

## **Customs Notice No. 7 of 2012**

### **Value Added Tax Transitional Provisions – Bonded Warehouse Facilities**

## **Bonded Warehouse under the VAT - Transitional provisions**

### **Background**

A policy decision has been taken establishing that no credit for taxes paid on inventory in circulation within the domestic market. The taxes referred to are the Consumption Tax and the Environmental protection Levy which will be repealed immediately upon the implementation of the VAT.

The Government of Saint Lucia has proposed the use of the bonded warehouse facility under the supervision of the Customs & Excise Department (CED) to minimize on the incidence of double taxation on imported goods, and to smooth the transition phase of the implementation of the VAT on October 1, 2012.

A bonded warehouse is a facility provided under the Customs (Control & Management) Act Cap. 15.05 of the Revised Laws of Saint Lucia, where goods may be brought into the state and stored under Customs control until cleared for home use when all applicable duties and taxes become due and payable. If any goods are exported directly from the bonded warehouse only Customs Service Charge is payable.

Under the provisions of the Customs legislation there are specific rules governing the operation of a bonded warehouse which include, the establishment of suitable guarantee for the duties and taxes liable, the kind of activities which can be undertaken within the premises, and the types of goods which may not be warehoused.

### **Application procedures and conditions**

These provisions are for the VAT transition purpose only and apply to requests submitted prior to September 30, 2012, and shall have effect from July 1 – December 31, 2012 only.

1. Application to operate a Bonded Warehouse under the VAT transitional provisions shall be submitted to the Comptroller of Customs & Excise in the form specified for that purpose and shall contain all the particulars required. The application shall be accompanied by an approved plan endorsed by the Development Control Authority and the Saint Lucia Fire Department. The applicant shall also submit requests for the establishment of C47 and C58 bonds duly signed by the proposed guarantor.

2. The physical location of the proposed site must be to the satisfaction of the Comptroller of Customs.
3. Every Bonded Warehouse under the VAT transitional provisions shall be secured with two (2) locks, one for Customs and one for the warehouse operator. The foregoing notwithstanding, where the Comptroller is satisfied that the warehouse operator has a secure and reliable inventory control system, the privileges allowed under the open warehouse arrangement may be extended.
4. The applicant for a Bonded Warehouse under the VAT transitional provisions shall provide adequate acceptable security for the duty and tax liabilities on the goods to be warehoused. The amount of the security shall be as specified by the Comptroller who may also require the provision of adequate term insurance to cover against loss.
5. Subject to the approval of the Minister for Finance under the powers granted by virtue of Section 52 of the Customs (Control & Management) Act Cap 15.05 of the Revised Laws of Saint Lucia, the annual warehouse license fees may be waived for Bonded Warehouses under the VAT transitional provisions.
6. All duties and taxes due are to be paid before the removal of the goods. The establishment of a prepayment account with the CED will facilitate the compliance with this requirement.
7. Requests for attendance at a Bonded Warehouse under the VAT transitional provisions shall be in the specified form and made at least two hours prior to the time at which services are required. This however does not apply to facilities operating under the open warehouse arrangements. Operators are expected to exercise consideration when scheduling services to minimize any inconvenience for other operators. The Comptroller reserves the right to respond to any requests on a priority basis.
8. The operator of a Bonded Warehouse under the VAT transitional provisions shall be responsible for transporting Customs staff to and from the premises, and shall also be liable for the payment of any overtime expenses.
9. Considering the effective date of the cessation of the operation of these transitional arrangements, the operator of any warehouse under these transitional provisions shall pay all duties and taxes due on any goods remaining in the facility no later than December 15, 2012 and arrange for their removal. Alternatively, any operator wishing to continue to use the warehouse under the normal conditions shall make a formal application to the Comptroller in that regard. This application to regularize the warehouse shall be submitted no later than November 30, 2012.

10. All the other provisions of the Customs laws shall continue to apply. Any breach will result in sanctions which may extend to the revocation of the approval and the suing of the bond for settlement of any duties and taxes due.

## **Conclusion**

The Customs & Excise Department will endeavor to entertain all applications received and shall respond within 72 hours to any inquiry, and notwithstanding the non-commencement of the VAT registration process, the Department shall grant approval upon consultation with the VAT Implementation Project Office regarding the likelihood of the applicant being eligible for registration.

*Comptroller Customs & Excise Department*