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SIMPLIFIED CUSTOMS PROCEDURE IN THE REPUBLIC OF MACEDONIA AND IT'S FISCAL EFFECT

Abstract

In order to improve the competitiveness of Macedonian companies on foreign markets are introduced simplified customs procedures in 2005. The introduction of this type of customs procedure aims to use a range of positive effects that provide this type of customs procedure such as reducing the time and cost of performing these procedures, increase the effectiveness of economic entities in foreign trade, flow of revenues (direct and indirect tax revenue) and so on.

Scope of this research work is the fiscal effects of the use of simplified customs procedures in the country, which are realized in the period 2009 to 2013. The focus of research is the direct fiscal effects are achieved by the application of simplified customs procedure. Analysis determined that the application of simplified customs procedure achieved positive fiscal impact to the budget of the Republic of Macedonia. But despite this positive trend, remains to be working in this area, because as a country in terms of the application of this procedure we are lagging relative to the other countries, particularly in view of the developed countries.

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Introduction

Macedonia is an example of a small and open economy. As such, its economic growth and development is essentially determined by the level of foreign trade, especially by the export component.

To enable the improvement of the competitiveness of Macedonian companies in foreign markets were introduced simplified customs procedures. Namely, customs procedure is conducting numerous activities for certain goods described and defined by numerous documents through strict adherence to the legal regulations in order to be released for free circulation, exported or transiting through the customs area.

The simplified customs procedures are tools for relief, and also to reduce the cost of mediation, advocacy and terminal costs. Also they have significant impact on reducing the time required for completion of customs formalities enabling increased efficiency and effectiveness, but also the consistency and continuity in planning, import and export of products and goods. The adoption of the Customs Act 2005 (Official gazette no. 39/2005) and the Regulation on the implementation of the Customs Act (Official gazette no. 66/2005) began implementation of simplified customs procedures in our country in foreign trade exchange.

The use of simplified customs procedures implies multilateral effects. First, here are the direct and indirect effects on fiscal grounds. Direct fiscal revenues primarily relate to the customs. Indirect fiscal effects are a result of increased foreign trade operation of the companies through the greater competitiveness and accessibility of foreign markets, that will provide higher revenues in the budget on the basis of personal income tax and on the basis of income tax.

1. Effects of the application of simplified customs procedure

Application of simplified customs procedures allows customs supervision and control to raise to a higher level and to establish a higher

quality of the customs procedure. Nevertheless, they have certain effects, positive and negative which are discussed below. Namely, the application of these procedures provide

(http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/evaluation_customs_union_en.pdf):

- import, export or transit to carry out outside of the customs terminals;
- import, export or transit to carry out outside from the working hours of customs offices, 24 hours 7 days a week, 365 days a year, regardless of holidays and weekends;
- reduction of formalities, and also reduce the role of intermediaries, i.e. of the terminals and shippers in the customs procedure;
- avoid the high amounts of terminal fees for staying on the terminal, for weighting, and others;
- avoid the crowds on terminals, avoiding waiting for clearance the following day if the vehicle does not come on line for clearance during the working hours of customs offices, as well as avoiding the waiting on the terminal for the weekends and holidays;
- avoid the traffic jams on the roads and border crossings.

Initial findings from the application of simplified customs procedure or so called local clearance are more than encouraging and give positive results in terms of arrival of customs goods to its contractor on the time, facilitating business planning, and developing the existing system of exchange. Thus, from the perspective of participants in international trade it enables more efficient operation of companies, avoiding overload on the customs terminals, no shipping and bank guarantees, thereby the custom procedure becomes simplify, shorten and less expensive, allowing faster turnover of capital, establishing a high-quality internal control and the etc. In the same time the firms perform the customs alone, without coming to the customs terminals. Customs officers coming into the company headquarters, which provide to simplify customs procedures, and in the same time it's avoiding the retention goods at the border, paying multiple fees, bank guarantees and sipping services, but on the other hand it provides 24 hours working time and the whole process takes place without major delays.

In terms of the state, the application of simplified customs procedures have positive results in terms of direct fiscal impact on the budget of the country, and a step closer to the harmonization of

legislation of the Republic of Macedonia to the EU regulations. However, there are still some anomalies and deficiencies that need to be overcome, which primarily reflected in the conditions to be met by applicants for approvals to use the simplified customs procedure.

Furthermore, from the company point of view as the main obstacle to the introduction of simplified customs procedure is the cost accounting and keeping adequate records of the goods, shipments, the time of release of the good for the required procedure, possession of an instrument of security and so on. However, the relief which is obtained by the use of simplified customs procedures, brings more benefits than costs in the procedure for clearance of goods.

Also, for some companies meeting the above conditions is increasing costs throughout the year. In order for these companies be able to use simplified customs procedures, there are companies that deal with logistics (shipping), receiving permits for authorized recipient or sender, and authorizations for local customs clearance of import and export, which can implement simplified customs on behalf of another company, but on its full responsibility.

2. Fiscal effects on the budget of the Republic of Macedonia on the basis of using simplified custom procedures

This paper presents an analysis of the revenue budget of the Republic of Macedonia as a result of the application of simplified customs procedure. Firstly, it's presented the main items of revenue in the budget of the Republic of Macedonia, that are relevant to obtain valid conclusions related to the rationalization of the application of simplified customs procedures and its fiscal impact to the budget of the Republic of Macedonia.

Table 1. Budget revenues based on import and export of goods in applying simplified customs procedures for period 2009 – 2013 (in million MKD denars*)

Year	Total revenue collected from customs procedures	Collected revenues from simplified customs procedures	Participation of revenue of simplified custom procedures
2009	53.181	5.068	9,53%
2010	55.654	7.441	13,37%
2011	61.724	16.666	27%
2012	64.020	19.206	30%
2013	61.883	17.946	29%

Source: Custom administration of Republic of Macedonia– own calculation from the Reports of working of Custom administration -

<http://www.customs.gov.mk/DesktopDefault.aspx?tabindex=0&tabid=57>

http://www.customs.gov.mk/Uploads/godisen%20izvestaj%202010%20KOMPLET_6%20web.pdf,p.12,

http://www.customs.gov.mk/Uploads/Godisen_izvestaj_2011.pdf, p.30-31,

<http://www.customs.gov.mk/Uploads/GODISEN%20IZVESTAJ%202012.pdf>,p 33,

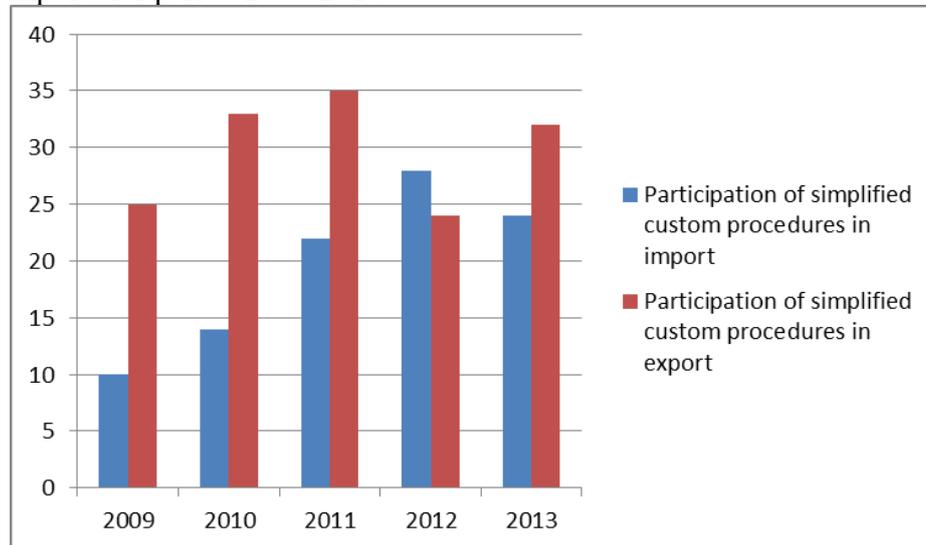
<http://www.customs.gov.mk/html/GODISEN%20IZVESTAJ%202013%20MK%20FINAL%20hiRez.pdf> ,p 31,35 и 52

* 1 Euro= 61,5 denars

Table 1 presents data on total revenues that are collected by the customs procedures in the period from 2009 to 2013. Namely, in 2009 the income from customs procedures amounts to 53 181 million, of which the simplified customs procedure proceeds amount to 9.53%, or 5.068 million. In 2010 simplified customs procedure accounts to 13.37% of the total revenue of customs procedures. Already in 2011, the share of simplified customs procedure increases nearly double that is even 27%, in 2012 the percentage of its share has risen to 30%, but in 2013 reported a marginal fall in the share of 29%, which is certainly not neglect.

Figure 1 shows the contribution of simplified customs procedures in import and export of goods in the state, given in percentage terms.

Figure 1. Participation of simplified customs procedure in imports and exports for period 2009-2013



Source: Custom administration of Republic of Macedonia - <http://www.customs.gov.mk/DesktopDefault.aspx?tabindex=0&tabid=57>, http://www.customs.gov.mk/Uploads/godisen%20izvestaj%202010%20KOMPLET_6%20web.pdf, p. 12, http://www.customs.gov.mk/Uploads/Godisen_izvestaj_2011.pdf, p.30-31, <http://www.customs.gov.mk/Uploads/GODISEN%20IZVESTAJ%202012.pdf>, p. 33, <http://www.customs.gov.mk/html/GODISEN%20IZVESTAJ%202013%20MK%20FINAL%20hiRez.pdf>, p. 31,35 и 52

From the given structure of revenue in the budget of the Republic of Macedonia in the period from 2009 to 2013, in Figure 1, it can be concluded that the percentage of the simplified customs procedures for import of goods in the first four years was much lower than the exports of goods. Namely, in 2009 the application of simplified customs procedures for export was doubled in terms of its application in imports. In 2010, the situation is similar, but in 2011 and 2012 shows its increased application and imports (especially in 2012 when simplified customs procedures for import exceeds the same procedure from export). But in 2013 data represents approximation of the percentage of imports and exports of goods, which means that the application of simplified customs procedures are increasingly being applied to the import.

From the above data, calculations and analysis can come to the conclusion that in the last period in the country are made greater efforts

customs procedure to simplify, in order to shorten the time of clearance and to reduce costs, which means that the simplified customs procedure in Macedonia from year to year is more and more applicable.

3. Analysis of direct tax revenue in the budget of the Republic of Macedonia on the basis of using simplified custom procedures

As mentioned on the basis of simplified customs procedure is derived direct and indirect tax revenue. In the following part of the paper makes a detailed analysis of the direct fiscal revenue that is derived from the application of simplified customs procedures such as customs, VAT, excise taxes and fees, for the period 2009-2013.

3.1. Fiscal revenue based on customs

Customs are fiscal revenue that burdening consumption. Because some of their features they are considered a type of indirect tax, which is collected at the import, export or transit of goods through the customs territory of a state. According to the OECD as other taxes and customs duties are included in the subset of taxes, because they have all of their features. For these reasons they have the status of mandatory cash payments for consumers (payers). Also literature doesn't define against service for the paid customs duty, which again gives character as taxes to the customs.

Customs provide fiscal revenue, but in the same time represent an instrument to regulate international trade of goods and services, and protects the domestic production from foreign competition.

With the introduction of simplified customs procedures, actually has an additional benefit to the economy. Namely, in the same time while the level of the custom rate remains unchanged, the greater efficiency in providing the needs of foreign goods through this procedure would be provide greater efficiency of domestic production and it's protection from foreign competition.

Table 2. Participation of income based on customs from applying simplified procedures in total revenues

Year	Revenue from customs based on import (% of the total revenue)
2009	20,22 %
2010	33,97 %
2011	29,43 %
2012	30,6 %
2013	32,79 %

Source: <http://www.customs.gov.mk>, accessed on 15.01.2015

The data in Table 2 confirm that the application of simplified customs procedure in Macedonia are increasingly applied in the import, i.e. its percentage share is increased in the budget revenue of the Republic of Macedonia in the analyzed period. In 2009 revenues in budget from the application of simplified customs procedures account about 20.22% of total revenue collected from customs duties, but it's reached about 32.79% in 2013.

3.2. Fiscal revenue based on VAT

Value added tax in the country was introduced by a special law from April 1, 2000, that presents a greater approximation to the standard solutions in the tax systems of the EU countries. VAT Act is in accordance with the Sixth Directive, relating to VAT is fully compatible with the European model. Value Added Tax is a consumption tax which is calculated at each stage only for the amount of the value added, so this tax is no with cumulative effects.

When it comes to foreign trade in the country, fiscal revenue in respect of VAT is a major source of fiscal resources that flowing into the budget of the Republic of Macedonia.

Table 3 presents data on the percentage of the total amount collected in respect of VAT in the application of simplified customs procedures in the period of 2009 - 2013. VAT revenues on simplified customs procedure is increased from 47.8% in 2009 to the 59.54% in 2013.

Table 3. Participation of income based on VATs from applying simplified procedures in total revenues in the period 2009 - 2013

Year	Revenue of VAT from imports (% of the total revenue)
2009	47,8 %
2010	57,9 %
2011	61,47 %
2012	60,82 %
2013	59,54 %

Source: <http://www.customs.gov.mk>, accessed on 15.01.2015

3.3. Fiscal revenue in respect of excise

Excise appear as the oldest form of consumption tax, so with it's introduction in the practice for the first time is applied idea to taxing the consumption. The tax on specific goods and services, known as excise duties, according to international classification, charged in turnover of certain number of products and can be introduced at any stage of production or trade.

Usually excise taxed products for mass consumption. In fact, this type of products have inelastic demand and price elasticity of demand greater than one.

In accordance with the various laws in the countries, so the excise tax is different, but they are concentrated mainly in three categories of products including: petroleum products (mineral oil), alcoholic beverages and tobacco products. In some countries, besides these three categories are covered and other products, such as coffee, sugar, salt, tea, cars, some luxury products and others.

Within the total budget revenues of the Republic of Macedonia in the period 2009-2013, and generated revenues based on excise duties on imports and exports of goods in the state with the application of simplified customs procedure.

Following the data of the Customs Administration, which are presented in Table 4, we come to the conclusion that the simplified customs procedure is more and more in application.

Table 4. Participation of income based on excise from applying simplified procedures in total revenues in the period 2009 - 2013

Year	Revenue of excise from imports (% of the total revenue)
2009	0,63 %
2010	1,26 %
2011	1,47 %
2012	0,02 %
2013	2,15 %

Source: <http://www.customs.gov.mk>, accessed on 15.01.2015

This is supported with the data shown in the table above, or the percentage of the total revenue collected in respect of excise duties on imported goods in the application of simplified customs procedure in the period 2009 to 2013. The lowest income from excise duties on imports of goods in the application of simplified procedures are recorded in 2012 when the percentage is minimal 0.02%, the second is the income recorded in 2009, which is 0.63%. In 2010, that in 2011 was recorded almost doubled income from 1.26% and 1.47%. In 2013 has the highest income from excise duties on imports of goods in the application of simplified customs procedure it is 2.15%.

3.4. Fiscal revenues based on fees

As fiscal revenues, that contributing to an increase the revenues in the budget of the Republic of Macedonia represent fees that are charged for import and export of goods from one country. The Republic of Macedonia has adopted regulations for the type and customs fees for the services rendered in the customs procedure, regardless of whether those services are made in regular or simplified customs procedure. In accordance with the Customs Law, customs authorities charge fees for its services rendered in customs procedures.¹

Certainly, fiscal revenues on Budget on the basis of fees allow participating in the budget of such revenue, which is due to the increase in the application of simplified customs procedure. The following will

¹ Custom Law of Republic of Macedonia (Official gazette no. 39/05, p.2)

show revenue on the budget of the Republic of Macedonia realized in the application of simplified customs procedures, and on the basis of the collected fees in that procedure.

Table 5. Participation of income based on fees from applying simplified procedures in total revenues in the period 2009 - 2013

Year	Revenue of fees from imports (% of the total revenue)
2009	31,35 %
2010	6,87 %
2011	7,64 %
2012	8,56 %
2013	5,52 %

Source: <http://www.customs.gov.mk>, accessed on 15.01.2015

As evident from Table 5, percentage of the total revenue collected from fees is declined, with application of simplified customs procedures for import of goods in the country. Revenues from simplified customs procedures based on the fees of imports in 2009 accounted for 31.35%, which in 2010 was drastically reduced at only 6.87%. The next two years, the share of revenues from fees on imports, in applying of the simplified procedures, amount to 7.64% in 2011, i.e. 8.56% in 2012. In 2013 there has been a decline in the share of revenues from fees at only 5.52%.

Conclusion

Based on the analysis in this paper can be concluded that the simplified customs procedure is more and more application. Namely, its share in the budget of the Republic of Macedonia from 9.53% in 2009, rising to over 30% in 2012, i.e. 29% in 2013. Increasing the use of simplified customs procedure is evident to exports and imports of goods. The percentage share of simplified customs procedures for imports from 11% in 2009 increased to 25% in 2013, and in exports from 25% in 2009 increased to 33% in 2013. With imports of goods in the state flow revenue in the budget on the basis of customs duties, VAT, excise duties and fees. Analyzing revenues on those grounds in the period 2009 to 2013 concluded that the largest share in the revenue budget is derived in

respect of VAT, which in 2009 contributed 48%, and in 2013 even with almost 60%.

From the data of the analysis, it can be concluded that the application of simplified procedures for import and export clearance at the border crossings, most exporters have benefited so far, which includes specific effort by the Customs Administration and inspection services in order to increase this type procedure for import too. Also, the results of the analysis show that the application of simplified customs procedures have not been applied in the manner, form and level as it is the case in developed countries. This can largely be attributed to the fact that this type of customs procedures applied in relatively short period of time in country.

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