

# NamRA | Customs & Excise

## Duty Remission Incentives

1. **Duty Remission incentives;** Program Manager: The Control Customs and Excise Officer, Subdivision Technical Control is responsible for the overall management of the Duty Remissions Incentive Program and will either serve as or will designate a staff member to serve as the **duty remission incentives program manager** in the Head Office. He or she will be responsible for:
  - Coordination with the field, the trade and other directorates on all aspects of the program and for responding to all enquiries about the DRI scheme;
  - Creating and maintaining trader's folders when applications are received. (The original application and all accompanying documents will be placed in this folder.);
  - ensuring that necessary liaison is conducted with other government agencies and that required permits from them is included in the file;
  - ensuring that copies of all internal reports of the initial visit and all correspondence related to a trader will be placed in his file. (When approved, a copy of the approval letter will be included in the file.);
  - conducting a risk assessment and recommend to the Director whether a bond should be required and if so, in what amount;
  - ensuring that the bond provided is sufficient and maintaining the original in the trader's file;
  - serving as the principal advisor to the Director with respect to policies and procedures relating to the DRI scheme;
  - reviewing all proposed penalty actions for non-compliance and making any necessary recommendations to the Director;
  - dealing with matters such as a tightening of the conditions of the authorization, the imposition of a bond, cancellations of authorizations, and the trader's record for compliance or offences; and
  - compiling, maintaining, and distributing a list of all approved DRI traders, the activities they are authorized to undertake, and the applicable rebates and tariff items.
2. **Regional DRI:** Coordinator it is recommended that each Regional Controller appoint a regional DRI coordinator who will work closely with the program manager and all individuals within his or her Region who are engaged in DRI activities.

3. **General description:** The DRI scheme is administered by the Directorate of Customs and Excise, which has dual responsibilities. First, it is required to promote manufacturing and export trade. Second, it must ensure that the DRI scheme is not abused. The DRI scheme allows registered persons and companies to import goods under full or partial rebate of import duties and taxes if the goods are intended for use in a specified process such as the manufacture/processing of other goods for home use in some cases or the manufacture/processing of other goods for export in other cases. Two types of DRI are provided: the rebate type in which the goods may be entered without payment of duty and the drawback/refund type in which import duties and taxes are refunded upon the prescribed use or exportation of the goods. DRI trader must keep accurate records of goods entered under rebate and are liable for the rebated duties until such time as they account to Customs satisfaction that they were used in processing/manufacturing or exportation. Persons who are not manufacturers or processors may also gain approval to import goods under rebate for the purpose of supplying them to registered manufacturers or processors who are authorized to use the goods under the DRI scheme. **Of particular advantage to Namibian manufacturers, rebate item 470.03 provides duty remission incentives on imported materials if the products made from them are intended for export.** A process can be anything from repacking or sorting goods to the most complicated manufacturing operations. Generally the importer must do something to the goods, but an exception is made for registered traders who import and supply goods to registered manufacturers or processors. If a manufacturer/processor exports part of his product and sells the rest on the home market, he may enter the portion that will go toward export under rebate and pay duty and taxes on the remainder. Most goods are covered by this rebate item with only the following exceptions: prohibited goods listed in Section 123 of the Customs and Excise Act and industrial plant, machinery, equipment and spare parts unless all the registered manufacturer's production is intended for export. The drawback and refund types of DRI require similar application, record keeping, and processing or exportation, however, a bond is not normally required.

4. **Summary of industrial/manufacturing incentives:** The following duty remission incentives, authorized under Section 84, are provided in the Tariff:

- Schedule 3; **Industrial rebates**, Exportation is not required. Registration is required.
- Schedule 4 (410.00); **Rebates on goods for industrial or commercial purposes**. Exportation is not required. Registration is required.
- Schedule 4 (411.00); **Miscellaneous rebates**. Exportation is not required. Registration is required.
- Schedule 4 (412.01, 412.19, 412.22, 412.23); **General rebates applicable to manufacturing**. Exportation is not required. Registration is required.
- Schedule 4 (460.00); **Temporary rebates**. Exportation is not required. Registration is required.
- Schedule 4 (470.03); **Temporary importation of goods for use in manufacture or processing of goods exclusively for export**. Exportation is generally required. Registration is required.

- Schedule 5 Part 1; **Specific Drawbacks**. Exportation is required. Registration is required.
- Schedule 5 Part 3; **Miscellaneous Refunds of Customs Duties**. Exportation is not required. Registration is required for all items except 532.00.
- Schedule 5 Part 4; **Refunds of Fuel Levy**. Exportation is not required. Registration is required.
- Schedule 6 (604.00, 605.00, 606.00, 607.00, 609.00, 613.00 and 640.02); **Rebates and refunds of excise duties and ad valorem excise duties**. Exportation is not required. Registration is required.

Schedule 5 Part 2 provides refunds of duties on goods exported in the same condition as imported. This is a general item not limited to duty remission incentive traders and is covered in the following chapter.

Schedule 6 also provides rebates and refunds, which are not limited to DRI Traders.

This chapter provides general information regarding the Duty Remission Incentive scheme which is applicable to the above-listed rebate/drawback/refund items. It is not feasible, in this handbook, to discuss the specific requirements of each specific rebate. Often, the rebate items in schedules 3-6, or the notes associated with each item, provide very specific requirements in terms of required permits from other Government Directorates, limitations, etc. It is the responsibility of traders and officers to familiarize themselves with these specific requirements.

## 5. Registration of DRI traders

**a. Requirements:** The following conditions must be met in order to register as a DRI trader:

- There must be a specific duty remission provision (rebate, refund or drawback) which is applicable to the goods to be imported.
- There must be an intention to use the goods as specified in the provision or to stock them for subsequent sale to other DRI traders.
- If the provision calls for exportation of finished products, there must be an intention to export the goods outside the Common Customs Area, or to place them in a Customs warehouse for export, or to place them in an Export Processing Zone.
- If goods are to be imported for manufacturing or processing, it should be apparent that reasonable amounts will be used, reasonable quantities and quality of finished products will be produced, and a reasonable number of Namibians workers will be employed.
- If goods are to be imported for manufacturing or processing, the applicant must provide formulae showing how much of each component will be utilised per finished product.

- If the goods are to be subject to drawback, the applicant must provide proposed methods of proving his claim.
- The record keeping system must be sufficient to ensure the accountability of all rebate goods.
- The applicant must provide Customs officers access to his records regarding duty remission incentive goods at any reasonable time.
- The applicant must store rebate goods in a secure location (rebate store), identified by markings and signs, and segregated by aisles or otherwise in such a manner that they can be quickly identified and inventoried.
- The applicant must provide Customs Officers with access to conduct an inventory of stored rebate goods at any reasonable time.
- The applicant must be registered for periodic payment of Value Added Tax (VAT).
- If required, the applicant must be willing to post an adequate security bond, the necessity and amount of which will be determined by the Director. Bonds are not required if an applicant intends only to utilise drawback or refund procedures. Bond amounts for rebate users will be based on a risk assessment by the Program Manager.

- b. Application for DRI registration:** Instructions are provided at the end of this chapter. If the application meets the requirements set forth above, the Director will notify the applicants of approval in writing. A sample approval letter is provided at the end of this chapter. A copy of the registration and all relevant documents will be provided to the Controller in charge of the area where the DRI trader's business is located.
- c. Term of approval and extension:** Registrations will normally be for a term of three years, unless a shorter period has been requested. If a DRI Trader wishes to extend or revise his registration, a new written application must be submitted. Applications for renewal should be submitted not less than 60 days prior to expiration of the current approval.
- d. Initial visit by Customs:** Upon receipt of an application, an initial visit will be made by a representative of the Director and by a representative of the Controller in whose area the applicant conducts business or plans to conduct DRI business. The purpose of this visit is to discuss the following:
- **Records that must be kept.** The applicant will need to keep records of all goods imported under the DRI scheme, indicating what the goods are, when they were imported or purchased from another DRI trader, what the applicant has done to them and when the applicant exports them or sells them to another DRI trader. Records must be kept five years after disposal of the goods.
  - **Computerization.** The applicant can use computerised records as long as Customs are satisfied that your system will meet its requirements. The applicant using a



computerised record system must provide Customs with any technical information and assistance needed to verify the system.

- **Process performed.** Customs must fully understand the proposed process. For example: How many products will be produced from imported goods? How will the applicant apportion content? What sort of scrap, waste or by-products will arise from the process? How long will processing take?

The answers to these questions should be provided in the application; however, it is incumbent on Customs to verify and clarify the information provided. All notes taken as part of the initial visit will be made part of the Head Office file.

- e. **Changes in DRI registrations.** DRI Traders must notify the program manager immediately of any change in their legal identify, the name under which they trade, the address of their registered premises, the nature of materials obtained under rebate, the particulars of their premises, or their surety. A new or correct application must be submitted prior to the effective date. Failure to do so may result in withdrawal of registration. A DRI trader wishing to cancel his registration must apply in writing to the Controller who will conduct a full inspection of the trader's rebate transactions and ensure that all obligations under the bond have been discharged. See specific instructions in the chapter of this manual on Securities. Once all obligations have been met, the Controller will then advise the program manager who will then notify the bond surety in writing of the cancellation.
- f. **Enforced cancellation or suspension of DRI registration.** The Controller may refuse to accept an entry from any DRI Trader who has persistently failed to comply with provisions of the Act or committed an offence referred to in Sections 90, 93, 94, 95 or 96 of the Act and may recommend that the Director cancel or suspend his registration.

## 6. **Special requirements – rebates:**

- a. **Value Added Tax (VAT) Registration.** A DRI trader must be registered for both VAT numbers. The normal procedures for Inland Revenue control of these taxes prevail. Nothing in the DRI scheme overrides these requirements.
- b. **Security/bond.** DRI Traders registered to use rebate procedures are generally required to file a bond. DRI Traders using Drawback or refund procedures will not normally be required to file a bond. The program manager will determine the bond amount based on factors such as the extent to which the premises provide for the secure storage of the rebated goods, the sufficiency of the record keeping system, and other factors as the Director may deem relevant. See paragraph 16. If required, a form CE-110 Bond must be furnished in the

amount determined by the program manager. The surety must be an approved bank or insurance company.

- a. **Bankruptcy or liquidation of rebate DRI trader.** If a DRI Trader goes into liquidation or is placed under judicial management, the program manager must be immediately notified. Rebate materials on hand should be -/\*verified and placed under Customs
- b. **Seal.** The program manager will coordinate with the liquidator on disposition of rebated goods.
- d. **Time limitation.** Materials cleared under industrial rebates must be used for the purpose cleared within five years of the date they were initially entered under rebate. The Controller may, upon receipt of a written request, allow such goods to be retained for one additional year, but not more than a total of six years, in the rebate store.
- e. **Goods to be used for rebate in another SACU country.** Goods that are to be entered based on approval from a governmental agency in another SACU country may not be entered under rebate in Namibia, but should be entered for removal in bond to that country.
- f. **Transfer of rebated materials.** A DRI trader can obtain relief from duty if he buys rebated goods from another DRI trader and exports them. A DRI trader may transfer rebate goods to another who is approved to use the materials under the same or another rebate item. Partially processed rebate goods may be transferred from one DRI Trader to another for finishing off. Any difference in duty payable as a result of such a transfer must be paid before the transfer is allowed using the CPC IM 4052 prior to transfer.

The transfer and recipient must both be registered as DRI traders. An SAD 500/501 must be submitted under CPC IM 4052. The SAD 500/501 must be signed in block 50 by the transferor or by his agent. Block 44 must contain the following information: The name and registration number of the recipient, the statement "Transfer of liability for DRI goods Under C & E Act", and the signature of the recipient or his agent. Any special permits from different Ministries required will have been verified by Head Office prior to approval and need not be attached to the entry. The appropriate rebate number must be placed in block 44 of the SAD 500/501.
- g. **Processing of rebate materials prior to manufacture.** DRI traders may send materials out for processing to sub-contractors who are not registered. The trader's records must document where the goods are, the process of the transfer and their return. No customs entry or permission is required.
- h. **Liability.** Any DRI trader who enters goods under rebate is liable for the rebated duty on those goods, which have not been, used in accordance with the provisions of Section 84 and

the rebate item. If on inspection by Customs, the stock is found to be greater than the quantity, which should be on such premises, the excess shall be debited to stock though the filing of a new entry and the situation will be thoroughly reviewed to determine whether a penalty may be warranted. Duty may be demanded on any rebate goods not used in compliance with the provisions of the rebate item under which they were entered; however, if such goods were used in accordance with any other rebate item, duty may be assessed as if they were entered under such other item.

If any rebate goods are used or disposed of contrary to the provisions of the Act or rebate item, the whole consignment may be liable to forfeiture and the program manager should be notified immediately. The following actions will clear liability for rebated goods:

- Exporting the products;
- Selling the rebated materials or products to another DRI trader who will export them;
- Placing the goods in a Customs warehouse or selling them to a trader operating within an export-processing zone;
- Destroying the goods; or
- Abandoning the goods to Customs.

i. **Damaged, destroyed or stolen rebate goods.** Situations in which rebate goods are destroyed or damaged by fire, flood, or other unavoidable circumstances must be reported to the program manager. Before a rebate under item 412.09 can be considered, the following must be submitted to Head Office:

- A detailed request;
- A report by the Controller
- A copy of the insurance policy; and
- The written report providing the findings of the assessors.

Theft or burglary does not relieve the DRI Trader from liability for duties and taxes.

j. **Applications to return rebate materials to suppliers.** DRI traders may return rebate materials to suppliers. Where the duty has been partially rebated, a refund of the duty paid may be requested under rebate item 522.02. A copy of the import and export entries with proof of export must be submitted with the request.

k. **Customs procedure codes.** The importation or transfer of goods under rebate is accomplished on a SAD 500/501. The following Customs Procedure Codes (CPC) must be entered in block 37:

- IM 4052 Importation under duty remission incentive rebate
- IM 4071 Importation ex warehouse under duty remission incentive rebate
- IM 4000 Transfer of goods between DRI Traders

- IM 5200 Temporary importation of goods for processing under rebate code 470.03
- IM 4000 Importation of equivalent goods under Duty Remission Scheme
- IM 7100 Importation of excisable goods into manufacturing warehouse

When any of the above Customs Procedure Codes are used on the entry, the 5-digit rebate item followed by the 4-digit rebate code shall be entered in block 44. The rebate item must be separated from the rebate code by a hyphen. **Rebate item 403.01, rebate code 01.00 must be entered in block 44 as follows: 40301-0100.** If an importer desires to enter part of a consignment under rebate and part otherwise, separate entries are not required. CPC codes will ensure that rebate items and non-rebate items are handled properly on the same SAD 500/501.

7. **Number of copies.** Rebate entries shall be filed in triplicate (with the exception of transfers of ownership which require an additional copy).

- The original entry, with invoices and supporting documents shall be maintained in a file folder in the Customs office until such time as all goods covered by the entry have been properly withdrawn and accounted for.
- The copies shall be signed and dated by the receiving Customs officer in the **For Official Use** block in the bottom right hand corner and, after entry into the ASYCUDA system and returned to the DRI trader. The first copy is to be maintained in his rebate store files until such time as the goods covered by that entry are totally used otherwise accounted for. At that time, this copy will be so noted, appropriate documentation will be attached and it will be returned to customs to close the entry out. The second copy is the filer's record copy.

8. **Special requirements – drawback and refund**

- Eligibility:** A refund under Schedule 5 or 6 can only be paid to the importer or person who paid the duty on entry for home consumption unless the Director authorises payment to another person. Drawback claimants must register as DRI traders in advance. DRI traders who pay import duties and taxes on materials and supply such materials to others for manufacture, processing, finishing, equipment or packing on their behalf are eligible provided that ownership of the material so supplied remains with the DRI trader. Persons who purchase duty paid materials from importers and claim drawback are also eligible with prior approval of the Director.
- Claims:** Drawback and refund claims are not handled through the ASYCUDA system or with an SAD 500/501. Claims are filed using form NA 66 (Application for Refund or Drawback). They must be filed within six months of the date goods were exported by post or six month of the date of an export entry was filed, but not later than two years from the date of entry for home consumption. Applications must be submitted to the Controller in whose area the



applicant conducts his business. Copies of the registration, original entry, duty payment receipt, and proof of export must be attached to refund and drawback claims.

- c. **Review.** The Controller will assign an officer to examine relevant records prior to certifying that the payment of drawback or refund is justified. The officer must ensure that the drawback claim is consistent with the drawback registration. Every DRI trader must keep a stock record, which reflects exportations against importations. Drawback claims must be filed on the basis of first in – first out. They need not be filed on each exportation but may be filed periodically by the DRI trader. A list of drawback claims and the amounts of duty involved must be endorsed on the reverse side of the relative entry by the DRI trader, then signed and dated by the reviewing customs officer.
- d. **Submission of Drawback/refund claims to Head Office.** NA 66 of drawback and refund claims must be forwarded to the program manager with all required attachments and with the Controller's recommendation in accordance with procedures set forth in the following chapter.

- 9. **Withdrawal of rebate provisions.** When a rebate provisions is withdrawn, the balance of rebate goods on hand may be retained and used for the approved purposes, even by a DRI trader other than the original importer. Duty will not accrue. If materials obtained under rebate are subsequently made duty free by tariff, the balances on hand will remain subject to the provisions of the rebate regulations.
- 10. **Goods imported under specific permits issued by Ministries.** Where the admissibility of goods is subject to the production of a specific permit or certificate issued by another Ministry or authority, such permits must be produced at the time of entry. If not available at time of entry, the goods may be entered under provisional payment to cover the full duty. If proof of the availability of the permit or certificate (a telex from the particular authority) is presented at time of entry, the goods may be entered under the applicable rebate item without provisional payment and the importer advised that he has 14 days to produce it. Should the importer/agent fail to do so within 14 days, full duty will be demanded. The past practice of assessing an N\$50.00 provisional payment for missing documents is time-consuming, inefficient and not cost-effective and will not be used.
- 11. **Equivalence.** Equivalence is a procedure whereby a DRI trader can substitute equivalent duty paid goods in place of imported DRI goods, primarily under 470.03 and subsequently replace those duty-paid goods with imported goods without being required to pay duty on the replacement of goods. To be equivalent, goods must be of the same commercial quality, approximate value, and technical characteristics and share the same tariff sub-heading. Equivalent goods that are at a more advanced stage of processing than the DRI good can be substituted as long as the essential part of the processing is carried out by the DRI Trader. In all cases, equivalence is subject to the continued satisfaction of Customs that the goods are in fact equivalent. The export of products made from

equivalent goods can take place before the import of the DRI goods. The goods exported, although duty paid and thus in home use, take on the status of DRI compensating products when the DRI trader present an SAD 500/501 export entry declaring the goods as DRI goods in block 44.

Prior export equivalence can only be used by direct exporters, not by suppliers of DRI goods to other traders. This can be of use to a DRI trader as follows:

- If a DRI trader receives an urgent export order but does not have any DRI goods in stock, he can export immediately using the equivalent goods drawn from his duty paid stock. He can then import or buy in from another authorized DRI trader equivalent goods and use them as he wishes without paying the duty.
- If a DRI trader has only occasional export sales, or export sales are a small proportion of total sales, it may not be practical to apportion imports. The DRI trader can import all goods to home use initially, wait until he has exported products, and then import equivalent goods under the DRI scheme to replace the products exported from duty-paid stock.
- If a DRI trader enters duty remission goods on the basis of a reasonable estimate of his export needs and finds that he has underestimated his duty remission needs, he can supply his export markets with products made from duty paid materials and use the credit to replace those goods with DRI goods.

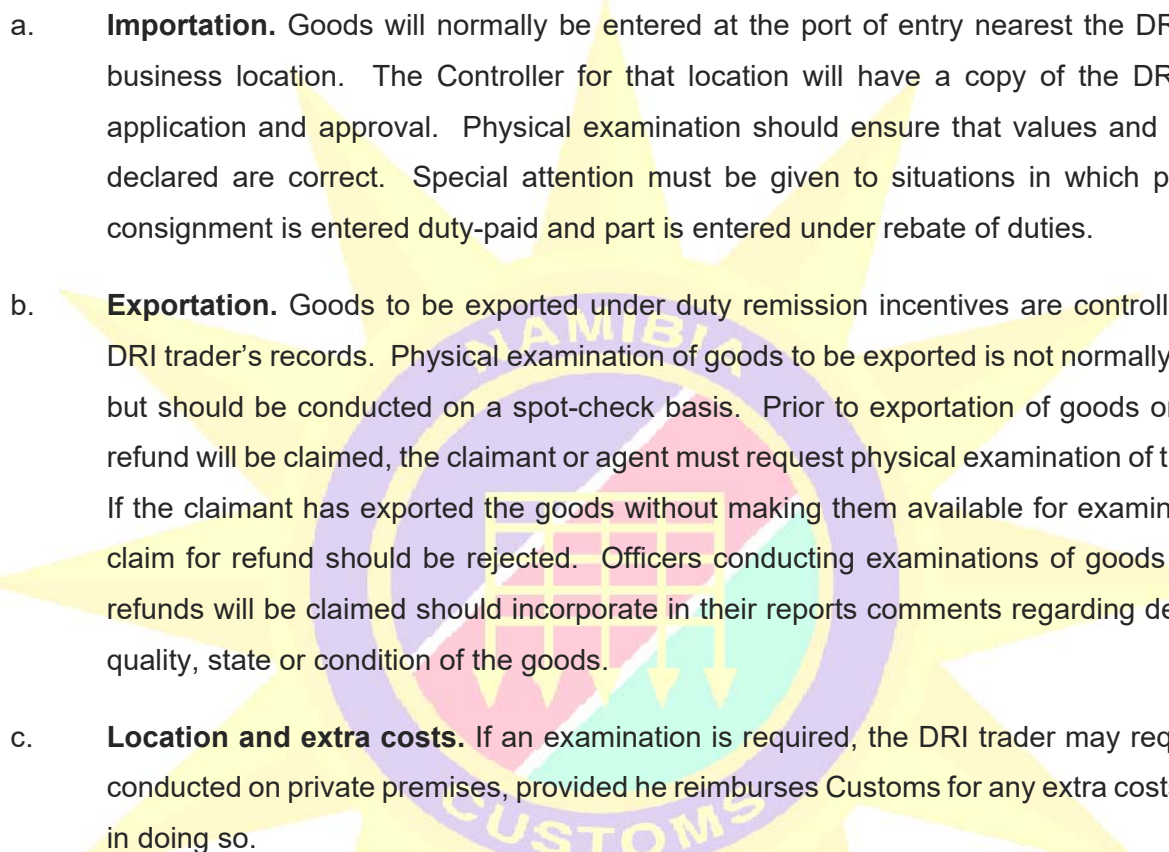
When using prior export equivalence, a DRI trader must import within six month of export. Customs procedure code IM 4052 shall be used on importations of equivalent goods under this procedure. No rebate item is to be shown in block 44; however, the following information must appear in block 40; registration no of the entry covering the export equivalent duty paid goods, and the words Entry of Equivalent Goods in block 44. A copy of the export entry must be attached. The DRI trader's registration number must be shown in block 49.

12. **Record-keeping.** DRI trader must keep a stock record of all rebated goods imported by them or received by transfer from another DRI trader and of the disposition of all such goods. The record keeping system must ensure that rebated goods can be tracked by Customs entry from receipt until authorized use or transfer, although where repetitive entries of the same goods are made, first-in, first (FIFO) out accounting procedures may be used. This system may be computerized or manual, however, in either case it must be described in the DRI trader's application for registration. The records must be kept current at all times as Customs will rely solely on the DRI trader for five years following the authorized use or disposition of the goods.
13. **Normal manufacturing losses.** Normal manufacturing losses, waste and scrap are normally considered as used in accordance with the provisions of the rebate, drawback or refund item. They must be accounted for in the trader's record keeping system. Duty on disposals thereof need not

be recovered provided the Controller is satisfied that the rebate goods have been used in compliance with the requirements of the rebate items.

Duty is not recoverable on sale of packing cases, etc., originally imported containing rebate material. If the Controller believes losses are unreasonable or have resulted from negligence or abuse, he should advise the program manager, providing a copy of the traders' explanation, for decision as to whether duty should be collected.

14. **Physical examination:**

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- a. **Importation.** Goods will normally be entered at the port of entry nearest the DRI traders' business location. The Controller for that location will have a copy of the DRI trader's application and approval. Physical examination should ensure that values and quantities declared are correct. Special attention must be given to situations in which part of the consignment is entered duty-paid and part is entered under rebate of duties.
  - b. **Exportation.** Goods to be exported under duty remission incentives are controlled by the DRI trader's records. Physical examination of goods to be exported is not normally required, but should be conducted on a spot-check basis. Prior to exportation of goods on which a refund will be claimed, the claimant or agent must request physical examination of the goods. If the claimant has exported the goods without making them available for examination, the claim for refund should be rejected. Officers conducting examinations of goods on which refunds will be claimed should incorporate in their reports comments regarding description, quality, state or condition of the goods.
  - c. **Location and extra costs.** If an examination is required, the DRI trader may request it be conducted on private premises, provided he reimburses Customs for any extra costs incurred in doing so.

15. **Export:**

- a. **Drawback and refund.** Export entries for goods on which drawback or refund are to be claimed may be passed without being accompanied by the NA 66, but they should be endorsed that a drawback or refund of duty is anticipated. The exporter must be advised that arrangements must be made for examination of such goods prior to exportation. It is not required that goods be exported under Customs supervision. Presentation of valid export entries, bills of lading or other commercial documents will be accepted as proof of exportation.

Where goods are handed to TransNamib at inland centres for conveyance direct to the docks for exportation (prior to the expiry date of the prescribed period) and the consignment notes confirm this, the goods in question are considered to be in the process of being exported and the dates appearing on the consignment notes may be accepted.

- b. **Deposit into warehouse.** Goods will be considered exported for rebate, drawback or refund purposes when deposited into Customs Warehouse.
- c. **Transfer to export processing zone.** Goods will be considered exported if they are deposited into an Export Processing Zone.
- d. **Abandonment.** Rebate goods may, in lieu of being exported, be abandoned to the State under item 412.07. If goods to be abandoned have not already been entered for home consumption and import duties and taxes have not been paid, they may be entered using Customs Procedure Code IM 4000 GRN on an SAD 500/501. If the import duties and taxes have already been paid, an NA 66 must be filed for refund.

16. **Inspection and audit:**

- a. **Designation of entries for inspection.** At time of inspection, the Controller will designate a representative number of rebate entries to be audited, select that number of entries at random, and provide a list to the inspecting officer. (Every open rebate entry must be inspected not less than once per year.)
- b. **Worksheet.** The Warehouse Entry Adult Worksheet, provided at the end of the chapter on Customs warehouses, will be utilised for each designated entry inspected. The original report will be maintained in the Customs office registrant's file. The first copy will be forwarded to the program manager, and the second copy will be provided to the registrant. When serious deficiencies are noted, the Controller will advise the registrant that a follow-up inspection will be conducted to determine if the deficiencies have been resolved.
- c. **Identification of officers.** Officers shall ensure that they have their credentials and are in full uniform. When visiting a firm the officer shall identify themselves and ask to see the person in charge and state the nature of his business.
- d. **Records open.** The DRI Trader's records shall be open for inspection by an authorized officer who may, at any time, take stock of goods. Upon arrival, the officer shall request that the firm's records of receipts and disposals of rebate materials, relevant suppliers' invoices and sales invoices be placed at his disposal. These records should not be allowed out of his possession during the course of the inspection and if removed from the factory, great care should be exercised in order to ensure the safe return thereof. A receipt should be given for any books so removed.
- e. **Assistance of registrant's employee.** Whenever possible, the inspecting officer will request the assistance of an employee of the DRI trader in the physical inventory of the goods remaining in warehouse under each entry. The name and signature of that employee will be entered on the worksheet and he or the warehouse manager will be given the opportunity to enter any relevant comments onto the space provided on the worksheet for this purpose.



- f. **Confidentiality.** As the Directorate's dealings with manufacturers are confidential, no information regarding irregularities disclosed may be supplied to sureties or any other person without authority from the program manager.
- g. **Initial inspection.** The first inspection should be treated as an educational visit to verify statements made by the DRI trader in his application and to ensure that he fully understands his obligations and rights under the scheme. The Controller will arrange, through the program manager, for the participation of an officer from Head Office Section: Audit of Enterprises and will assign a local officer to conduct the visit. The officers should familiarise themselves with the trader's system books and records on the initial visit. To do so, the officers must develop, and document, an audit trail. This is accomplished by starting with a purchase order for a previous importation and follows it through the system to determine how it is accounted for in stock records, manufacturing or processing records, to finished goods and eventual disposal. During this visit, the officers should also verify the formulae for manufacturer and ensure that they fully understand it. Finally, the officers should always be watchful for weaknesses in the trader's system and the trader's own controls to ensure the accuracy of business records and the security of his goods.

If the officers have doubts as to the effectiveness of the system, they should discuss them with the trader and encourage him to take steps to strengthen the noted weaknesses in his system. These concerns and recommendations should be promptly brought to the attention of the program manager.

- h. **Routine inspections.** As noted above, DRI traders will be inspected quarterly; however, every rebate entry must be inspected not less than once per year. Inspecting officers shall, in conducting their inspections ensure that attention is given to the following items:
- That any surpluses are accounted for. The firm's records should be utilised to establish whether the surpluses (if any) are caused by goods, which have already been cleared ex-warehouse but are still in such warehouse. In such cases, the licensee must be instructed to immediately remove such goods. If cleared goods being retained in the warehouse did not cause the surplus, it should be established if there is a similar deficiency on similar goods covered by another warehouse entry. If such is the case and the marks and numbers of the surplus goods agree with those where the deficiency was found, the licensee should be requested to store the goods with the correct consignment. Unaccountable overages must be resolved by the filing of a new warehousing entry for the excess.
  - That SAD 503 amendments are correctly reflected in the registrant's records and that the records have been amended accordingly. If the tariff item, value, quantity or country of origin has been amended the officer should ensure that such particulars appearing on all

relevant removals, which have been accepted for the particular consignment, agree with those appearing in the SAD 503.

- That a copy of any removal document reflected in the registrant's records is in his files.
- That all shortages are accounted for or brought to account. The warehouse employee will be notified of any shortages detected and given the opportunity to account for them. Unaccountable shortages will require a demand for duty.
- The corrective action and related document number will be noted on the worksheet.
- That all materials entered or transferred under rebate have actually been received on the firm's registered premises and recorded in the firm's rebate stock register.
- Such materials have been or are being used in terms of the item under which they were entered i.e. for the purpose or use stated in the item and on the relevant entry.
- That the disposals have been recorded in the registrant's records and that the balances on hand are as reflected.
- that no materials acquired under rebate have been sold, used, removed from the registered premises or disposed of for any other purpose whatsoever, without the written consent of the Directorate first having been obtained.
- That manufacturers are in fact registered under the items reflected on the relevant entries and that the materials are admissible under rebate in terms of the item.
- That the registrant has met his obligations in terms of the relevant section of the Act and regulations.

i. **Extent of inspection.** A rebate inspection requires the officers to:

- check all receipts against the rebate stock record and determine whether the balances on hand agree with the balances reflected in the rebate stock book.
- ensure that materials in question are admissible under the item cleared. In cases of doubt, the supplier's invoices should be called for and samples extracted. The invoices and samples should then be referred for decision to the supervising officer.
- ensure that materials in question have been and are used in terms of the item.
- ensure that any discrepancies are brought to account.

It is important that officers be reasonable in this review, considering both the cost to the trader of such improvements and the potential cost to the Directorate if they are not made. Subsequent importer visits must be made quarterly.

j. **Potential situations of non-compliance.** Inspecting officers must be alert for instances in which registrants have:

- Obtained materials under an item under which such materials are not provided for.

- Used rebate materials for purposes other than that provided for under the item cleared without the written consent of the Directorate first having been obtained.
- Sold rebated materials without the consent of the Directorate having been obtained.

When rebate materials are misused or irregularly disposed of, inspecting officers must attempt to discover whether it was a result of negligence or was intentional. For example, discovery of duplicate sets of sales invoices with identical numbers, one for customs purposes reflecting false information to mislead the Directorate and one for trade purposes on which the materials or goods sold are correctly described would clearly show intent to defraud the Government.

Rebate inspectors must be alert to ensure that immediate pecuniary advantages resulting from irregular dealing in rebate materials are outweighed by the risk of detection and the resultant consequences e.g. payment of duties and penalties, prosecution, or the enforcement of appropriate sanctions such as refusal to accept entries under rebate, cancellation of registration under rebate or suspension of registration under rebate in terms of Section 84(21). Serious discrepancies shall be brought to the attention of the program manager.

- k. **Sealing of stores and attachment of records.** In cases of suspicion, the rebate store should be kept sealed and the records attached for a detailed review.
- l. **Notification to DRI trader of irregularities.** On completion of an inspection, the officers must immediately bring any irregularities or shortcomings to the attention of the person in charge of the registrant's facility or operation.
- m. **Inspection of similar registrants.** Rebate inspections should be conducted methodically and sectionally i.e. similarly registered manufacturers must be inspected as a group. Irregularities may follow a similar pattern. When goods are misdescribed on the suppliers' invoices for one manufacturer, the same may apply to other similar manufacturers. After conducting a few inspections of similarly registered manufacturers rebate inspectors will have a clearer understanding of the nature of their business, thereby saving valuable time and obtaining maximum results. When irregularities are detected at a registered manufacturer, similar registrants previously inspected may be revisited to ensure that similar irregularities do not exist.
- n. **Audits by Section: Audit of Enterprises.** In addition to routine audits and inspections conducted by the Controller, Head Office Section: Audit of Enterprises will periodically conduct audits of all registrants.

17. **Demand for duty.** Any goods entered under duty remission incentive which are unaccounted for, which are not used or disposed of according to the rebate provisions, or which are subsequently entered for home consumption shall be dutiable at the rates which were in effect on the date the original rebate entry was assessed.
18. **Risk assessment.** Customs will not always call for a bond to be supplied. If a bond is required, its amount may be for less than the full amount of import taxes outstanding at any one time. The need for, and the amount of the bond will depend on the perceived risk to the revenue of the DRI trader's activities. The DRI trader is responsible for the duty and associated charges on all goods imported under the DRI scheme and have signed an undertaking to that effect. The program manager will assess risk. From the documents included in the trader's original application, subsequent documents in his folder and reports of inspection following each visit, the program manager will be in position to assess the risk to the revenue that a trader poses.

This process is continuous and constantly refined as more information about the trader is accumulated. The criteria to consider in assessing a trader's risk can be quite extensive, but basically, the important elements are:

- The maximum amount of revenue deemed to be at risk,
- The rate of import duty and taxes to which the imported goods are liable,
- The desirability of the goods on the home market,
- The accuracy of the formula of manufacture
- The location and security of the trader's premises and the reliability of his business records and accounts,
- The quality and accuracy of the trader's records,
- The trader's previous experience in revenue control,
- The trader's profitability in recent years and his current viability.

With experience, the following can be added to the list:

- Whether the trend of exports is declining but the trader is importing at the same level,
- The tendency for arithmetical errors,
- The double counting of exports, i.e. two export documents supporting one consignment to cover diversion to home use,
- By-product, scrap and waste miss-described or quantities wrongly declared to cover diversion to home use,
- When equivalence is allowed, the compensating goods are not of the same kind or quantity.

After considering the risk level in each of these factors and any others deemed appropriate, the program manager will recommend to the Director whether a bond is required and the amount thereof.



The maximum amount which can be required on a bond is the estimated total import duties and taxes on goods to be imported annually, rounded to the next highest N\$5 000 increment. There is no minimum bond requirement.

19. **Use of rebated goods for other purposes.** Under Section 84(7)(a), the Director may allow, subject to such conditions as he may specify in each case, any DRI Trader to use or dispose of rebate goods otherwise than in accordance with the rebate item under which they were entered or to use or dispose of them in accordance with any other rebate item. Such DRI Trader may be held liable for duty due on, on reasonable grounds, the Director may exempt goods specified in Schedules 3, 4, or 6 from the whole or any part of the duty payable.

Applications to use rebate goods for other purposes shall be addressed to the Director. Section 84(8) prohibits the payment of drawback or refund on goods in any item of schedules 5 or 6 if they have been used or disposed of otherwise than in accordance with the provisions of section 84 and the item in question.

20. **Requests for new rebate items.** Any person desiring the creation of a new duty remission incentive to promise manufacturing or other industry within Namibia should be advised to contact the Ministry of Trade and Industry. After initial consultations, if the request is deemed reasonable by the Trade and Industry, a subsequent meeting will be scheduled between the applicant, the Director and the program manager. At this meeting, instruction will be provided regarding how to proceed in requesting the creation of a new rebate and applying for registration as a DRI trader in order to use, if approved.

## NAMIBIAN CUSTOMS AND EXCISE PUBLIC INFORMATION NOTE

### INSTRUCTIONS FOR REGISTERING AS A DUTY REMISSION TRADER

Application to register as a Duty Remission Trader (DRT) under Schedules 3-6 should be made on Company letterhead (in duplicate) to the **Director, Customs and Excise, Private Bag 13185, Windhoek**. New applications must include all information listed below. (Extensions or changes need only contain any changes from the original registration.) Applications should be presented in the following order:

#### 1. APPLICANT

- a. Provide the full name (legal identity) and address of applicant.
- b. Describe the nature of business (sole proprietorship, partnership, corporation, etc.)
- c. Provide the full name(s) and address (es) of sole proprietor or partners

#### 2. PREMISES

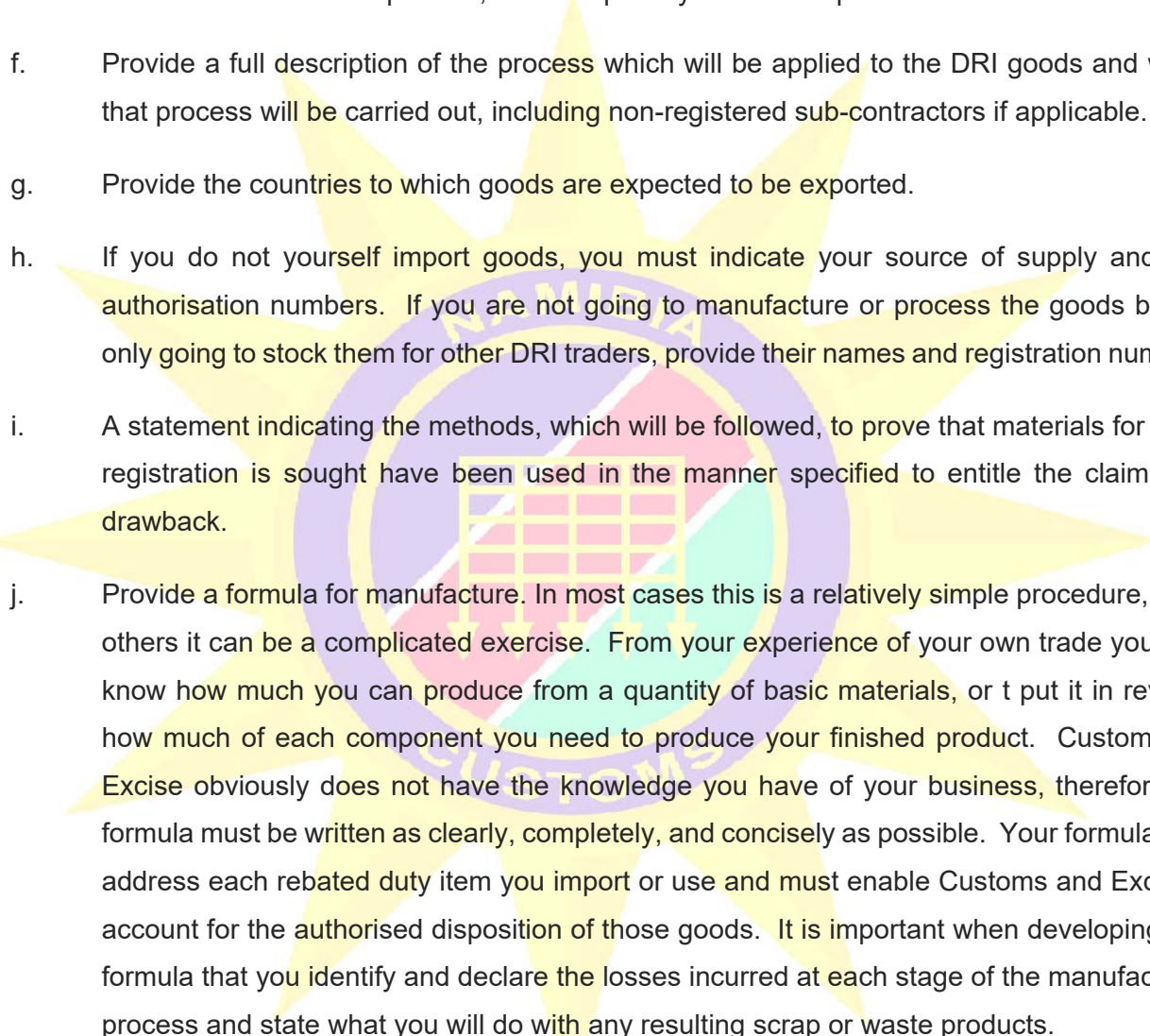
- a. Provide a description of the factor (mine/works) premises and the rebate stores to be used.
- b. State whether any other industry, warehouse or retail business is carried on at the same address and if so, the nature and operator/owner of each.

#### 3. SECURITY

- a. Provide a full description of measures that will ensure the security of rebated goods used or stored on the premises: barred doors and windows, alarm system, locking system, etc.
- b. Provide the full names and capacities of the persons who will sign the bond on behalf of the applicant, the name and address of the bank/insurance company that will sign as sureties, and the estimated amount of duty to be rebated annually.
- c. Provide a full description of the manual or automated record keeping system to be used by the DRI Trader, describing the audit trail for rebated goods from time of importation or purchase to final disposition.

#### 4. MANUFACTURING PROCESS

- a. Provide a general description of the manufacturing process.
- b. Provide particulars of manufacture products: rebate item(s) and tariff item(s), description of each product, projected annual production.

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- c. Provide a full specification of the goods that will be imported, together with an estimate of the quantities, which will be imported under duty remission relief and over what period. The full specification must include the tariff item number (8 digits) and the rebate/drawback/refund item number, which you wish applied to each tariff item good.
  - d. You may be asked by Customs and Excise to provide samples.
  - e. Provide particulars of local materials: description of quantity used annually of all imported materials used in each product, description and quantity used annually of all locally acquired materials used in each product, and the quantity of material per manufactured unit.
  - f. Provide a full description of the process which will be applied to the DRI goods and where that process will be carried out, including non-registered sub-contractors if applicable.
  - g. Provide the countries to which goods are expected to be exported.
  - h. If you do not yourself import goods, you must indicate your source of supply and their authorisation numbers. If you are not going to manufacture or process the goods but are only going to stock them for other DRI traders, provide their names and registration numbers.
  - i. A statement indicating the methods, which will be followed, to prove that materials for which registration is sought have been used in the manner specified to entitle the claimant to drawback.
  - j. Provide a formula for manufacture. In most cases this is a relatively simple procedure, but in others it can be a complicated exercise. From your experience of your own trade you must know how much you can produce from a quantity of basic materials, or t put it in reverse, how much of each component you need to produce your finished product. Customs and Excise obviously does not have the knowledge you have of your business, therefore, the formula must be written as clearly, completely, and concisely as possible. Your formula must address each rebated duty item you import or use and must enable Customs and Excise to account for the authorised disposition of those goods. It is important when developing your formula that you identify and declare the losses incurred at each stage of the manufacturing process and state what you will do with any resulting scrap or waste products.

## **5. DECLARATION**

Each application must contain a signed declaration that the particulars furnished on it and supplementary forms are correct and that the applicant will be held liable for all rebated taxes on goods not utilised in conformance with the Customs and Excise Act, the rebate item and required procedures.

## DRAFT APPROVAL LETTER FOR DUTY REMISSION TRADER AUTHORISATION

**Name of Applicant**

**Date**

**Name of Company**

**Address of Company**

### DUTY REMISSION TRADE AUTHORISATION NUMBER;

Dear Sir/Madam

I am pleased to inform you that your applicant to join the duty remission incentive scheme has been accepted and approved. A photocopy of your application is enclosed. Your authorisation should be quoted on all documents and correspondence required under this scheme.

#### (REBATE USERS)

You are hereby authorised to use imported goods under rebate, you are authorised to import directly, to remove from bonded warehouse or buy from any other registered Duty Remission Incentive trader the materials specified in your application as approved and to process these goods in the manner described therein or sell the materials to other registered DRI traders. The duty paid goods which you are authorised to use in your process are:

Description:	Tariff Number (8 digits):	Rebate Item:
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Should you wish to process different materials or to produce different products from those described in your application, you should make a supplementary application.

#### (DRAWBACK USERS)

You are hereby authorised to utilise duty paid goods in accordance with your application and claim drawback or refund. The duty paid goods that you are authorised to use in your process is:

Description:	Tariff Number (8 digits):	Rebate Item:
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Should you wish to process different materials or to produce different products from those described in your application, you should make a supplementary application.

Please note that failure to comply with the conditions of this letter, of the rebate or drawback item, of section 84 of the Customs and Excise Act and with the formula of manufacture which you have provided may lead, according to the circumstances, to suspension or revocation of this authorisation, to your being required to



pay rebated duties or to drawback claims being rejected, to forfeiture of goods and, in exceptional circumstances, to prosecution. I sincerely hope that you will be able to enjoy the benefits of this scheme without exposing yourself to any of these penalties. If, at any time, you believe that a process or activity which you wish to undertake with respect to covered goods may fail to comply with the above conditions, please feel free to contact this office prior to undertaking that process or activity.

This authorisation is subject to the following conditions: (perhaps equivalence, bond, etc.)

You must keep records of all your DRI transactions for a period of five years after the authorised use or disposal of the goods and permit inspection at any reasonable time by officers.

This authorisation is subject to the right of the Director of Customs and Excise to vary, suspend or terminate it at any time if the rules of the scheme are contravened.

Yours sincerely,

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Formula for Manufacture

The formula for manufacture for each export product should be restated here. Any changes to those declared on the application should be brought to the trader's attention.