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NATIONAL TRADE OPERATIONS AND PROCEDURE GUIDE
 (MONTSEERRAT)



UNITED NATIONS

ECONOMIC COMMISSION FOR LATIN AMERICA Office for the Caribbean

NOTE

The publication of this document was approved by the Chief Minister's Office as the National Trade Procedures Guide for Montserrat (as per letter of 16 January 1984).

MONTSERRAT

1. IMPORT REGIME

1.1. Customs duty policy

Montserrat is a Leeward Island member of the Organization of Eastern Caribbean States (OECS) and the CARICOM. As such it adheres to the Eastern Caribbean Common Market (ECCM) and the CARICOM Common Market (see annexes I and III). This British Colony is considered an ACP state under the Convention of Lome II (see annex II).

The Customs Cooperation 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. 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 member's overseas territories and countries 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-favored-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 Common Market, Montserrat is to enforce a separate tariff schedule for duties applicable to imports from the Common Markets, subject to schedule IV of the Annex to the CARICOM Treaty.

1.1.1. Import duties

Generally speaking, most duty rates are ad valorem on the c.i.f. value, under 35 percent, except for pyrotechnical articles which are prohibited, and listed at 40 percent. 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 Markets, duties and other tariff regulations will continue to change in order to conform with this trading areas' CEM.

Montserrat levies a consumption tax on certain CARICOM products. Additional 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. Drugs and pharmaceuticals require prior approval.

1.2.1. Foreign Exchange Regulations

Nominal control of foregoing 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.

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

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 tessa oil and oil-bearing seeds; fertilizers; laundry soaps; evaporated or condensed milk; onions; white (English or Irish) potatoes; wood furniture and fixtures and manufactures of wood excluding parquet flooring, wooden shingles, and wooden tools and tool handles; fish; peas; beans; baby powder milk; cocoa powder; rice meal; bulk rice; bulk flour; cornmeal; toothpaste and tooth powders; toilet paper; and sanitary napkins. Imports of fireworks (pyrotechnics) is prohibited under SRO No.33 of 1975.

Notice 19 of September 7, 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 percent or over.

Montserrat established in 1978 the Montserrat Development Finance and Marketing Corporation. 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 year.

1.2.3. Invoices

(i) Commercial invoice

The CARICOM invoice is required (see annex 4). Alternatively the ECE format invoices 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 concerning it. "To order" bills are permitted. The airwaybill 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 the 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 be in correspondence with what is shown on the invoices and the 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 the request of 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 airwaybill for shipments exceeding US\$ 120.- In other cases a green customs label C1, Form 2976, "Priority 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 the letter mails, subject to the maximum weight and size permitted^{1/}. Insured parcels must and ordinary parcels may be sealed.

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

1.2.5. Certificates

- Of Origin

Shipments of CARICOM origin should be covered by a certificate of origin (see annex I, section 1) to be given special Common Market treatment. Intra OECS trade is ruled by the Eastern Caribbean Common Market (ECCM) agreement that has special provisions as to rules of origin (see annex III).

In the case of other countries, no origin certificate is usually required for shipments from the United States. If a separate certificate of origin is requested (or the commercial invoice does not contain origin information 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 actual number of copies required shall be 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).

-Of Insurance

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

-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 industries 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); therefore these nations have currently a mixture of this and the Imperial (Avoirdupois) 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, St. Kitts-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 U.N. 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 U.N. recommendations on packing and marking (see footnote 2), there are no specific regulations.

According to sound shipping practices, the packages 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

^{2/} In 1965 the Inter-Governmental Maritime Consultative Organization (IMCO, now IMO) adopted the International Dangerous Goods Code, which includes the U.N. 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 made by the shipper

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.

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 reexportation of the items.

1.5 SHIPMENT RESTRICTIONS

No restrictions are in force.

1.6 DISTRIBUTION CHANNELS

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 members of the CARICOM member countries, see annex I, section 2. For exports to the EEC, subject to the second Lomé Convention, see annex II, section 3.

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 annex I. See also restrictions under the Second Lomé Convention (annex 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

As member of the CARICOM and ACP countries, incentives provided under these agreements are applicable in this country, under the industrial and investor promotion scheme (See annexes I and II).

As part of the harmonization of the Caribbean Common Market, 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. The Common Market agreement sets out the maximum benefits which can be given under the scheme by any signatory government in respect of an approved product, whether destined to the export market or not.

2.3.1. Direct Incentives

In general, the maximum number of years for which benefits may be granted varies with the percentage of local value added (section 2 (f) of annex I 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 percent 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 per cent or more but less than 50 percent of the receipts from sales ex factory; and
- Group III.- Enterprises whose local value added in respect of the

approved product amount is to at least 10 percent or more but less than 25 percent of the receipts from sales ex factory.

The following table shows the maximum number of years for which any MDC government in CARICOM may grant relief from income tax and customs duties.

TABLE 1

MAXIMUM PERIOD OF TAX CONCESSION ELIGIBILITY	
Enterprise Group	Maximum number of years
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 the approved product is sold to countries outside the CARICOM, 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 is due mainly to their estimated large employment contribution.

The Common Market agreement does not prohibit the granting of duty free treatment of imports of raw materials to enclave enterprises after their 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

Approved enterprises are granted exemption of income tax on the profits of the approved products. Equally important is the provision that the dividends paid from such products 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 all dividends earned in one MDC country to be transferred to an LDC to be 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 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 enterprise 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 EECM (sales to other CARICOM members/ of the product for which export allowance is given, 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 Common Market's area.

TABLE 2

MAXIMUM EXPORT ALLOWANCES GRANTED	
Share of profits from exports to third countries in total profits of approved product ^{1/}	Maximum income tax relief of tax chargeable on the approved product (%)
0 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

^{1/} As a general rule, the share of exports on total sales is taken as the share of profits made.

A country is not permitted to grant this relief to an enterprise in respect of a traditional export product of that country. This export allowance should normally be given only for products to be exported outside of the Common Market. This provision was designed to encourage enterprises to increase the share of exports 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 or export financing facilities exist.

2.3.1.3. Certificates

Customs tariff preferential treatment of exports to CARICOM members requires certification of origin (see annex 1, section 1(a) where specimen is provided).

The Lome Convention also requires certification of origin for exports from ACP states into the EEC (see annex 2, section 5). Same is required by the United States under the Generalized System of Preferences (GSP).

No tax refund certificate or tax compensation certificates are 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 percent of any plant, equipment and machinery capital expenditures, 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 the serious unemployment, a tax holiday can be extended by increasing the measure of value added through a weight or bonus that measures the use of local labour (see annex 1, section 2(f) for measure of this bonus).

2.3.3. FREE ZONES

Although no free ports or free trade zones exist, 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 it is a member of the Commonwealth of Nations and party to the Second Lomé Convention (see annex II) and GATT.

3.3 INTEGRATION SCHEMES

Montserrat is part of the ECCM and signatory to the OECS Treaty (see Annex III), as well as a member of the CARICOM since April 1974 (see Annex I).

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