

MEMORANDUM FOR CABINET PREPARED BY THE
MINISTER OF FINANCE AND CUSTOMS

Introduction of Flat Rate Duty Assessment System
in the case of goods sent in small consignments
and Free Admission of Gift Consignments

At its meeting of the 11th June, 1963, the Customs Co-Operation Council in Brussels recommended that member States should in their own interests, encourage such personal relations as are involved in the continuing expansion of international tourism, of international cultural relations and exchanges, and of international movements of workers. These have necessarily given rise to more frequent travel abroad as well as to personal ties between private individuals living in different countries, more particularly where family relationships are involved. The result has been a steady increase in the exchange of gifts either sent in small and occasional consignments or in the purchase of souvenirs and other articles of small value for personal use.

2. The Customs Co-Operation Council at the meeting therefore sponsored two recommendations concerning:

- (i) the application of a flat rate assessment system to goods sent in small consignments to private individuals or carried in travellers' baggage; and
- (ii) the free admission of gift consignments.

Flat Rate Assessment

3. The following rates are adopted by C.C.C. countries in respect of such items as are covered by the recommendation at (i) above:

Goods up to a value not exceeding 25 U.S. \$	- Free of duty
Goods of a value exceeding 25 U.S. \$ but not exceeding 85 U.S. \$	- 10% Ad Valorem

4. The idea behind the introduction of a flat rate of duty in respect of goods sent in small consignments to private individuals or carried in travellers' luggage is to hasten and simplify the procedure involved in examining and clearing passengers' baggage, as well as in assessing duty on small non-commercial parcels received through the Parcel Post or by Air Freight, while at the same time safeguarding Customs revenue.

L-ARKIVJI NAZZJONALI TA' MALTA

5. In our case, it is considered that the ideal maximum on which the flat rate system would apply, should be £M40 as regards passengers' luggage and £M10 in respect of small non-commercial parcels received by individual persons through the Parcel Post or by Air Freight. The provision of a flat rate of duty involves finding a good average by taking into account the General, Commonwealth and E.E.C. Rates; on this basis a rate of 25% is considered adequate. Tobacco, tobacco products and spirits are not included as qualifying for assessment of duty on this basis. Moreover, the application of a flat system would not deprive goods of the benefit of duty-free admission where this is already provided for. The new arrangements would also allow a person the option of paying duty at the prescribed rate instead of at a flat rate.

6. The above proposals have been incorporated in the draft amendments to the Import Duties Act, 1964 and the Customs Regulations at Appendices A and B to this memorandum which are being recommended by Finance subject to vetting by the Crown Advocate General.

Free Gift Consignments

7. The arrangements in force in E.E.C. Countries with regard to the recommendation at para 2(ii) above are as follows:

Goods not exceeding
15 U.S. \$ in value - Free of Duty 4

8. The charging of duty on 'bona fide' gift consignments is a very unpopular measure which makes a very negligible contribution to Revenue and has all too frequently provoked adverse comments in the Press.

9. It is therefore considered that the concession recommended by the Customs Co-Operation Council should be made to apply in respect of parcels of a value not exceeding £M5 C.I.F. Malta, and should not cover alcohol, alcoholic beverages, tobacco or tobacco goods. Moreover, its introduction should be subject to the conditions that:-

- (a) parcels are sent to a private person by another private person resident abroad;
- (b) parcels are occasional; and
- (c) contents are intended for the personal use of the consignee and his family and that their nature is such as to exclude their use for commercial purposes.

10. The arrangements outlined above have been embodied in the Draft Amendments to the Second Schedule to the Import Duties Act at Appendix A to this memo which makes provision for the importation of 'bona fide' gifts without payment of duty. Where several consignments are

despatched at the same time by the same sender to the same addressee, the aggregate value shall be taken to be the total value of all these consignments. This is designed to defeat any attempt to abuse the concession.

Ministers may wish to agree to the proposed amendments to the Import Duties Act, 1964 and to the Customs Regulations 1964 in order that the Customs Co-Operation Council in Brussels may be notified of our acceptance of the two recommendations sponsored at the Council meeting of the 11th July, 1968.

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ACT NO of 1972

AN ACT further to amend the Import Duties Act, 1964.

BE IT ENACTED by Her Majesty the Queen, by and with the advice and consent of the House of Representatives of Malta, in this present Parliament assembled, and by the authority of the same, as follows:

Short Title

1. This Act may be cited as the Import Duties (Amendment) Act, 1972, and shall be read and construed as one with the Import Duties Act, 1964, hereinafter referred to as "the principal Act".

Amendment of Third Schedule to the Principal Act

2. The Third Schedule to the principal Act shall have effect subject to the Amendments set out in the Second Schedule to this Act.

FIRST SCHEDULE

Section 2

Amendment of Section 4 of the principal Act

3. Section 4 of the principal Act shall be amended by the addition of the following new subsection:-

"(5) Notwithstanding the provisions of subsections (1) and (2) of this Section, the Comptroller of Customs may apply a flat rate of twenty-five per cent import duty on goods of a non-commercial nature received by individual persons in consignments, where the value does not exceed ten Maltese pounds, and on goods of a non-commercial nature imported by travellers in their luggage where the value does not exceed forty Maltese pounds, provided that this flat rate is not to be applied when the goods consist of spirits, tobacco and tobacco products.

SECOND SCHEDULE

Section 3.

1. Sub-heading II of the Third Schedule shall be amended (a) by the insertion, immediately after item (f), of the following items:-

"(g) Bona-fide gifts of a non-commercial nature received occasionally by a private person from another person resident abroad intended for the personal use of the consignee and his family, provided the gifts do not consist of alcohol, alcoholic beverages or tobacco goods, and their CIF value does not exceed £M5".

(b) by the re-indication of items (g), (h), (i), (j), (k), (l), (m), (n), (o), (p), (q), (r), (s) thereof by the letters (h), (i), (j), (k), (l), (m), (n), (o), (p), (q), (r), (s) and (t) respectively.

.N. of 1972

CUSTOMS ORDINANCE (CAP 60)
Customs (Amendment) (No.) Regulations, 1964

Date of commencement:

IN exercise of the powers conferred by section 75 of the Customs Ordinance, the Minister of Finance and Customs has made the following regulations:-

Citation

1. These regulations may be cited as the Customs (Amendment)(No.) Regulations, 1972, and shall be read and construed as one with the Customs Regulations, 1957, hereinafter referred to as "the principal regulations".

Substitutes regulation 21 of the principal regulations

2. For regulation 21 of the principal regulations there shall be substituted the following:

"21. Duty in accordance with the tariff is chargeable on any dutiable goods declared. In the case of goods of a non-commercial nature the value of which does not exceed forty Maltese pounds, the Officer of Customs may at the option of the importer, apply a flat rate of twenty-five per cent, provided the goods do not consist of spirits, tobacco and tobacco products".