

Shpilevski V. S. Economic Rationale of the Overestimation of Customs Value

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The notion “customs value of imported goods” is used mainly for the purposes of applying ad valorem rates of customs duties. It is also an essential element for compiling trade statistics, monitoring quantitative restrictions, applying tariff preferences, and collecting national tax. Generally, it constitutes the taxable basis for customs duties, excises and value added tax, which is paid while crossing the border, and informally it is called customs or import VAT [2].

It is a well –known fact, the amount of payments which is subject to be paid to the budget depends on the customs value. That is why a large number of economic operators try to find the ways to lessen this taxable basis and customs authorities try to keep abreast with the times to prevent tax evasion. Have you ever thought that overestimation of customs value can be also beneficial for market participants? Actually, Yes, it can. According to our research, there are several prerequisites that make such type of manipulation reasonable. The first and the most difficult one is reducing other taxes chargeable afterwards. Let’s have a look at an example.

A domestic operator is importing a certain item. He has agreed with his foreign partner to employ broker-dealer’s services in order to pass an overestimated sum off as his profit. According to a foreign trade contract, the sum of money which is to be paid is 4800 rubles, but in fact it is 4000 rubles. Supposing, the rate of duty is 5 % then this item is retailed on the EEU territory at the price of 7000 rubles [1].

On the second stage, while crossing the border, the economic operator consciously pays a little bit more (only duty and import VAT are payable). It depends on a customs rate. According to the tax legislation, VAT is chargeable by credit. It means that the VAT which is paid while selling this product is subject to be paid to the budget and the import VAT which is paid at the border is subject to credit for future taxes. In fact, the sum of money which goes into the republican budget is the difference between the Output VAT and the Import VAT. In general, the VAT rate is 20 %, Tax code includes some exceptions. Have a look at the table. The difference between the Output VAT and the Import VAT is higher when the customs value is real.

The third step is paying tax on income and, as you can see, tax on income in this case is much lower. This is the primary objective of overestimating the customs value. As a result,

total payments which are subject to be paid to the budget are reduced. Furthermore, we have increased customs value by 20%, and 20% is a normal price fluctuation, that is why such breaches are very hard to elicit.

Table 1

Index	Real customs value	Customs value overestimated for 20%	Customs value overestimated for 20%
Customs value	4 000 roubles	3 200 roubles	4 800 roubles
Customs duty	$4\,000 \times 5\% = \mathbf{200}$ roubles	$3\,200 \times 5\% = \mathbf{160}$ roubles	$4\,800 \times 5\% = \mathbf{240}$ roubles
Import VAT	$4\,200 \times 20\% = \mathbf{840}$ roubles	$3\,360 \times 20\% = \mathbf{672}$ roubles	$5\,040 \times 20\% = \mathbf{1\,008}$ roubles
Credit for VAT	840 roubles	672 roubles	1 008 roubles
Sales value	7 000 roubles	7 000 roubles	7 000 roubles
Output VAT	$7\,000 \times 20\% = 1\,400$ рублей	$7\,000 \times 20\% = 1\,400$ рублей	$7\,000 \times 20\% = 1\,400$ рублей
Taxable basis for income	$7\,000 - 4\,000 - 200 - 1\,400 = \mathbf{1\,400}$ roubles	$7\,000 - 3\,200 - 160 - 1\,400 = \mathbf{2\,240}$ roubles	$7\,000 - 4\,800 - 240 - 1\,400 = \mathbf{560}$ roubles
Tax on income	$1\,400 \times 18\% = \mathbf{252}$ roubles	$2\,240 \times 18\% = \mathbf{403,2}$ roubles	$560 \times 18\% = \mathbf{100,8}$ roubles
Output VAT - Import VAT	$1400 - 840 = \mathbf{560}$ roubles	$1400 - 672 = \mathbf{728}$ roubles	$1400 - 1\,008 = \mathbf{392}$ roubles
Total payments which are subject to be paid to the budget	$200 + 560 + 252 = \mathbf{1\,012}$ roubles	$160 + 728 + 403,2 = \mathbf{1\,291,2}$ roubles	$240 + 392 + 100,8 = \mathbf{732,8}$ roubles

Based on author's own calculations

As for excises, we found out that there are no ad volerem rates in Tax code of the Republic of Belarus. All rates are specific (for example 4 rouble per liter). It means, excises have very little influence on customs value.

In Russian Federation, overestimation of customs value is a common customs violation. But the target of such manipulation is completely different. In this case, we think, this offence allows to offshore financial resources of the company and, as a result, it leads to tax evasion.

How does it work? For example, an economic operator being EEU resident sets up a company abroad, f.ex., in Malta or Cyprus, a country with low tax rates. This company buys

products at a very low price, for example, 5 dollars per one item. The offshore company, in its turn, sells the product to the EEU resident at a rate of 50 dollars per one item. It means that 45 dollars is kept abroad in a off-shore company. In this case, it is very hard to bring this case to justice, as formally business community acts within legislation.

Our research has lead us to the third scheme that is widely used as a means of competitive fighting. Some economic operators intentionally import products declaring a high customs value in order to create a barrier for other market members. The Overestimated customs value is kept in information base of customs bodies and it is accepted as a normal price. It means that other members of foreign economic activity are required to adjust their product's customs value as it is thought to be underestimated.

It is vital to say that there are some other schemes of getting illegal revenue by means of overestimated customs value. It seems that they will be widely spread in the nearest future because of changes in tariff rates, loopholes in legislation and lack of cooperation between customs authorities and other controlling bodies.

On the one hand, simplification of trade procedures is an indispensable tool in foreign economic activity, but on the other hand it is a way for illegal business to circumvent the law and our customs authorities should be ready for it.

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Шпилевский В. С. Экономические предпосылки завышения таможенной стоимости

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Таможенная стоимость (далее – ТС) является основой для исчисления таможенных платежей, используется для целей таможенной статистики, валютного контроля, применения нетарифных мер. Любой субъект ВЭД заинтересован в экономии средств при осуществлении внешнеторговых операций. Манипулирование ТС может стать одним из источников снижения затрат. Чаще всего в качестве манипуляций