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CARIBBEAN DEVELOPMENT AND CO-OPERATION COMMITTEE

TRADE PROCEDURE GUIDE (PART XV)

MONTSERRAT



UNITED NATIONS

ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
Subregional Headquarters for the Caribbean



INDEX TO ENGLISH TRADE PROCEDURE GUIDES

Contents of National Trade Operations Guides

1. IMPORT REGIME
 - 1.1. Customs duty policy
 - 1.1.1. Import tariffs
 - 1.2. Trade Requirements
 - 1.2.1. Foreign Exchange Regulations
 - 1.2.2. Import permit or license
 - 1.2.3. Invoices
 - i. commercial
 - ii. consular
 - iii. pro-forma invoice
 - iv. invoice of goods shipped
 - 1.2.4. Bill of Lading
 - 1.2.5. Certificates
 - of origin
 - of purity
 - of quality
 - animal and/or botanic health
 - of registration
 - of analysis
 - of insurance
 - of value
 - of weight
 - 1.2.6. Technical specifications
 - 1.2.7. Advertising material
 - 1.2.8. Labelling
 - 1.2.9. Brands or trademarks
 - 1.2.10. Packing
 - 1.3. Fines and Penalties - Port and Warehousing Procedures
 - 1.4. Specimens, Samples
 - 1.5. Shipment restrictions
 - 1.6. Distribution channels
 - 1.6.1. Agents or representatives
2. EXPORT REGIME
 - 2.1. Export procedures
 - 2.2. Exports subject to special requirements
 - 2.2.1. Export permit

Contents of National Trade Operations Guides

- 2.3 Export incentives
 - 2.3.1. Direct incentives
 - 2.3.1.1. Direct tariff incentives
 - tax exemptions or reductions
 - compensatory taxes
 - 2.3.1.2. Direct credit incentives
 - pre-shipping credit
 - post-shipping credit
 - 2.3.1.3. Certificates
 - tax refund certificate
 - tax guarantee or tax payment certificate
 - export increase certificate
 - tax compensation certificate
 - 2.3.2. Indirect incentives
 - "draw-back" schemes
 - preferential exchange rates
 - financial incentives
 - 2.3.3. Free zones (trade and industrial freeports)
- 3. MULTILATERAL AGREEMENTS AND INTEGRATION SCHEMES
 - 3.1. Bilateral
 - 3.2. Multilateral
 - 3.3. Integration schemes
- 4. AGENCIES AND INSTITUTIONS INVOLVED IN FOREIGN TRADE
- 5. NATIONAL AND INTERNATIONAL FAIRS
 - 5.1. Name and place
 - 5.2. Organizing institution
 - 5.3. Frequency and direction
- 6. CHAMBERS AND ASSOCIATIONS OF COMMERCE
 - 6.1. Membership to regional and international associations

MONTSERRAT

1. IMPORT REGIME

1.1 Customs duty policy

Montserrat is a signatory to the Eastern Caribbean Common Market (ECCM) and the Caribbean Common Market (CARICOM) Treaties (see Parts I and III of this document). This British Colony is considered an ACP state under the Convention of Lomé II (see Part II of this document).

The Customs Co-operation Council Nomenclature (CCCN) was agreed to by Montserrat, but to date has not been implemented locally. The present tariff system follows the Standard International Trade Classification (SITC). As a colony Montserrat is associated with the expanded European Community under Part IV of the Treaty of Rome. The EEC Council adopted a decision, which entered into force 1 January 1971, to promote the economic and social development of its members' overseas territories and, under regulations subsequently adopted, these states are free to subject EEC goods to whatever customs duties and quantitative restrictions they consider necessary for their internal development. Such duties and restrictions may not be less favourable than treatment granted to any other nation, under the "most-favoured-nation" clause, or discriminate against EEC states. This "most-favoured-nation" restriction does not apply to other developing territories or nations, which may receive for their products more favourable treatment than that accorded to EEC-origin goods. As signatory to the ECCM and the CARICOM Treaties, Montserrat is to enforce a separate tariff schedule for duties applicable to imports from these Common Markets, subject to schedule IV of the Annex to the CARICOM Treaty.

1.1.1 Import duties

Generally speaking, most goods are taxed ad valorem, on the c.i.f. value. These rates are under 35% except for pyrotechnical articles which are prohibited and listed at 40%. Also, a few items take specific duty rates, these being dutiable on a weight or volume basis. Since Montserrat is a member of the Caribbean Common Market, duties and other tariff regulations will continue to change in order to conform with this trading area's CET.

Montserrat levies a consumption tax on certain CARICOM products. Additionally, such a tax may be levied on certain non-CARICOM items, although the surtax on imports has been abolished.

1.2 Trade requirements

Generally speaking, imports of live animals, plants, parts of plants and foodstuffs are to be accompanied by health certificates. Imports of drugs and pharmaceuticals require prior approval.

1.2.1 Foreign exchange regulations

Nominal control of foreign exchange is in effect, exchange being bought and sold through authorized banks or dealers.

Trade with ECCM countries is made in EC dollars. With other CARICOM countries it may be effected in the currency of the exporting member. Imports from all other countries may be paid in any currency in which the goods are satisfactorily invoiced.

1.2.2 Import permit or license

Other than as provided for CARICOM or ECCM origin goods.

In Montserrat, most imports from third countries are under open license. Licensed items include edible and non-edible fats and oils, except castor, sperm, tung, and tessaica oil and oil-bearing seeds; fertilizers; laundry soaps; evaporated or condensed milk; onions; white (English or Irish) potatoes; wooden furniture and fixtures and manufactures of wood excluding parquet flooring, wooden shingles, and wooden tools and tool handles; fish; peas; beans; baby powdered milk; cocoa powder; rice meal; bulk rice; bulk flour; cornmeal; toothpaste and tooth powders; toilet paper and sanitary napkins. Imports of fireworks (pyrotechnics) are prohibited under SRO No. 33 of 1975.

Notice 19 of 7 September 1973 prohibits the importation into Montserrat of hexachlorophene or of any medicinal or other product or preparation containing hexachlorophene in a concentration of 0.1% or over.

In 1978 the Montserrat Development Finance and Marketing Corporation was established. At present this institution imports the

bulk of the island's requirements of fertilizers and other chemicals for the agricultural sector.

In cases where specific licenses are required, they are usually valid for six months; in any event, the goods must arrive before the end of the calendar year.

1.2.3 Invoices

i. Commercial invoice

The CARICOM invoice is required (see Part I). Alternatively the ECE invoice format may be used. Invoices should be made up at least in duplicate and sent separately from the goods.

ii. Consular invoice

Consular legalization is not required.

iii. PRO FORMA invoice

May be requested by importer to substantiate license application or as the first step in negotiating an import contract.

iv. Packing list

Provision of packing list will facilitate customs clearance and classification.

1.2.4 Bill of Lading (or Air Waybill)

There are no special regulations. "To Order" bills are permitted. The air waybill replaces the bill of lading on air cargo shipments.

A bill of lading customarily shows the name of shipper, the name and address of the consignee, port of destination, description of goods, the listing of freight and other charges, number of bills of lading in full set, and the date and signature of the carrier's official acknowledging receipt on board of the goods for shipment. The information should correspond to that which appears on the invoices and packages.

The number of copies issued should be based on requirements of the importer and of the shipper (either maritime or air) used. IATA, ICAO and IMO rules and regulations may also require from the shipper, special documents concerning dangerous and restricted goods.

Mail and parcel post shipments require postal documentation (Customs Declaration, Form 2966-A) inside the package in place of bill of lading or air waybill for shipments exceeding US\$120. In other cases, a green customs label C1, Form 2976 "Authority for Customs to Open International Mail" must be completed and placed by the sender on the address side of each letter or package containing dutiable merchandise, each package of dutiable prints, and each small packet. Dutiable merchandise is permitted in letter mail, subject to the maximum weight and the size permitted.^{1/} Insured parcels must and ordinary parcels may be sealed.

1.2.5 Certificates

i. Of Origin

Shipments of CARICOM origin should be covered by a certificate of origin (see Part I, Section 1, of this document) to be given special Common Market treatment. Intra-OECS trade is governed by the Eastern Caribbean Common Market (ECCM) Agreement (see Part III of this document) which has special provisions as to rules of origin.

In the case of other countries, usually no certificate of origin is required for shipments from the United States. If a separate certificate of origin is requested (or the commercial invoice does not contain information on origin and the importer requires such a declaration), then the general form (as sold by commercial stationers) is usually acceptable. It should be issued in duplicate, at a minimum, although the actual number of copies required shall be as instructed by importer. It should contain information that conforms to data in other documents, should be signed by a responsible member of the exporting firm, and should be certified by a Chamber of Commerce (which will require an additional notarized file copy).

^{1/} Maximum weight is 44lbs.; dimensions: greater length is 3ft. 6ins.; length and girth combined is 6ft.

ii. Of Insurance

Normal practices prevail. Importer's and/or insurance company's instructions should be followed.

iii. Special Certificates

Special certificates may be required due to the nature of the goods being shipped or requested by the importer/bank/letter of credit clause (e.g. sanitary, veterinary, free sale, etc.).

Live animals, plants, parts of plants and foodstuffs require health certificates. Drugs and pharmaceuticals require prior approval.

1.2.6 Technical specifications

For most goods compliance with the United States or British technical standards is acceptable.

Electric current is A.C. 60 cycles, 230/400 volts.

For weights and measures, all CARICOM members are switching to the Metric System (Système Internationale); these nations, therefore, have a mixture of this and the Imperial System.

1.2.7 Advertising material

Books, printed, bound or unbound, not being account books; music, newspapers, pamphlets, periodicals, unframed photographs, almanacs, school globes, atlases, charts, maps, plans, trade catalogues and advertising circulars and posters of no commercial value, bank notes, used postage stamps and used post cards; but not including printed labels, printed forms and Christmas cards are duty-free throughout the Leeward Islands of Anguilla, Antigua and Barbuda, Saint Christopher-Nevis and Montserrat.

1.2.8 Labelling

In the case of labels with English wording which might be misleading as to the true origin of the goods, these should have a mark of origin, e.g. "Made in (name of country)".

Exporters to Montserrat should ascertain whether or not this country is currently adhering to the United Nations recommendations for the labelling and packing of hazardous and/or restricted materials in a standardized manner and style.^{2/}

1.2.9 Brands or trademarks

There are no special regulations concerning the use of brands or trademarks.

1.2.10 Packing

Except in the case of hazardous and/or restricted materials, where it should be ascertained whether Montserrat is currently adhering to the United Nations recommendations on packing and marking (see footnote 2) there are no specific regulations.

According to sound shipping practices, the package should bear the consignee's mark, including port mark, and they should be numbered unless the shipment is such that the contents can be readily identified without numbers. Net weight of contents may be specified, for customs purposes, when relevant.

1.3 Fines and penalties - Port and warehousing procedures

Goods should be entered and cleared within seven days after their arrival in port. Goods entered in the government warehouse are given seven days free storage. Goods not removed within seven days are transferred to the Queen's warehouse subject to storage and handling charges; goods not removed within six months will be sold.

^{2/} In 1965 the Inter-Governmental Maritime Consultative Organization (IMCO, now IMO) adopted the International Dangerous Goods Code, which includes the United Nations labelling system. It is now adhered to partially by more than 30 countries. With respect to packing, labelling and documentation, if goods are going by air, IATA and/or ICAO regulations must be met. For goods going by boat, the latest IMO requirements are usually met by the shipper.

1.4 Specimens, samples

Samples of no commercial value are admitted duty free. Other samples are subject to the same duties and regulations as commercial shipments of like goods. Samples of commercial value may be brought in by commercial travellers and will be admitted temporarily under deposit or bond to cover the amount of the import duty. The deposit (or bond) is returned upon re-exportation of the items.

1.5 Shipment restrictions

No restrictions are in force.

1.6 Distribution channels

In addition to the normal chain of distributions there are some "duty free" shops catering to the tourist trade.

1.7 Agents or representatives

Commercial travellers to Montserrat must pay an annual license fee of US\$200.

2. EXPORT REGIME

2.1 Export procedures

Any company or legal person in the country which makes export sales payable in foreign currency, is subject to the currency exchange controls which require the compulsory surrender of foreign currency to the Central Bank.

For exports to CARICOM member countries, see Part I, Section 2 of this document. For exports to the EEC, subject to the second Lomé Convention, see Part II, Section 3 of this document.

2.2 Exports subject to special requirements

For exports of selected agricultural commodities, oils and fats, and cane sugar to other members of CARICOM, see Part I of this document. See also restrictions under the second Lomé Convention (Part II, Section 4) for trade with the EEC.

Exports of hazardous, dangerous or restricted goods may be subject to the International Dangerous Goods Code.

2.3 Export incentives

The schemes of incentives, under both the CARICOM Treaty and the Lomé Convention are applicable in Montserrat. (See Parts I and II of this document).

Under the Caribbean Common Market Treaty, the main benefits which can be given to an exporter are exemption from income tax and relief from custom duties, over a stated number of years. This Treaty sets out the maximum benefits which can be given under the scheme by any signatory government in respect of an approved product, whether destined for the export market or not.

2.3.1 Direct incentives

In general, the maximum number of years for which benefits may be granted under the CARICOM Treaty varies with the percentage of local value added (Section 3 of Part I of this document) shows the method for measuring local value added contribution. For the award of benefits, enterprises are classified into three groups:

- Group I - Enterprises whose local value added in respect of the approved products amounts to 50% or more of the value of the sales, ex factory, of the product;
- Group II - Enterprises whose local value added in respect of the approved products amounts to 25% or more but less than 50% of the receipts from sales ex factory; and,
- Group III - Enterprises whose local value added in respect of the approved product amounts to at least 10% or more but less than 25% of the receipts from sales ex factory.

The following table shows the maximum number of years for which Montserrat and other CARICOM LDCs may be granted relief from income tax and customs duties.

TABLE 1

<u>MAXIMUM PERIOD OF TAX CONCESSION ELIGIBILITY</u>	
<u>Enterprise Group</u>	<u>Maximum Number of Years</u>
I	15
II	12
III	10

The scheme permits highly capital intensive projects irrespective of their local value added to be granted tax holidays and customs relief up to the maximum permissible. The qualifications for such treatment are that the project must involve a capital investment of no less than EC\$ 25 million.

Enterprises whose entire production of an approved product is sold to countries outside the CARICOM region, referred to as enclave industries, have been made eligible for tax holidays and customs relief, without a reference to the quantity of their local value added. This concession is granted on the basis of the estimated large employment contribution.

The Caribbean Common Market Agreement does not prohibit the granting of duty-free treatment of imports of raw materials to enclave enterprises after the tax holiday period has expired. It has been the general policy of all member countries of CARICOM to allow such enterprises this concession without limitations.

(a) Dividends tax exemption

Under the CARICOM Treaty, approved enterprises are granted exemption from income tax on profits earned from the production of the approved products. There is also the provision that dividends paid to shareholders of such enterprises may also be exempted from tax as long

as the shareholders are residents of a CARICOM country. A collective agreement exists between the MDCs and the LDCs to allow dividends earned in one MDC country to be transferred to an LDC exempt from taxation in the recipient's country of residence.

Where, however, the shareholder is not resident in a CARICOM country, dividends will not be totally exempt from tax, but only from such tax in excess of what the recipient would normally pay in his country of residence. (Interest income is not exempt from tax in the hands of the recipient).

(b) Compensatory taxes

(i) Carry forward of losses

If an approved enterprise makes a net loss on the production of the approved product, taking the total holiday period into account, the enterprises can carry forward such losses up to five years after the expiry of the tax holiday, setting them off against profits made later on the approved products.

The net loss on the approved product over the tax holiday period is calculated by summing up all losses made and subtracting all profits made in the period.

(c) Export allowances

Partial relief is granted to enterprises from the income tax chargeable on the profits earned from exports. This provision becomes operative after an enterprise's tax holiday period has expired.

The greater the share of an enterprise's profit which is derived from exports outside the ECCM (except to Barbados) of the product for which export allowance is being sought, the greater the relief afforded.

The following table gives the extent of maximum relief in terms of credit tax chargeable on the share of profits made from export sales outside the ECCM area.

TABLE 2

MAXIMUM EXPORT ALLOWANCES GRANTED	
Share of profits from exports to third countries in total ^{3/} profits of approved product	Maximum income tax relief of tax chargeable on the approved product (%)
10 to less than 21 percent	25
21 to less than 41 percent	35
41 to less than 61 percent	45
61 percent or more	50

This relief is not granted to an enterprise in respect of a traditional export product of Montserrat. The provision was designed to encourage local enterprises to increase the share of export sales in their total sales and is intended in particular to promote the export of manufactures.

The export allowance will be granted to authorized enterprises, provided that:

- the enterprise has been enjoying such benefits only for the first five years after the expiry of the tax holiday or customs rebate period;
- the enterprise has not been granted any tax holiday or customs duty rebate only for the first five years of the life of the harmonisation agreement (effective since 1 February 1974).

2.3.1.2 Direct credit incentives

No specific credit incentives on export financing facilities exist.

^{3/} As a general rule, the share of exports on total sales is taken as the share of profits made.

2.3.1.3 Certificates

Customs tariff preferential treatment of exports to CARICOM members requires certification of origin (see Part I, Section 1(a) of this document where a specimen is provided).

The Lomé Convention also requires certification of origin for exports from ACP states into the EEC (see Part II, Section 5). Such certification is also required by the United States under the Generalized System of Preferences (GSP).

No tax refund certificate or tax compensation certificate is given.

2.3.2 Indirect incentives

In addition to the depreciation allowance to which enterprises are normally entitled, there are other allowances given to approved enterprises on the expiry of the tax holiday.

(a) Initial allowance

An initial allowance not exceeding 20% of any capital expenditure for plant, equipment and machinery, incurred after the tax holiday has expired, can be deducted.

(b) Special bonus for using local labour

In order to encourage the greater use of local labour and to contribute to the relief of unemployment, a weighting device related to the use of local labour is used to increase the length of the tax holiday to which an enterprise may become eligible. The device inflates local value added by wages paid to local labour.

2.3.3 Free zones

Although there are no free ports or free trade zones, existing legislation for enclave industries provides such tax holidays comparable to conditions existing in a free zone.

3. MULTILATERAL AGREEMENTS AND INTEGRATION SCHEMES

3.1 Bilateral

Information is not available as to bilateral agreements signed by Montserrat or by the United Kingdom on behalf of Montserrat.

3.2 Multilateral

As a British colony, Montserrat is a member of the Commonwealth of Nations and party to the second Lomé Convention (see Part II of this document) and GATT.

3.3 Integration schemes

Montserrat is part of the ECCM and signatory to the OECS Treaty as well as a member of CARICOM since April 1974.

4. AGENCIES AND INSTITUTIONS INVOLVED IN FOREIGN TRADE

The Administrator
Plymouth

Ministry of Trade
Church Road
Plymouth

Customs Department
Comptroller
George Street
Plymouth

5. NATIONAL AND INTERNATIONAL FAIRS

None.

6. CHAMBERS AND ASSOCIATIONS OF COMMERCE

Montserrat Chamber of Commerce
Plymouth

