# Strengthening
# Valuation Infrastructure
# by
# Leveraging Technology

**May 2023**

**Central Board of Indirect Taxes and Customs, INDIA**

# OUTLINE

**I - Organization Structure**

- o Assessment function :

  Faceless, Contactless, Paperless

- o Specialized Divisions :

  - Directorate General Of Valuation

  - National Assessment Centers

  - National Customs Targeting Center

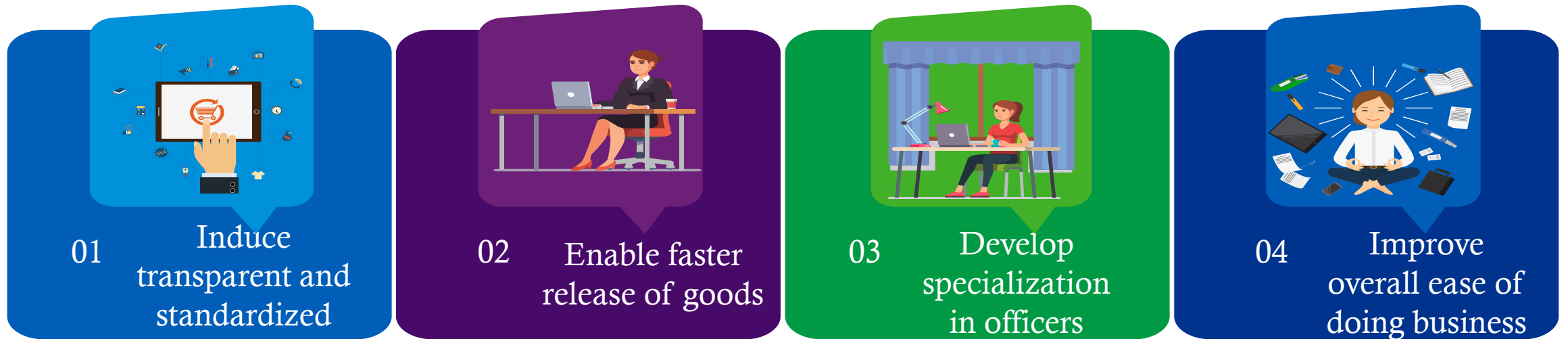  - Customs Authority for Advance Ruling

**II - Leveraging Technology**

- o Valuation Databases

- o Directorate of Systems and Data Management

- o Risk Management System

- o Pre-Arrival Customs Data Exchange

**III – Capacity Building**

- o International Agreements and Regional Initiatives

# Assessment Function – Faceless Contactless Paperless

**01** Induce transparent and standardized

**02** Enable faster release of goods

**03** Develop specialization in officers

**04** Improve overall ease of doing business

- ✓ A complete departure from existing Customs Assessment Procedure for imports
- ✓ Allots an import declaration for assessment to any Customs officer pan-India irrespective of the port of import
- ✓ Virtually connects Customs assessment officers
- ✓ Promotes uniformity and anonymity of assessment
- ✓ Phased Roll out over 01 year and implemented pan-India since Oct 2020

# Local set-up

## Port of Import (POI)
- Port where goods are physically imported and B/E is filed for home consumption or warehousing

## Port Assessment Group (PAG)
- Equivalent to Appraising Group located on each PoI to:
  - ✓ Assess cases referred by FAGs (*Examination, Post Clearance Compliances etc.*)
  - ✓ Asses BoEs not marked to FAG by Customs Automated System (*under exceptional circumstances*)

## Turant Suvidha Kendra (TSK)
- Facilitation centers to handhold stakeholders
- Assistance for any documents submission/ report submission/ queries etc.

# Virtual set-up

## Faceless Assessment Group (FAG)
- Appraising officers across the country, virtually connected
- Assess B/E assigned by the Customs Automated System irrespective of the port where goods arrive

## National Assessment Centre (NAC)
- Commissioners of Customs from Zones having major import volumes to oversee FAGs in multiple locations
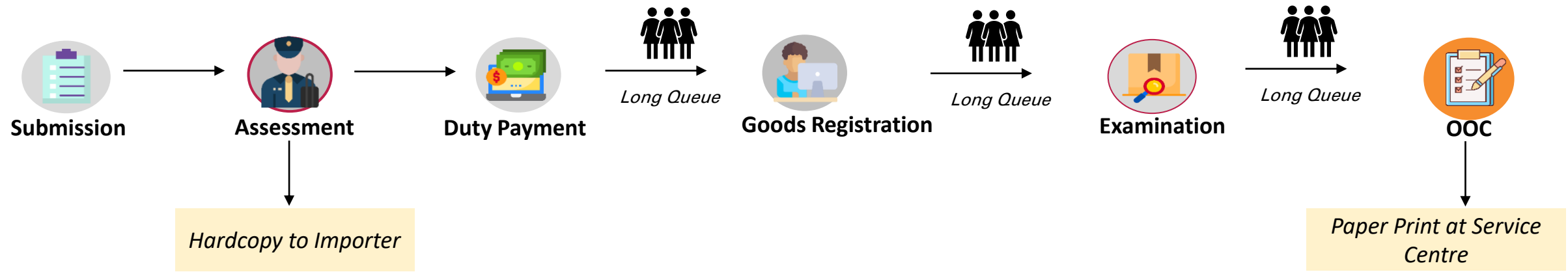- Monitor timely clearances plus oversee assessment practices for uniformity and quality

## Conveners of NAC
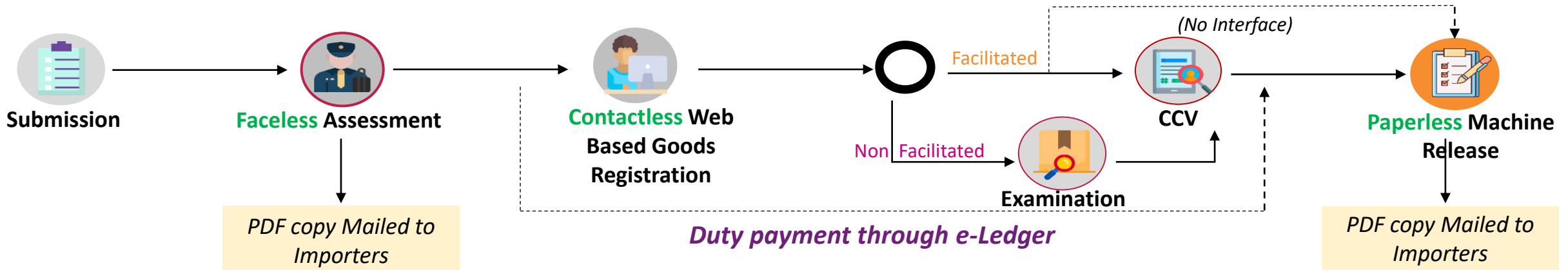- Pr. Chief Commissioners/Chief Commissioners to monitor functioning of NACs using Working Group

# Process Flow

## Contemporary Customs process (for imports)

Total time: 3 - 4 days

Submission → Assessment → Duty Payment → *Long Queue* → Goods Registration → *Long Queue* → Examination → *Long Queue* → OOC

Assessment → *Hardcopy to Importer*

OOC → *Paper Print at Service Centre*

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## Turant Customs process (for imports)

Target - Total time: <48 hours

Submission → Faceless Assessment → Contactless Web Based Goods Registration → ○ → Facilitated → CCV *(No Interface)* → Paperless Machine Release

○ → Non Facilitated → Examination → CCV

Faceless Assessment → *PDF copy Mailed to Importers*

*Duty payment through e-Ledger*

Paperless Machine Release → *PDF copy Mailed to Importers*

*CCV – Customs Compliance Verification

# Specialized Divisions

**DIRECTORATE GENERAL OF VALUATION ( DGoV)**

[Monitoring SVBs,Valuation Databases, Risk-related Valuation Corridor, Policy Support, Study Valuation Trends ]

**National Assessment Centers (NACs)**

[11 NACs – organized commodity-wise/verticals]

**National Customs Targeting Center (NCTC)**

Established for refinement of risk-based selectivity parameters to bring down overall interdiction levels

**Customs Authority for Advance Ruling (CAAR)**

[Provisioned for in the Customs Act – any person may seek an advance ruling on valuation, classification, the applicability of exemption and origin]

# Directorate General Of Valuation (DGoV)

- To create Valuation Databases and supporting tools for effective and uniform application of valuation laws across the country.

- To assist the Central Board of Excise and Customs in policy matters concerning Customs Valuation.

- To monitor valuation trends of sensitive commodities and take corrective steps.

- To provide guidance to field formations in valuation matters

- To coordinate valuation matters with World Customs Organization (WCO)

- To provide data for the valuation corridor under Risk Management System (RMS)

- To monitor and examine the quality of orders passed by Special Valuation Branches (SVBs) which investigate cases of related party imports.

- To coordinate with Income tax on "Transfer Pricing" and "Customs Valuation" by way of sharing of information and training of Officers.

# Leveraging Technology

**Valuation Databases**
- Transactional
- Non Transactional

**Directorate of Systems & Data Management**
- Valuation Anomaly Identification Model
- VAO Valuation Model

**Risk Management System**
- ML-based with Machine generated Instructions

**Pre-Arrival Customs Data Exchange**
- Customs to Customs electronic exchange of select data fields from the export declarations filed

# Categories of Databases

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TRANSACTIONAL

    ├── NIDB

    ├── ECDB

    └── CRD
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```
NON-TRANSACTIONAL

    ├── Alerts

    ├── Bulletins

    └── Inspections
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# ADVAIT- Valuation Models

Part of Data Science Model of **ADVAIT (Advanced Analytics in Indirect Taxation),** Developed by Directorate of Systems & Data Management

**Uses text mining techniques and algorithms to compare the 'Item Description' for a given incoming item mentioned in a Bill of Entry and arrive at the list of all goods that are identical to the given good.**

**Objective is to identify and flag cases of variance in the value of identical goods across different ports and importers, thereby helping policy makers identify inconsistency in assessment across different faceless assessment groups.**

➤ **Depict valuation metrics comparison across VAO (Virtual Assessment Offices) at granular levels of commodity, UQC, entry declaration and item description.**
➤ **Text analytics and trend analysis.**
➤ **Machine Learning and Text Clustering based**

# Risk Management System – Machine Learning based

- National Customs Targeting Center (NCTC) **-** has deployed ML-based targeting of risky consignments which may be potentially mispriced.

- Built on Big Data analytics and ML.

- Uses unsupervised machine learning technique on Text Clustering for Codification of Overseas Supplier and Goods Description. It has used the complex Reinforcement based machine learning technique for auto-updating *Dynamic Risk register* which forms the core of this model.

- Apart from valuation, also points out anomalies on other aspects like misclassification, wrong availment of Notifications etc.

- **Automated Instructions:** In all such anomaly cases, the RMS system is intelligent enough to generate automated and precise instructions for Assessment officers for necessary action.

-  Valuation risk-based transactions are also **flagged by NCTC for Post Clearance Audit**

# Pre -Arrival Customs Data Exchange
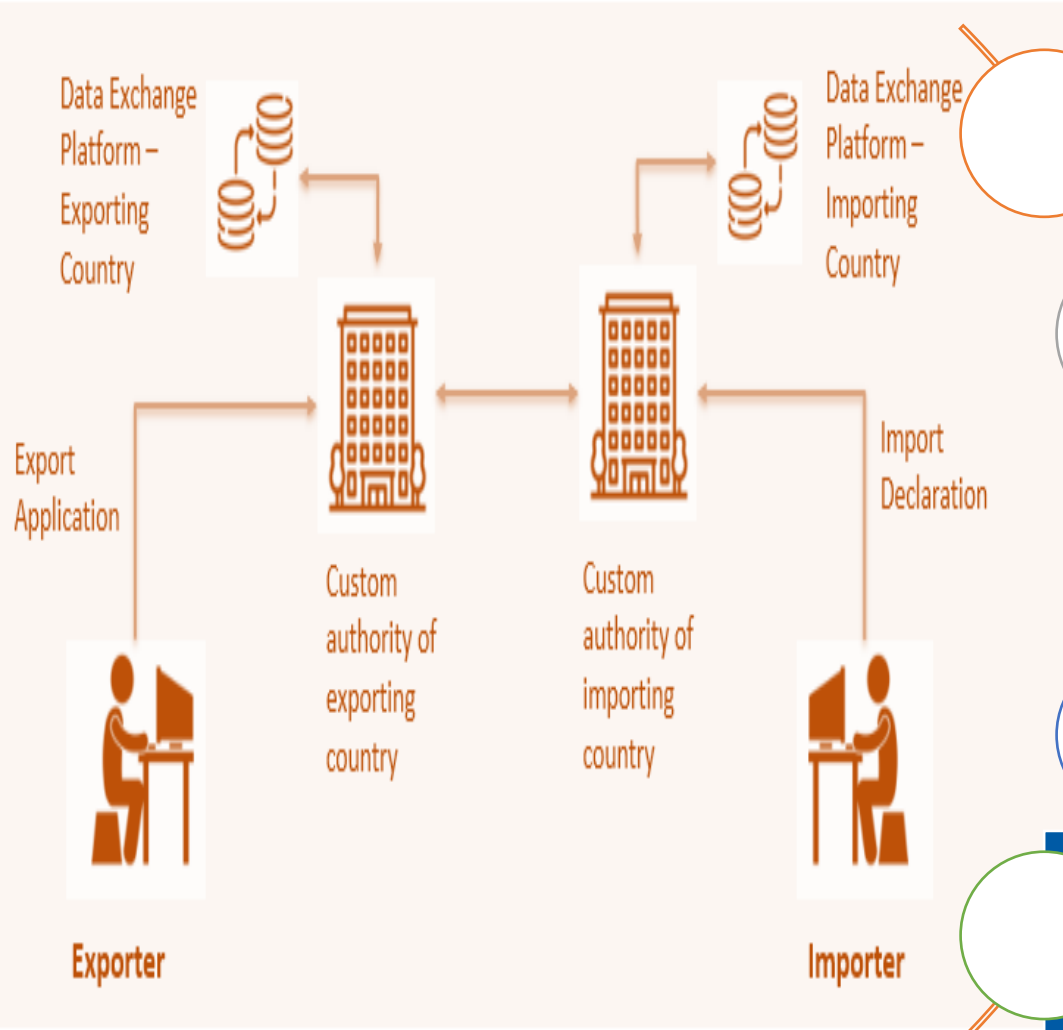


Built upon the concept of WCO's 'Globally Networked Customs'.

Electronic transmission of selected data fields from the export declaration as soon as Customs clearance is allowed by the exporting country.

The importing country can use the data so received to authenticate the import declaration, when filed.

Aids in trade facilitation, risk management and tax compliance.

13 ongoing bilateral engagements. Pilot project with Maldives launched in December 2021.

# Capacity Building

DGOV actively involved in extending technical assistance in capacity building of other Customs Administrations for developing and maintaining valuation Database on the lines of NIDB namely Sri Lanka, Tanzania, Uganda, Maldives etc.

In Kenya the Valuation database developed by DGOV with the assistance of C-DAC is operational since 2010.

DGOV was involved in a project for providing consultancy services to the Ethiopian Revenue & Customs Authority (ERCA) for the implementation of the WTO Customs Valuation Agreement.

Capacity Building Agreements with Maldives, Japan and Russia

Several training sessions organised by NACIN (National Academy of Customs and Indirect Taxes) on SASEC platform

# Thank You!

May 2023

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