

TRADE BOARD

REGIME FOR REFINED SUGAR

PRE-ENTRY VERIFICATION OF IMPORTERS AND ADMINISTRATION OF THE REGIME

1. INTRODUCTION

Cabinet Submission MCST No. 43/03 on Import Regime for Refined Sugar mandated the Trade Board to manage a verification process of importers of refined sugar.

2. BACKGROUND

Prior to 1994 the Sugar Industry Authority (SIA) held a monopoly on all sugar imports. In 1994 direct importation of refined sugar was permitted under a regime that ensured that the landed cost of refined sugar was no less than a given benchmark price.

The regime was further adjusted by way of Cabinet Decision 22/99 dated June 28, 1999 when the benchmark regime was rescinded and replaced by a tariff regime of 40% (CET) on refined sugar plus 63% Additional Stamp Duty.

Under the new regime manufacturers continued to be relieved of both the CET and Additional Stamp Duty on refined sugar. The regime, as approved by Cabinet, required that there be an effective monitoring mechanism to ensure no “leakage” in revenue.

There is concern that sugar imported duty free for manufacturing is being diverted to the retail trade for which duty is payable.

3. OBJECTIVE OF THE VERIFICATION PROCESS

To review and approve licenses for imports of refined sugar and ensure the verification of the authenticity of the process in accordance with Ministerial Order under Section Eleven (11) of the Trade Act (1955) which places imports of Refined Sugar under licence.

4. VERIFICATION PROCESS

All importers/manufacturers/distributors of sugar will be required to register with Trade Board. Those making application to be certified as bona fide manufacturers would complete the product analysis form; the form along with the instructions for its completion is attached. The form when submitted to Trade Board will be checked for accuracy after which a verification visit to the manufacturing plant will be conducted to determine if the product analysis is in conformity with the production process.

VERIFICATION PROCESS (Cont'd)

Applications for registration and import licence must be duly signed by an authorized officer of the company and affixed with the company's seal.

Trade Board's functions in relation to the verification process and administration of the new regime will include the following:

- (i) Register and maintain a list of importers / manufacturers/distributors of refined sugar and manufactures of products utilising refined sugar in accordance with Ministerial Order under Section the **Regime For Refined Sugar**. These entities should either be manufacturers that use refined sugar in production or distributors of the product;
- (ii) Maintain a data base of all importers/manufactures/distributors certified by Trade Board to include the following information:
 - Name of the business operation (Company or individuals).
 - Address, telephone number, fax number and email address.
 - Date of Incorporation (If a Limited Liability Company).
 - Tax Payer Registration Number (TRN).
 - Names of Directors and Senior Responsible Officers of the organization.
 - Specimen signatures of all officers authorized to sign on behalf of the company, along with imprint of company seal.
 - Products manufactured and quantity of refined sugar used in the production of these items.
 - The names and countries of their suppliers of sugar.
 - Production statistics including usage levels of sugar over the last five years.

VERIFICATION PROCESS (Cont'd)

- (iii) Ensure that the importers/manufacturers/distributors have complied with all the statutory requirements including filing of Income Tax Returns, Employer Annual Returns, Declaration of Assets and Annual Returns required under the Companies Act. Trade Board should ensure that the business operation carries a valid tax compliance certificate prior to granting the approval for registration;
- (iv) The Trade Board will review application for registration and import quantities required.

The Trade Board/Customs will conduct verification visits and prepare reports for submission to the Trade Board Sugar Committee.

- (v) The Trade Board will have specific responsibility for allocating import quantities for refined sugar. Trade Board will have written terms of reference for the Committee together with specific procedures that will be carried out by the Committee. The Secretariat for the Sugar Committee will be located at the Trade Board;
- (vi) Ensure that information pertaining to the new regime is communicated to importers/manufacturers so that the mechanism is clearly understood;
- (vii) Ensure that import quantities allocated are based on the following criteria:
 - ❑ Imports over the previous 5 years
 - ❑ Usage over the previous 5 years
 - ❑ Projections for ensuing year
 - ❑ Report of the Sugar Committee

NB: All applications from importers, who are not themselves manufacturers, must be accompanied by confirmed purchase orders signed by the manufacturers.

- (viii) Ensure that a written notice indicating import quantities allocated is issued to each importer/manufacturer signed by the Chairman or a representative of the Advisory Committee;
- (ix) Once the quantities are allocated to the importers and/or manufacturers, ensure that importers submit a procurement plan giving the estimated volume and value to be imported, suppliers names and the country of origin;

- (x) Maintain records of the quantities imported with each license granted. This information will be used in determining the unused import quantities and also for review of import quantities with usage levels;
- (xi) Ensure that procedures are in place to accommodate request for review of import quantities by the manufacturer and/or importer, especially when it is for an increase. A factory visit and a review of the usage levels should follow a request of this nature by the Trade Board. A report will be prepared by the Trade Board to be submitted to the Sugar Committee. The Committee would carry out their review and document the decision and communicate the decision to the manufacturer and/or importer accordingly;
- (xii) Applications for review of the quantities approved must be submitted one month in advance of production requirements to provide for processing by the Trade Board within three (3) days;
- (xiii) Ensure that an up-to-date database is maintained of import quantities and a report is submitted to the Trade Board Sugar Committee for allocation of the import quantities for each importer;
- (xiv) The Sugar Committee will prepare monthly reports for submission the Board of Directors of the Trade Board and the Ministries of Commerce, Science and Technology, Finance and Agriculture. The report would include licences granted, import quantities allocated, pre-entry verifications and post-audit reports.
- (xv) In addition to the database maintained for the importers, Trade Board should maintain files for each of the manufacturers. These files will carry reports on factory visits, documentation and minutes of meetings with the manufacturer and all other reports and correspondence that may be required for future references.
- (xvi) Ensure a time-frame for the delivery of service as follows:
 - Registration of Manufacturer/Importer
 - Pre-Verification Inspections
 - Approval of licence applications
- (xvii) If a manufacturer has to dump imported sugar due to spoilage or any other factor, the manufacturer must first notify and obtain the approval of the Trade Board which would supervise the dumping.