The proper response to this, however, is to move—as a key part of the overall modernization strategy described in this book—away from face-to-face contact and toward audit-based methods of control.
Revenue risk and problems experienced

The revenue risk is limited, because the duties and taxes that might be due if the final products are not exported but are sold in the local market have been paid. However, the customs administration has to be alert to possible false drawback claims.

Among the main problems experienced with drawback systems are the following:

- The drawback system is often restricted to products included in an exhaustive list.
- Drawback refunds are often made only after long delays. In some instances, the refund is never made because of poor customs administration.
- Under many of the systems in developing countries, refunds can only be made from a specially approved annual budget. Often the budget is inadequate so it runs out and refunds cannot be made.
- In the absence of effective control significant abuses occur.

The most serious problem in many developing countries is that while the system is available theoretically, and exporters would like to make use of it, the customs administration is incapable of implementing the system efficiently. This situation, clearly, is a serious impediment for a country’s manufacturing exports sector. By discouraging exporters or creating uncertainties about their ability to obtain refunds, it may also make them more likely to attempt to evade duty and tax.

In some countries, where the tariff rates on raw materials are relatively high and the drawback system is not available or does not function well, exporters have pressed their governments for outright exemption. This has resulted in revenue loss as no effective control mechanisms were in place to verify that the imported materials were used in export manufacturing.

Administrative requirements for effective control

Important administrative aspects include the following:

- Simplicity of the drawback system is of crucial importance. The system must be easily understood by manufacturers and easily administered by customs. Simple administrative procedures allow refunds to be made without delay.
- Responsibility for setting drawback rates should rest with a high-level committee consisting of industry, trade, and customs departments.
- Importers should be refunded in as short a time as possible. Payment should not be delayed until all controls are finalized. Once the customs verification of the export (checks on quantity, price, and type of product) is done and
actual exportation takes place, the refund should be made. The control of the eligibility for the refund should be made later through periodic audits of the books and records of the manufacturer.

- To speed up refunds, provisional payments can be made, supported by a bank guarantee from the exporter, for example, for 80 percent of the duty due, with adjustments later.

- It should not be necessary to give proof of foreign exchange receipts (as is required in some countries), since these are already required by foreign exchange regulations.

- A refund under duty drawback should concentrate on any duties and taxes paid on importation. Refunds arising from the zero-rating of exports under the value-added tax (VAT) will normally be made by the revenue department administering the VAT.¹⁰²

- To make the best use of information collected and resources available, joint audits should be made for VAT and drawback purposes, at least on occasion.

- A special unit at customs headquarters needs to be established to monitor and audit the manufacturing companies approved under the system and to audit drawback claims.

- Specially selected staff need to be trained in drawback audit.

- The drawback system should be fully computerized.

**Free trade zones**

**Definition and characteristics**

Free trade zones are geographical areas that are legally outside the customs territory. They are established in order to manufacture goods for export and to provide services to foreign enterprises. The underlying objectives for establishing FTZs are to stimulate exports of nontraditional manufactured goods, strengthen the competitiveness of exporters, diversify the economy, create employment, attract investors, transfer technology, and achieve development and growth. In recent years, with the shift of emphasis from import substitution to export-oriented industries, many developing countries have been attracted to

¹⁰²When it concerns other forms of sales tax and excise duties, the refund may be made either by the revenue department administering these taxes or through the duty drawback system. If the arrangement is that refund of domestic indirect taxes is dealt with under the duty drawback system and not under the relevant tax administration procedures, the exporter, to obtain refunds for domestic as well as trade taxes, should not have to deal with both customs and the revenue department. In such cases, it is preferable for customs to be responsible for administering the refunds and payments of both the customs duties and the taxes collected on behalf of other revenue departments, thus making the procedure simpler for the exporter.
establishing FTZs, and their use has proliferated. However, many of these zones have proved to be a bad investment because of poor location, high investment costs, mismanagement, or weak customs administration. Even when these problems are avoided, moreover, it is clear that lasting export success requires more than tax advantages: Zee, Stotsky, and Ley (2002) find, for instance, that “there is little compelling evidence that [FTZs] alone are capable of promoting exports.”103 Other factors, such as a good supporting infrastructure, access to an appropriate labor force, and a stable policy environment seem likely to have a more marked effect. A common, almost defining, feature of FTZs is duty-free importation. They differ quite widely in the other tax advantages that they may offer to qualifying enterprises. These may include exemption from domestic taxes, including sales taxes, excise duties, and company taxes, as well as additional benefits relating to labor regulations, foreign exchange, and others. FTZ regimes require that all output be exported, but in some countries sale to the local market of a part of the output is allowed.104

Since FTZs are neither defined nor referred to in the WTO agreements, they are not governed by WTO rules. However, a number of provisions and operating procedures of FTZs—including any remission of corporate or other direct taxes105—can constitute export subsidies and thus be subject to WTO rules under the Agreement on Subsidies and Countervailing Measures.

Revenue risk and problems experienced

The risk that FTZs pose to customs revenues is medium to high, and customs control of geographically separated FTZs may be easy or difficult depending on local conditions. They are commonly also a risk to other such taxes to which they offer advantages: zero or reduced corporate tax rates, for instance, can be exploited by transferring prices into FTZ-enterprise profits earned on domestic activities. With weak customs control, goods imported or manufactured in the FTZ can enter the local market fraudulently. Thus, FTZs are usually restricted to a designated industrial area. However, more recently, factories outside the restricted area have been approved as single factory zones.106 Customs control over these zones is difficult to organize for many developing countries because they are located outside the enclave, and the revenue risk is much higher.

103Emphasis in original.
104For instance, in Israel, Syria, and the United States.
105In relation to company taxes, there are exceptions for low-income countries; see Madani (1999).
106For example, in Egypt, Mauritius, Mexico, Senegal, and the United States.
Administrative requirements for effective control

- For geographically separated FTZs, adequate customs control needs to be established to prevent goods from entering the local market. Clearance facilities need to be established where the regime allows sales in the local market.

- If sales in the local market are provided for in the regime, they should be limited to wholesale transactions. It would be impossible for customs to effectively control retail transactions.

- For single factory zones, the use of imported inputs and quantities of manufactured products exported should be checked through audits of the manufacturers’ accounts.

B. Exemptions

The policy issues surrounding the provision of outright exemptions from customs duties were discussed in Chapter 2. This section focuses on practical issues related to the revenue risks associated with the proliferation of exemptions and on administrative measures to improve their effective monitoring and control. But it should be stressed that, as a critical element not only of any modernization strategy but also of any short-term search for additional revenues, all exemptions without a coherent and persuasive rationale should be removed.

Categories of exemptions

Exemptions can be broken down into two broad categories:

Exemptions provided for in international conventions or practices

Temporary entry—There are various possibilities under which duty- and tax-free temporary entry may be granted for goods that are to be reexported. This would include, for example, goods for display at exhibitions and professional equipment, such as computers, television cameras, sports equipment, and means of transport.

Diplomatic goods—Goods designated by the Vienna Convention for use by diplomatic missions. Similar privileges are granted as well to United Nations agencies.

107The categorization that follows is similar to that proposed for WAEMU, described in Box 2.2.
**Individuals**—Tourists and returning residents normally receive limited exemptions, which are granted primarily to ease the administrative burden of processing them through the border. Immigrants also receive some concessions to enable them to bring with them their household possessions.

**Exemptions with specific economic and social objectives**

*Discretionary exemptions*—These are exemptions introduced on an essentially ad hoc basis (an example being the exemption by several African countries of inputs into HIV-controlling drugs).

*Foreign financed aid or investment projects*—Often as a condition of a loan or an aid agreement, projects financed by international institutions (such as the World Bank) or under bilateral agreements must be granted exemption from duty and tax.

*Investment code*—In order to attract investment, duty- and tax-free entry of the goods to support the investment may be granted.

*Humanitarian aid*—Humanitarian aid intended to relieve suffering or consequences of natural disasters may be granted exemption.

*Government purchases*—In a number of instances, governments exempt their own purchases.

**Revenue risks and problems experienced**

Exemptions erode the bases of import duties and taxes. It is not uncommon in developing countries to find complex systems of exemptions. As discussed in Chapter 2, their proliferation is due mainly to ad hoc attempts to use investment laws and other incentive schemes as policy instruments for development, containing exemption provisions that totally or partially exempt imported goods from duty and taxes. Exemptions may also be used on equity grounds as a means of helping the needy and to encourage importation of staple foods. Whenever there has been a departure from the principle that legislation on exemptions should be restrictive, considerable pressure has been exerted to grant more exemptions—often by powerful lobbies—leading to their proliferation. The widespread use of exemptions needs to be reexamined in the light of medium-term trade policy and fiscal objectives, as they can run counter to development efforts and are always detrimental to revenue-raising objectives.

When looking at building revenue enhancement measures, especially in the context of trade reform, government authorities should review all categories of exemptions with a view to removing them unless they are justified beyond doubt or in accordance with international agreements. There is, for example, no good reason to exempt government or quasi-governmental institutions from import
duty and taxes. The argument that this policy does not have a net revenue effect is neither entirely correct nor relevant because it leads to abuses and leakages, as most countries are unable to control the use of imported materials. Such exemptions may also provide an artificial incentive for government agencies to undertake activities themselves rather than purchase from the private sector, since the latter will bear tariffs on inputs.\(^{108}\) In cases where exemptions have been granted by law or other legal arrangements over specified periods of time, it may be necessary to wait until such exemptions have expired.

On administrative grounds, perhaps the most dangerous institutional arrangement, which is found in many developing countries, is the one conferring broad power on ministries to grant exemptions. Effective monitoring and control of customs exemptions require specific legislation and procedures to prevent abuses that erode the revenue base. For administrative control, it is essential that transparent and simple rules for various categories of exemptions be established. These rules should state clearly who may benefit and what goods are eligible. There should also be an estimate of the monthly or quarterly import volume from each category of exemptions and the corresponding amount of revenue forgone to facilitate monitoring, detection of abuses, and the conduct of audits; computer systems for the processing of data from import customs declarations now make it easy to compile statistics on the various categories of exemptions and the corresponding revenue forgone. In addition, exemptions should be granted with enough precision so that the customs administration is able to control them in order to minimize fraud.

**Requirements to limit proliferation and loss of revenue**

In taking steps to limit exemption proliferation and the possible loss of revenue due to abuses, the following principles should be respected:

- All exemptions must be provided for by law, and provisions relating to exemptions should be compiled in a specific code rather than scattered in various pieces of legislation.

- There should be no authority for the minister of finance (or any other governmental or ministerial authority such as an investment board), customs head, or any local customs officer to authorize an exemption on a discretionary basis.

- All exemption requests for categories such as foreign-financed investment projects, investment codes, and government purchases should state the amount of duty and taxes normally payable.

\(^{108}\)The issues of principle here are similar to those that arise under the VAT, which are discussed in Ebrill and others (2001).
• All duty- and tax-exempt imports for foreign-financed investment projects under the investment code should be authorized or countersigned by the minister of finance and/or the minister of revenue, principally because of their revenue-eroding effects.

• Exemptions may be proposed by other government departments (ministry of trade) with a recommendation that the exemption be granted pursuant to a provision in the law. But the proposed exemptions should then be reviewed by a committee, chaired by the minister of finance, who will determine the merits of the application (e.g., economic justification). Moreover the committee should have clear terms of reference and its decision should be made public.

Administrative requirements and procedures for effective control

For the customs administration to be in a position to administer and control exemptions, a number of measures should be put in place at the time the exemptions are granted, including the following.

Limits for each exemption

This should include the precise conditions that apply to exemptions. Conditions related to the end use of goods should be especially avoided, since monitoring that they are indeed used in particular ways is administratively difficult. The commodities to which the exemption applies should be identified by a harmonized system heading in the customs tariff nomenclature. The quantity of goods that are exempt should be specified and so, too, should be the time frame for exemption.

Controls at the time of importation

Customs should verify that only qualified and registered entities receive the exemption, before imported goods are released from customs control, and that the types of goods and quantities are as specified by the exemption-granting authority.

“End use” conditions

Customs officials should be able to inspect and/or audit enterprises receiving exemptions in order to confirm that the enterprise is engaged in an activity for which the exemption was granted, and that there has been compliance with its conditions. For example, if raw materials have been exempted on the condition that they will be used to produce a specified end product, the customs administration should be able to verify that the quantities imported were used for that intended purpose. For registered VAT taxpayers who receive
customs-related exemptions, it may be appropriate for the VAT auditor to include verification of these exemptions at the time of the audit.

The treasury-voucher system

One of the methods for controlling exemptions, at the time of declaration processing, is to implement a “treasury-voucher” system. Under this system, the duties and taxes are calculated in the normal manner. Instead of payment, the importer presents a voucher in the amount of the duties and taxes. The voucher is issued by an exemption-processing unit located in the ministry of finance. The advantages of this approach are that the vouchers remain under strict control, in a centralized location, and the customs administration has no discretion in granting the exemptions (i.e., the administration must accept the usual method of payment or the voucher for the duties and taxes). The downside, however, is that such approaches have on occasion proved susceptible to the falsification or counterfeiting of vouchers.

Table 7.1 outlines, for each type of exemption, the conditions, verification controls, and the type of declaration required at the time of importation.

C. Conclusion

The various duty relief and exemption schemes discussed in this chapter are intended, in their different ways, to promote economic development. But they have their costs, in terms of both revenue forgone and the opportunities they can create for cheating and abuse. Procedures need to be carefully designed, and implemented, so as to minimize the considerable risks they may involve. None, however, is foolproof. Regarding exemptions, it always needs to be borne in mind that the best guarantee against revenue loss—and the best economic policy—is usually not to give any in the first place.
### Table 7.1. Monitoring and Controlling Exemptions

<table>
<thead>
<tr>
<th>Type of Exemption</th>
<th>Computation Duty and Tax Forgone</th>
<th>Conditions for Exemption</th>
<th>Declaration Required</th>
<th>Customs Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary entry</td>
<td>Yes</td>
<td>Authorized by importer, type of good, and length of time that the good will remain.</td>
<td>Commercial Import Declaration</td>
<td>Verify authorization of importer and type of good.</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Establish a control file to track eligible length of time.</td>
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<tr>
<td>Diplomatic goods</td>
<td>Yes</td>
<td>List of authorized diplomats. Approved annual quantities for alcoholic beverages and cigarettes.</td>
<td>Commercial Import Declaration</td>
<td>Verify authorizations of both persons importing and quantities.</td>
</tr>
<tr>
<td>Individuals (tourists, returning residents, and immigrants)</td>
<td>No</td>
<td>Tourists: Personal possessions for the length of stay. Restrictions on the value of gifts to be left in the country and the amount of alcohol and tobacco. Returning residents (short term): Personal possessions that accompanied the persons when they left the country. A value limit on the amount of new purchases (e.g., US$100) and the quantity of alcohol and cigarettes. Immigrants and returning residents (long term): Personal possessions that would normally be required to set up a household. High-value items (e.g., automobiles) may be restricted by value or quantity.</td>
<td>Verbal</td>
<td>Selective luggage examination in cases of doubt.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Selective luggage examination in cases of doubt.</td>
</tr>
<tr>
<td>Discretionary</td>
<td>Yes</td>
<td>Request for authorization supported by an export order or plan including a description of the proposed imported inputs (description with Harmonized System (HS) heading, quantity, value, and time frame for importation).</td>
<td>Commercial Import Declaration</td>
<td>Declaration to include a list of all goods either accompanying the traveler or to follow. Selective examination.</td>
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</tr>
<tr>
<td>Type of Exemption</td>
<td>Computation Duty and Tax Forgone</td>
<td>Conditions for Exemption</td>
<td>Declaration Required</td>
<td>Customs Verification</td>
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<tr>
<td>Partial tariff</td>
<td>Yes</td>
<td>Goods meet the origin requirements to benefit from the preferential rate.</td>
<td>Commercial Import Declaration</td>
<td>Self-declaration by the importer of the origin of the goods with selective verification when tariff preference is claimed.</td>
</tr>
<tr>
<td>Foreign-financed investment projects</td>
<td>Yes</td>
<td>Request for authorization supported by project description and list of imported goods (description with HS heading, quantity, value, and time frame for importation).</td>
<td>Commercial Import Declaration</td>
<td>Verify conditions for the exemption are met (i.e., importer name, HS description, and quantity). Conduct on-site visits to confirm imported goods are being used for the intended purpose.</td>
</tr>
<tr>
<td>Investment code</td>
<td>Yes</td>
<td>Request for authorization supported by project description and list of imported goods to support the project. Approval may include: description of imported goods for facility construction; factory equipment; and inputs for the manufacturing process.</td>
<td>Commercial Import Declaration</td>
<td>Verify conditions for the exemption are met (i.e., importer name, HS description, and quantity). Conduct on-site visits to confirm imported goods are being used for the intended purpose.</td>
</tr>
<tr>
<td>Humanitarian aid</td>
<td>No (Estimate)</td>
<td>Approve the organization eligible to import humanitarian aid. Specify the types of goods by HS heading and the quantities approved.</td>
<td>Commercial Import Declaration</td>
<td>Verify conditions for the exemption are met (i.e., importer name, HS description, and quantity). Conduct on-site visits to confirm imported goods are being used for the intended purpose.</td>
</tr>
<tr>
<td>Government purchases</td>
<td>Yes</td>
<td>Purchases to be made on a duty- and tax-inclusive basis.</td>
<td>Commercial Import Declaration</td>
<td>Ensure that all government purchases pay duty and tax on the same basis as commercial importations.</td>
</tr>
</tbody>
</table>