

TRADE BOARD

IMPORT REGIME FOR REFINED SUGAR

POST-ENTRY AUDIT SYSTEM

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The regime was further adjusted by way of Cabinet Decision 22/99 dated June 28, 1999 when the benchmark regime was rescinded and replaced by a tariff regime of 40% (CET) on refined sugar plus 63% Additional Stamp Duty.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

Importers of refined sugar will be subject to a post-audit of their manufacturing plant to ensure that they are complying with the regulations governing the new regime. The quantities imported will be checked against pre-determined usage levels to verify any variance in the standards as determined by the pre-entry verification conducted by Trade Board.

4. VERIFICATION PROCESS

All importers and/or manufacturers will be subject to a post-audit to be conducted by Customs and Trade Board. The verification process is designed to determine compliance with the requirements of the regime and will be conducted as follows:

VERIFICATION PROCESS (Cont'd)

- Ensure that the importer has complied with all the statutory requirements and maintains proper accounting records;
- Ensure that the importer and/or manufacturer present his accounting and production records for inspection by Customs and Trade Board. In addition all manufacturers are required to maintain the attached Customs Post-Audit Spreadsheets.
- Ensure that the manufacturing process is in conformity with the pre-audit inspection conducted by Trade Board;
- Check the quantities imported against amount allocated and pre-determine usage levels to determine compliance with requirements.
- Prepare report of the investigations for review by the Advisory Committee to determine any decision to allocate, withdraw or reduce quantities in accordance with the new Milk Powder Regime.
- Ensure that decisions to withdraw or reduce quantities is adequately documented and, if necessary, a meeting should be arranged with an officer of the importer before an adjustment to quantities is made; all such decisions should be communicated in writing.