New Technologies of Business Processes in the Sphere of Customs Administration of Export-Import Transactions and Payments

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Abstract. Forming of a single mechanism of new business process technologies adoption into the customs administration of export-import transactions and customs payments, creation of favourable business conditions and business climate improving for attracting investment into economy and the entry of Russian producers to foreign markets is a foreground task for Russian economic security maintaining. The article reveals technologies in-demand which are the most effective for businesses when paying customs and other payments with new integrated information and communication capabilities, examines alternative approaches to calculating of predictive estimates of customs payments receipt to the federal budget and determining the level of customs payments collection for goods transported across the customs border. An optimal model for improving business process technologies in the system of customs administration of export-import transactions and payments; the updated procedure of customs operations for the declaration, control and release of goods performance are proposed in the article.

1. Introduction

In the current economic and political situation in Russia, a comprehensive restructuring of business processes and business models of companies which carry out export-import operations is inevitable. New challenges of the world economic environment focused on the global introduction of modern IT technologies and the transition to the innovative principle of economic development are dictated today. Therefore, the strategic goal of Russian foreign economic policy is creation of favorable business conditions and improving the business climate to attract investment in the economy, the emergence of Russian producers to foreign markets, the increase of non-primary exports as one of the main drivers of economic development, reducing of administrative and regulatory barriers, improving the currency and customs control.

Despite some improvement of Russian foreign economic performance over the past two years, the World Bank's “Doing Business” ranking for 2018 in the direction of International Trade the country has ranked on the 100th place out of 190 countries; according to the criteria assessing customs-border formalities – the 141st (in 2014 Russia was on the 137th place) [1].
In 2017 foreign trade turnover amounted to 584 billion US dollars and even increased by 25% compared with 2016, but did not approach the level of 2014, when the turnover was 793.5 billion US dollars (figure 1).

**Figure 1.** Dynamics of the Russian foreign trade turnover in 2015 - 2017 [2].

Besides, considering that innovative business processes in Russian companies are not sufficiently developed, the state has to increase foreign trade efficiency by optimizing and improving of the administration of business and customs, enhancing of the existing electronic information and communication technologies (electronic declaration, electronic interaction between customs and other state control bodies, introduction of imported goods movement traceability mechanisms), refining of risk management system (RMS) and approach to categorization of traders.

Modern customs administration in Russia in comparison with world practice provides insufficient efficiency both for the state, and for participants in foreign trade activities. The level of unauthentic business declaration, importing goods passing the established rules remains high. This leads to unfair competition, customs and other payments evasion, escalation of shadow turnover. Discretionary power of customs authorities and their officials in the existing control technologies (numerous supervisory bodies and the lack of necessary interaction between them) creates the conditions of administrative pressure on business, contributing to corruption. Excessive administrative barriers prevent the involvement of medium-sized entrepreneurs into foreign trade activities because they do not have sufficient financial stability, which is adequate to the risks of unpredictability of customs requirements when processing goods [3].

2. **Formulation of the problem**

Due to significant decrease in Russian foreign trade turnover over the past three years, the dynamics of transfers of customs payments to the federal budget is negative (figure 2). The revenues of the federal budget from the import customs duty in 2017 are no more than 0.62% of GDP (in 2016 - 0.7%).

For the unconditional enforcement of the law about the federal budget in terms of revenues administered by customs authorities, the fiscal function remains the target function of the customs service, which explains the motive for collecting the maximum amount of customs payments without taking into account the economic and political factors affecting foreign trade and business development. Such excessive measures of administrative pressure on the participants in foreign
economic activity contribute to the compulsory retention of company funds on the accounts of the Federal Treasury of Russian Federation in the form of advances and bonds [3].

![Figure 2. Dynamics of customs and other payments transfers administered by the FCS of the Russian Federation to the federal budget revenue in 2012-2017 [2].](image)

The risk management system (RMS) contains information about the minimum cost of goods classified by one code today. From more than 37000 operating “risk profiles”, 85% are “cost”, i.e. when the participant in the external economic activity declares the value below the control level, additional checks are carried out, including inspection of goods. Compulsion under the threat of delay in the release of goods to pay a customs duty from the value indicated in the risk profile, is turning materially into a system of minimally imputed tax paid by the importer in the form of a duty.

The orientation of the customs service to the maximum collection of customs payments in conditions of imperfect control technologies, is the cause of legal nihilism, when customs officials deliberately go to illegal or excessive infringement of the legitimate rights and interests of entrepreneurs [3].

The most sensitive problems of entrepreneurs within the current business processes of customs administration are the costs associated with the withdrawal of money because of canceled customs valuation adjustments, other canceled decisions related to the additional charge of customs payments, the costs of entrepreneurs to make security. All these problems and shortcomings require a radical reorganization of the customs administration model itself, including the introduction of new technologies of business processes, motivation of civil servants, redistribution of functions and powers of supervisory bodies based on the effective use of information technology.

3. Practical significance and scientific novelty
Within the framework of this article, the most effective and heeded in business technologies are identified while paying customs and other payments with new electronic information and communication capabilities.

The most in demand in 2017 was the technology of remote payment with the use of unified personal accounts of customs and other payments. One of the most successful projects is the created information resource “Personal office of a participant in foreign trade activities”, where more than 130 thousand entrepreneurs were registered in 2017. Personal office of a participant in foreign trade activities (FTA) is intended for personified information interaction of the participants in FTA with customs authorities. It is a set of free information services, the use of which significantly saves the time for the participant in FTA, allows optimizing the production process, giving up intermediary services and controlling your business independently without extra costs and personal presence in the
customs authority. Currently 28 information services operate in the automated subsystem “Personal office of a participant in foreign trade activities”, including the “Personal account” service, designed for control the general status of the account by the FTA participant, gaining information about the cash flow, bank guarantees provided and customs receipts in electronic form. The use of a single personal account of a foreign economic activity participant and the centralization of customs payments accounting in a single database of customs authorities allows them to receive information and reports on the cash flow after customs operations; confirmation of customs duties and taxes payment; data about account balances and expenditure of funds deposited as advance payments. Moreover, the participants in foreign economic activity, using the funds deposited on one personal account, can carry out electronic declaration of goods in any customs authority (often the FTA participants are forced to reserve money for payment of customs payments in each customs office where the goods are declared) [4].

The introduction of new business process technologies in electronic declaring, the diversification of the use of remote release and remote payment technologies, the simplification of customs payments calculation, the reduction in the timing of the passage of funds and the timing of customs operations will allow the state to automate the control and centralization of accounting of customs payments in a single database.

Moreover, the automated system of accounting and control of customs and other payments on the personal accounts of participants in foreign trade activities (automated subsystem “Personal accounts”) will allow the customs authorities to receive information via electronic communication channels about the contracts concluded by the importer with contractor (including procurement plans for foreign goods) which were formed in the declarants’ software; to calculate preliminary the payments due; to forecast the inflow of customs and other payments administered by the FCS of Russia into the federal budget. Ensuring the completeness and timeliness of customs and other payments transfer to the federal budget, improving the quality of customs control to mobilize federal budget revenues, identifying the reserves for the collection of customs payments based on the risk management system, as well as countering illegal patterns of capital outflow from Russia is an important task for the country to preserve the economic security.

At present, the general formula is used to calculate all customs payments to be paid by the participants of foreign economic activity. Customs payments for the import of goods include the amount of customs fees, import duties, excise and value-added tax as in equation (1):

\[ CP_i = CF + ID + E + VAT \]  

(1)

where \( CP_i \) - customs payments for the import, 
\( CF \) - customs fees, 
\( ID \) - import duties, 
\( E \) – excise, 
\( VAT \) - value-added tax.

The value of customs payments for the exported goods is formed by accrued customs feed and export duties as in equation (2):

\[ CP_e = CF + ED \]  

(2)

where \( CP_e \) - customs payments for the export, 
\( CF \) - customs fees, 
\( ED \) – export duties.

These formulas are applied a priori by customs authorities as a fact. However, this calculation does not take into account a lot of factors affecting the level of customs payments collection, does not favour certainty in the execution of the federal budget, negatively affects the efficiency of administration of customs payments and management of the budget process as a whole. Hence a need to work out alternative approaches to calculating predicted estimates of the receipt of customs payments into the federal budget appears.

To forecast all payments from export-import transactions receipt into the budget the calculated amount of payments is corrected if violations made by the payer are detected based on the results of
the verification of information submitted by him. In this regard, to calculate the expected amounts it is reasonable to include the enforced payments, fines, penalties from inauthentic declaring, including levied ones additionally. In addition, it is also necessary to take into account so-called “omitted” payments on decisions on the country of origin of goods and (or) giving tariff preferences; amount of customs payments, written off because of impossibility of their collection; situations where customs payments have not been collected yet, but they are secured (payer's sequestration, freezing of accounts in the bank, etc.); payments returned to participants in foreign trade as a result of litigation and judicial decisions; the amount of interest for violation of the repayment period by customs authorities.

Thus, taking into account the above, it becomes possible to calculate the forecasted amount of all budget payments from export-import transactions to the budget as in equation (3):

\[ CPb = (CPi/e + CPenf + P) - (CPoff + CPsec + CPret + CPint) \]  

where \( CPb \) - the forecasted amount of receipt of customs payments to the budget, rub./year (month), 
\( CPi/e \) - customs payments paid by a foreign trade participant for export-import transactions, 
\( CPenf \) - enforced customs payments, 
\( P \) - the amount of penalties on the amount of customs payments, 
\( CPoff \) - the amount of customs payments written off because of impossibility of collecting it, 
\( CPsec \) - amounts of payments under security measures, 
\( CPret \) - the amount of customs payments returned to a participant in foreign economic activity, 
\( CPint \) - amount of interest for violation of the repayment period of payments by customs authorities.

In consideration of the structure of accrued customs payments amount, we will receive a formula for calculating the level of collection of customs payments. Payments charged sum of amounts paid by a participant in foreign trade activities on export-import operations on his own and recovered by customs authorities compulsory. Taking into account amount of money “omitted” from the budget the final way for predictable level of collection of customs payments calculation as in equation (4):

\[ L = \frac{CPch - CPret - CPoff - CPsec}{CPch} \]  

where \( L \) - level of collection of customs payments, 
\( CPch \) - the amount of customs payments charged.

The proposed version of the methodology makes it possible to obtain quantitative estimates of the results of monitoring the performance of payers' obligations to the federal budget at the stage of declaring goods and to form a forecast estimate of the receipt of customs payments into the budget.

At the initial stage of the procedure, the amounts of customs payments calculated on the basis of the information of payers about goods conveyed across the border are determined. The calculation of necessary payments is based on modeling of interconnection of the calculated payments sizes with the external trade activities and average level of goods taxation with duties, taxes and fees. The second stage of calculations is connected with the determination of the amount of payments paid on the basis of the payers' information and including the options of compliance and violation of the terms for the fulfillment of payment obligations. The basis of the third stage of calculations is the determination of the facts of occurrence and discharge of payers' debts to the federal budget. The next stage of calculation takes account of the amounts of money returned to the payer as a result of checking the validity of the customs authorities’ decisions on payments calculation. The final stage of the methodology combines the information of the previous stages, the final amount of payments is formed, which allows to determine the level of collection of customs payments for all goods moving across the customs border.

4. Proposals and research results
To implement this methodology it is necessary to revise the approaches to customs and tax control conducting on the basis of common criteria of a subject-oriented risk management system (RMS) based on organizations distribution by risk category, depending on the assessment of the likelihood of their violation of customs and tax legislation; to develop a regulatory legal base on the formation of a single mechanism of tax and customs payments administration to eliminate redundant and duplicating functions of regulatory bodies. To integrate Russian information systems of the Federal Customs
Service and the Federal Tax Service, it is necessary to improve the Unified Automated Information System of Customs Authorities (UAIS).

Such business process technologies imply the creation of a single mechanism for administration of customs, tax and other payments with the use of integrated information and telecommunication technologies, transition to electronic customs with the processes of automation and informatization. In particular, the creation of an electronic system for accounting and control of commodity and financial flows in foreign trade operations, will allow tracking the movement of goods from the moment of crossing the border and passing customs procedures to retail sale. A combined dossier of tax and customs risks of participants in foreign trade activities will facilitate the conduct of point-coordinated inspections [5].

Today, powers separation of the customs and tax authorities in the field of administration of VAT and excises not only entails additional costs for business (for example, with mandatory submission of documentary confirmation of the export of goods from the customs territory of The Eurasian Economic Union to the tax authorities), but also contributes to the emergence of new schemes for “gray” imports, development of corruption among individual representatives of business and customs authorities, and ultimately leads to the state's revenues decrease while artificial overstatement of customs value, ensuring an increase in the revenues from the collection of customs duties (on average less than 7%), distributed across the budgets of all the EAEU countries, and at the same time reducing the income from 20% of the profit tax going entirely to the budget of Russian Federation [6].

The additional charge and collection of VAT by the customs authorities on the basis of the inspection results constitutes a significant part of the adjusted customs payments, which forces the participant in the foreign trade activities to withdraw large amounts from circulation, which are reckoned toward future domestic VAT payable. It looks like interest-free lending of the federal treasury at the expense of a participant in foreign economic activity.

Despite the fact that Russian Federal Customs Service and the Federal Tax Service were transferred to a single structure of the Ministry of Finance of Russian Federation, a parallel duplicative statement of information about the movement of goods to various controlling state bodies is being conducted. Moreover, during the additional inspection and customs control after the release the customs authority may refuse to apply a reduced VAT rate, additionally collect VAT on goods that have been sold long ago, which means that there is a legitimate reason to return such payments to the taxpayer through the tax authorities. However, funds are diverted from the commercial (production) turnover in any case, which causes loss to entrepreneurs on the basis of the commercial credit rate for the entire period prior to confirmation of the tax offset of the amounts paid.

Excessive licensing of foreign trade operations and not always justified substitution of customs fees by non-tax payments, for example, in the form of a recycling fee; the assignment of functions of validity verification of conformance certificate, declarations for goods with restrictions on imports, as well as compliance with intellectual rights and cases of “parallel imports” to the customs authorities are also ineffective for business development. This not only expands the possibility of administrative pressure for unscrupulous representatives of customs bodies, but also strongly restrains the process of declaring goods, makes the timing of release unpredictable [6].

Updating of the existing system of measures to ensure the customs fees payment and changing of the mechanism for providing financial guarantees for a certain period and not for every delivery are overdue. The amounts of financial guarantees must be calculated in advance based on the contracts concluded by the importer or on the procurement plans for foreign goods, on the calculation of customs payments based on an analysis of payment evasion risks. Applying decreasing coefficients is necessary when providing guarantees for financially stable, conscientious participants in foreign economic activity.

Thus, the optimal model for improving business process technologies in the system of customs administration of export-import transactions and customs payments, assumes the following main elements (figure 3):
Figure 3. The optimal model for improving business process technologies in the system of customs administration of export-import transactions and customs payments.

5. Conclusions
As a result of this model application, new business processes technologies will be implemented for declaring, implementing procedures for performing customs operations and controlling goods while moving across the customs border (figure 4).
Figure 4. The proposed procedure of performing customs operations of declaration, control and release of goods.

Together, innovative approaches to the customs administration of export-import transactions and payments improving will facilitate effective interaction between business and customs, favorable business conditions creation and business climate improvement to attract investment into Russian economy and to raise the rating in the global trading system.

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