Technical note on the WTO Trade Facilitation Agreement

Article 7.2: Electronic payment

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Electronic payment: Article 7.2

In many developing countries and LDCs, traders are required to pay in person duty, taxes and other levies on import, export or transit of goods. This mode of payment results in many logistical challenges for traders and creates a business environment where security concerns, corruption and inefficient business practices are common.

The measure enables traders to make payments electronically and also provides an opportunity for customs to modernize processes, increase accountability and make procedures more efficient.

Members shall provide the option of electronic payment for duties, taxes, fees and charges related to importation and exportation collected by customs authorities.

The measure

ARTICLE 7 RELEASE AND CLEARANCE OF GOODS

2 Electronic Payment

Each Member shall, to the extent practicable, adopt or maintain procedures allowing the option of electronic payment for duties, taxes, fees, and charges collected by customs incurred upon importation and exportation.

Understanding the measure

What is covered?

Scope

WTO Members are required, 'to the extent practicable', to adopt or maintain procedures to allow the option of electronic payment of duties, taxes, fees and charges collected by customs authorities on importation, exportation or transit of goods.

Core obligation

Article 7.2 imposes a legal obligation on WTO Members to arrange the electronic payment of import and export duties, taxes, fees and charges to customs authorities.

However, the nature of the obligation is softened by the use of the words 'shall, to the extent practicable', which means that each Member can assess their capacity to adopt or maintain this measure and implement what is practical.

What is not covered?

It is left to the discretion of Members to decide which methods and channels to use for electronic payments. These may include payments through credit or debit cards, online bank transfers and mobile application payments among others.

Benefits and opportunities for stakeholders

The simplification of payment procedures to customs authorities will improve businesses' cross-border trade transactions. Transparency and certainty of the due amount to pay electronically will also decrease illegal practices, such as bribery and informal payments at the border.

When facilities for online payments and electronic bank transfers are provided, traders will no longer be required to visit government agencies' offices, reducing delays at the time of clearance of goods. Introducing electronic payments also represents an opportunity for border agencies to integrate with other TFA measures, such as the single window (Article 10.4), risk management systems (Article 7.4), trade information portals and other ICT solutions.

Implementation

Implementation checklist

The following checklist may be used to estimate the level of compliance with the measure:

- A national legal, administrative and ICT-enabled implementation framework is in place for adopting electronic payments for duties, taxes, fees and charges to customs authorities upon import and export of goods.
- The electronic payment implementation framework takes into account legislation for late payment restrictions, simplification and standardization of payment procedures, and accessibility to trade finance instruments.

Preparing a national implementation plan

The following template may be used as the basis for a national implementation plan:

	Actions suggested
Implementation sequence	**Preparatory phase**
	Nominate a lead agency that will coordinate implementation of the measure. Identify relevant agencies, ministries, private sector representatives and form a project team with representation from each agency.
	Review existing procedures and business processes to identify bottlenecks and devise new procedures with enhanced cooperation and coordination between agencies, ministries and financial institutions.
	Identify barriers in legal, regulatory and institutional frameworks that may hinder implementation. Also determine changes required to the organizational structure and ICT infrastructure of different agencies to enable successful deployment.
	Set-up phase
	Establish a central clearing house with the central bank to facilitate payments between the traders' bank and customs' bank.
	Set up an electronic payment system.
	Implement changes required to organizational structures, other infrastructure (e.g. setting up joint border controls), ICT infrastructure and train staff.
	Management and follow-up phase
	Set up mechanism for monitoring the system, e.g. collect data to check average types of transaction and number of users monthly.
	Regularly review and audit business processes to seek continuous improvements.
	Seek feedback on traders' experiences and use of system.
Average time for implementation	Three years.
Leading implementation agency	Ministries in charge of trade, in cooperation with a NTFC, are most commonly chosen as the leading implementation agency.

Key challenges

Lack of an appropriate legal framework and national ICT infrastructures are a common challenge. In such cases, a new legal framework and procedures need to be devised and institutionalized so that payments can be processed electronically. Poor ICT capacity within the government and private sector will also affect implementation. The organizational culture of customs authorities may resist the introduction of new systems.

Key factors for success

The appropriate legal framework and adoption of technological solutions in national infrastructures will lead to successful implementation of this measure. Appropriate partnerships between financial institutions and government treasury is vital to enhance collaboration and smooth functioning of the system.