

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

1. The Customs Co-operation Council is an international organisation established in 1952 and having as its members most of the world's Customs Administrations. The Council aims to resolve Customs problems in a purely technical approach. Its purpose is to improve and harmonise Customs operations and thus facilitate the development of international trade without obliging Member Countries to adopt provisions incompatible with their individual economic policies.
2. Among other things the Council recommended that member states should encourage the expansion of international tourism, cultural relations and exchanges and movement of workers. This has necessarily given rise to more frequent travel abroad as well as to personal ties between individuals in different countries and particularly where family relationships are involved. The result has been an 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.
3. At the meeting of 11th June 1968, the Council sponsored two recommendations concerning:
 - i) the application of a flat rate duty assessment system in respect of goods sent in small consignments to private individuals or carried in travellers' baggage; and,
 - ii) the free admission of gift consignments sent to individuals from abroad.
4. In applying the Council's Recommendations in our particular case note has been taken of procedures followed in this respect in E.E.C. Countries but keeping in mind our economic limitations.

FLAT RATE ASSESSMENT

5. The following rates are adopted by EEC Countries in respect of such items as are covered by the Recommendations at (1) above.

Goods up to a value of \$ 25 (£M10) - Free of duty
 Goods of a value exceeding \$ 25 (£M10)
 but not exceeding \$ 85 (£M33) - 10% ad Valorem duty.

6. 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.

7. Because of economic reasons it is not possible to adopt "in toto" the above quoted EEC rates which are considered somewhat liberal for Malta which depends on Customs duty for most of its Vital revenue. It is felt that the ideal rate in our case should be a flat 25% duty applicable to:-

- i) small non-commercial parcels received occasionally by individuals through the post or by air freight - up to a maximum of £M10,
- ii) non-commercial goods carried in passengers' baggage up to a maximum of £M40.

8. The rate of 25% being recommended is considered a good average for a flat rate of duty, taking into account the various rates prescribed in the Malta Customs Tariff embracing General, Commonwealth and EEC Rates. TOBACCO, TOBACCO PRODUCTS AND SPIRITS ARE NOT INCLUDED AS QUALIFYING FOR ASSESSMENT OF DUTY ON THIS BASIS. Moreover, the application of a flat rate 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.

9. The above proposals do not affect current administrative arrangements whereby passengers have long been allowed in line with international practice to bring in free of duty 200 cigarettes or their equivalent in tobacco products and 1 normal bottle of spirits and 1 of wine.

10. Consideration was given to the concessions allowed by EEC Countries to travellers from non-member states and to what in view of our financial limitations should continue to be allowed locally. Details are shown in the sub-joined Schedule.

	Current limits for travellers from non EEC Countries	Proposed limits for travellers from non EEC Countries (wef 1/1/73)	Concession for passengers entering Malta
1) Souvenirs, gifts and other goods for personal use	£M10	£M30	£M6
2) Cigarettes or	200	200	200
cigarellos or (up to 3 gms each)	100	100	100
cigars or	50	50	50
tobacco	250 gms	250 gms	250 gms
3) Spirits (over 22 ^o) or	0.7 - 1.0 lt.	1 litre	1 bottle spirits (up to 1 litre) and 1 bottle wine (up to 1 litre)
sparkling wine or aperitif	2 litres	2 litres	
and non-sparkling wine	2 litres	2 litres	
4) Perfume	50 gms	50 gms	NIL
and toilet water	$\frac{1}{4}$ litre	$\frac{1}{4}$ litre	NIL
5) Coffee	500 gms	500 gms	NIL *
or coffee extracts	200 gms	200 gms	NIL
Tea	100 gms	60 gms	NIL *
or tea extracts	40 gms	40 gms	NIL

* Coffee and tea
are not dutiable
in Malta

11. The last column of the Schedule shows both the concessions at present allowed to travellers coming to Malta (as regards items 2 to 5) as well as the proposed concession at item 1 of duty free importation of souvenirs and other goods of a value not exceeding £M6. It has to be made clear that this will involve loss of revenue. At present the average yearly amount collected in duty on passengers' luggage is £M40,000 and if this further concession is allowed it is estimated that half of this amount would be lost.

12. As already indicated these concessions are allowed by administrative arrangements and it is not therefore proposed to include them in the draft amendments to the Import Duties Act and the Customs Regulations at Appendices A and B which are being recommended by Finance subject to vetting by the Crown Advocate General.

FREE GIFT CONSIGNMENT

13. The recommendation by the Customs Co-operation Council in this respect is as follows:-

Goods not exceeding 15 US \$ (£M6) in value - Free of duty.

This Recommendation is only applicable to consignments sent through the Post, by Sea or Air Freight and not in passengers' luggage.

14. 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.

15. 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 £M6 CIF 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.

16. It is not possible to assess the effect this concession will have on Revenue because separate figures for gift parcels have never been kept as these were always included with other dutiable articles. It is not however estimated that the amount lost to revenue would be substantial.

17. The arrangements outlined above have been embodied in the draft amendments 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.

18. 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.

19. Ministers may also wish to agree to the proposed new concession regarding the duty free importation by passengers of souvenirs, gifts etc up to a value of £M6.

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:

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| 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

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| 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. |
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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 £M6".

(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:-

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| 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". |