



THE COMESA Common External Tariff and Common Tariff Nomenclature

1. Mathew, one of Christ's disciples was a tax collector. Tax collection has a long and interesting history. Long before the year of our Lord, some wise kings thought of ways to improve the welfare of their subjects. They wanted to build roads, synagogues, schools, bridges and much more. They thought of how to raise revenue for these things. After a time of deliberation, two options came to mind.

2. Firstly, every household could contribute a fixed amount of money on a monthly basis. This method had its challenges as some people were poor and did not have the money. Of those who had the money, not everyone was willing to contribute.

3. The second option was for the king to declare war against his neighbors. After the war, the victors could then take the spoils from the enemy. With this method they could develop their nations. This method had its challenges as well. There was no guarantee of winning the wars and at times tables would be turned with disastrous consequences for the attacker. Wars became unpopular.

4. The kings then observed that rather than taxing their poor nationals or going to war, it was better to tax the rich merchants who were moving from place to place buying and selling goods. High walls were built around cities, leaving only a single entry point through which people and goods could enter the city. At the gate, there sat a tax collector who would charge and collect the tax as the merchants entered. Such walls also served for defensive purposes.

5. Tax collectors then were big, strong, and menacing men. Former battle hardened soldiers, who were known to be ruthless, were recruited into this tax profession. The tax collector would have with him all the weapons of war; the spear, the club, the axe, the sword, the shield, a whip to lash those who could not pay. They also had chains and a small prison besides the entry gate. This tax paid by merchants was later termed customs duty.

Customs reform

6. The tax collector would use his sight and mind to determine the duty due. The bigger the item, the more the duty payable. The merchants were clever and they decided to trade in small items. The tax collectors ended up collecting very little tax revenue.

7. The kings changed the rules. They then chose to use a combination of weight and volume. As big men, tax officials could easily lift up packages to determine the weight. This did little to improve matters. Merchants continued to devise ways of avoiding or paying very small amounts in taxes. They traded in very small and high value goods as gold and silver. Revenues did not improve.

8. The kings kept on changing the rules trying to get more out of the traders. New taxes were introduced and heavy penalties were levied on merchants who were found cheating. One such tax was termed "Sin" tax and targeted at "sinners". The kings thought of all the "bad habits" and chose to tax them. All alcoholic beverages: beers, ales, stouts, spirits, liqueurs and wines whether brought by merchants or produced within the kingdoms were charged this "sin" tax.

9. All types of tobacco and tobacco products, gaming and gambling were also taxed. The "sin" tax was later termed Excise duty charged on locally produced goods as opposed to border duties or Customs duties. This new tax also had its challenges since there was no clear cut definition of "sin".

10. Other challenges faced were that different nations charged different tax rates and trade would shift from high tax areas to low tax areas. Some cities grew rapidly and more than one entry point became necessary. It was observed that in the same kingdom with more than one entry point, the same commodity was treated differently at different entry points. At times consideration was given to the use of the item whilst at other times material content came into play. On some occasions origin was taken into consideration with goods from friendlier nations being afforded favorable duty rates. In an effort to harmonize the duty payments, the rulers developed secret books which had lists of all goods and their charges. These secret books they termed the tariffs.

11. Merchants remained the wiser by importing new or rare goods not listed in the tariffs. Some merchants termed smugglers avoided duty altogether by concealing their wares and smuggling them into the city under the noses of the tax men.

Development of the Tariff

12. In line with world developments, international trade increased. Cities grew. There came more sophisticated traders (merchants) who demanded transparency, predictability and speedy clearance of goods.

13. The once secret tariff books became public domain. Nations found themselves compelled to harmonize the different tariff nomenclatures. Initially, the tariffs were very high in order to raise revenues. It was soon realized that the same tariff could be used for various other reasons.

14. The tariff could be used to:

- a. Record all the data of the goods moving into and out of nations

- b. Determine the rules of origin
- c. Enforce customs controls (Narcotics, chemical weapons, endangered species)
- d. Collect internal taxes
- e. Facilitate Trade negotiations (WTO schedule of tariff concessions)
- f. Protect domestic industry, and
- g. Facilitate investment

The COMESA Common Tariff Nomenclature

15. Experience has shown that without a uniform tariff nomenclature or structure, trade data cannot be accurately captured. The Common Tariff Nomenclature also forms a basis upon which the Common External Tariff is founded. The current COMESA CTN is based on HS 2007 version of the Harmonized Commodity Description and Coding System.

16. Today the COMESA Common External Tariff (CET) has the following rates:

Raw materials	0%
Capital goods	0%
Intermediate goods	10%
Finished goods	25%

17. In order to facilitate trade and harmonize policies, Member States need to move to the COMESA CTN immediately and align with the COMESA CET by June 2012 in order to cement the COMESA Customs Union.