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**APPLICABILITY OF REGIME 70, CUSTOMS
WAREHOUSING, IN THE COMPANY CAR
SOUNDVISION**

**Graduation Project prior to obtainment of
Bachelor Degree in International Studies, minor
in Foreign Trade**

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DEDICATION

This work is dedicated to all the people who supported me during this stage of my life, including my grandparents, parents, siblings, friends, and my girlfriend. They were always there with words of encouragement and guidance to help me take this crucial step in my academic and professional life.

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ABSTRACT:

Due to the high tariff taxes that companies pay for importing merchandise into the country, the objective of the study was to analyze the applicability of regime 70, Customs Warehouse, in the Car SoundVision company. The main reasons for the company's decision to apply this specific import regime were examined, the generalities of the regime were observed, an analysis of the current national and supranational regulations was conducted, as well as the requirements to comply with it. Additionally, the advantages of applying the regime were assessed. Executives and employees of the company were interviewed, and all of them agreed that the application of the regime in the company is possible, which means that the company can indeed benefit from the advantages that this regime offers. The results suggest that the application of the Customs Warehouse is possible as long as the executives decide to do so.

Keywords: regimes, import, advantage, deposit, commodity.

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INTRODUCTION

Tariffs in Ecuador are extremely high for certain goods, which has a significant impact on the industry, including companies like Car SoundVision, which imports and assembles electronic components and technological devices such as televisions and broadcasting equipment. These taxes, duties, and applicable surcharges, which are collected by the National Customs Service of Ecuador, pose a burden on businesses. As a consequence, many entrepreneurs at the national level opt to relocate their businesses abroad, which results not only in a severe impact on the Ecuadorian economy but also on the social front due to the job losses caused by such situations. Companies, in one way or another, play a crucial role in stabilizing the country's economy by generating employment and fostering economic development. Therefore, the application of "Import Regime Number 70 or Customs Warehousing" would provide security and stability to national entrepreneurs, enabling them to keep their businesses within the Ecuadorian territory.

However, applying this regime involves fulfilling several legal and financial obligations, which deter many entrepreneurs from assessing its viability for their companies. Bureaucratic procedures and associated costs lead many of them to take a step back and opt not to pursue it. Nonetheless, this study aims to demonstrate that this is not a problem for entrepreneurs, and its applicability is entirely feasible.

The creation of the Customs Warehousing regime provides numerous benefits and applicable tools for the company, allowing it to store imported goods for a specified period and obtain a suspension of customs duties and applicable surcharges. This tool could be of great importance to the company, as it would enable it to achieve greater economic flow and save substantial sums of money. Additionally, this customs regime can be used by third parties to store their merchandise. Another of the several advantages offered by this customs regime is the ability to store goods in the warehouse and make partial shipments or orders, eliminating the need to nationalize all imported products stored in the customs warehouse, providing flexibility for nationalizing merchandise as per the company's convenience.

According to Brito (2019), companies always require a strategic ally, and undoubtedly, customs warehouses could be such allies, as they streamline port operations, facilitate cargo movement, and provide logistical support to companies, aiding the smooth flow of goods according to each company's needs.

That being said, it was essential to set clear research objectives for proper development and analysis, allowing for the resolution of any concerns that may arise during this study. Therefore, the general objective was to develop a plan for the application of customs warehousing in Car SoundVision, with the aim of assessing the feasibility of implementing this regime in the company. The secondary objectives of the research focused on analyzing the theoretical framework of the Constitution, the Organic Code of Production, Trade, and Investments, SENAE (National Customs Service) Resolutions, as well as decisions of the Andean Community of Nations and other applicable regulations. The objectives also involved identifying whether the company meets the necessary requirements as per the analyzed regulations and developing an implementation plan for regime 70 in the company.

The first chapter discusses customs import regimes, with a focus on the general aspects of regime or customs warehousing number 70.

The second chapter outlines the requirements necessary to comply with the regime application, referring to the legal, infrastructural, and financial requirements that Car SoundVision needs to fulfill, along with the benefits that the regime offers to the company, including economic and logistical advantages.

Finally, the third chapter presents the most relevant conclusions and recommendations generated at the conclusion of the research.

CHAPTER 1

GENERALITIES OF CUSTOMS WAREHOUSE REGIME 70

1.1 Customs Import Regimes

When referring to customs regimes, this pertains to the procedure that will be applied to goods entering the country. This procedure must be requested by the declarant of the goods, as specified by the current customs legislation through the Facilitation of Customs Trade Title Regulation, Book V of the Organic Code of Production, Trade, and Investments (RCOPCI, 2022, Art. 118). These regimes are classified as import regimes, export regimes, other customs regimes, and exception regimes.

Companies engaged in the import and export of goods must correctly identify, based on their activities, which regime is applicable to their business operations. It is essential that they always consider that the chosen regime must be in accordance with current legislation to avoid violations when importing or exporting their products. All of these regimes are regulated by the National Customs Service of Ecuador (SENAE).

As mentioned, companies must have a clear understanding of the import regime they will adopt because, depending on the preference of the declarant, the benefits they represent for the company need to be analyzed. It is also important to comply with the current regulations, both the Code and its Regulation, apply the relevant resolutions issued by SENAE, decisions of the Andean Community of Nations (CAN), and other applicable regulations.

The import regimes under focus in this analysis were divided into two groups: non-transformation regimes and transformation regimes. Non-transformation regimes are the most common in the Ecuadorian market and have been widely used by the Car SoundVision company for importing goods. While de transformation regimes are the ones that allow the introduction of goods with a suspension of tax payment, to undergo operations that modify their kind or condition.

Car SoundVision, better known by its commercial name as MP3, is a company dedicated to the import of CKD (Completely Knocked Down) and CBU (Completely

Built-Up) televisions and broadcasting devices for vehicles. CKD refers to the importation of products in parts and pieces to be assembled in their destination country, with the possibility of adding certain national components. On the other hand, CBU means the importation of products that come fully assembled from their place of origin and are ready for sale in the destination country without undergoing any transformation in their production. Throughout its years in the Ecuadorian market, Car SoundVision has adhered to the import regime for consumption, which will be explained in the next section.

1.1.1 Import for Consumption (Regime 10)

This is the customs regime in which goods enter the country on a permanent basis. Once all customs tax obligations have been fulfilled, they are free to circulate throughout the Ecuadorian territory (RCOPCI, 2022, Art. 120).

This regime belongs to the non-transformation import regimes. It is one of the most commonly used regimes in the country, and it is the obligation of importers to specify in the shipment as importation for consumption or regime 10. Once the entry of goods into the country is declared and the applicable taxes are paid, they are considered nationalized goods to be specifically marketed within the Ecuadorian territory. According to article 2, literal nn (RCOPCI, 2022), nationalized goods are defined as all those goods originating from abroad that have undergone all the necessary formalities to be marketed in the destination country.

While this regime is the most widely used by merchants engaged in importing goods, it is not always the most favorable for certain companies, as in the case of certain products with significantly high tariff taxes. Similarly, it does not provide certain economic and logistical benefits that other customs regimes do, which will be analyzed in detail later in this study.

As previously mentioned, Car SoundVision, in its 18 years in the Ecuadorian market, has adhered to this regime. This, in some way, is affecting the company because the tariffs and taxes on electronic devices are very high, causing their products to become more expensive for the end consumer. As a result, it becomes challenging to compete with foreign markets. Consequently, this could lead the company's executives

to consider discontinuing the sale of such merchandise or, worse, relocating their facilities to neighboring countries such as Peru or Colombia. This has become a common scenario for national companies because their production or import costs are too high and not accessible to a significant portion of the population.

A direct consequence of using this regime in the company is the longer delivery time of products to end customers, as on certain occasions, they do not have merchandise ready for sale. According to Juana Sánchez Head of the International Purchasing Department at Car SoundVision, this has led customers to opt for competitors' products, as their availability is much higher when compared to the company in question. She also mentions that prices are higher when using regime 10, as import logistics costs are much higher than those of the rest of the market, primarily referring to their direct competition, Gerardo Ortiz e Hijos Cía. Ltda.

1.1.2 Customs Warehousing (Régime 70)

The Customs Warehouse or regime 70 is part of the import customs regimes. It allows goods to be stored for a specific period of time without the immediate payment of applicable duties, taxes, and surcharges. This warehouse can be either public or private. Concerning private customs warehouses, they are reserved exclusively for the use of their owner, whereas public customs warehouses can be used by third parties to store their goods for a specific period, and they will be required to pay for the storage of their merchandise (RCOPCI, 2022, Art. 144).

When we mention import customs regimes, we refer to the import and export of goods, which are subject to different procedures, as customs taxes can be suspended, released, or refunded as appropriate to their regime. The suspension of customs taxes means that they don't need to be paid immediately but rather when the goods are cleared through customs. As for released taxes, these are those exempt from certain duties. For example, electric vehicles do not have a value-added tax (VAT) as they are powered by electricity rather than combustion. Tax refunds, as the name suggests, refer to the partial or total reimbursement of taxes paid for an import.

To apply this regime, a company must meet certain requirements. These include having suitable facilities authorized by the corresponding customs authorities. The

company must also notify the start of its operations in advance. A general guarantee must be granted to the General Directorate of the National Customs Service of Ecuador (SENAE), which will establish the requirements, conditions, and formalities to be met by companies to grant this customs warehouse qualification. The SENAE will also evaluate the facilities for a period of up to five years to ensure compliance with the requirements regarding the facilities. All customs warehouses must be located in a city with a District Directorate of the SENAE, such as Cuenca, where there are two public commercial customs warehouses, Almacopio and Adapaastro (RCOPCI, 2022, Art. 145).

It's worth mentioning that the Customs District Directorates in Ecuador, according to SENAE Resolution No. DGN-RE-296^a, include:

Quito Customs District Directorate.
Esmeraldas Customs District Directorate.
Latacunga Customs District Directorate.
Tulcán Customs District Directorate.
Guayaquil Customs District Directorate.
Manta Customs District Directorate.
Cuenca Customs District Directorate.
Puerto Bolívar Customs District Directorate.
Huaquillas Customs District Directorate.
Loja Customs District Directorate.

A "Customs District Directorate" refers to a territorial area where the SENAE maintains offices and conducts technical, operational, legal, and administrative processes to control compliance with the policies established by the Directorate General. The Cuenca Customs District is an internal customs district since it lacks a seaport, international airport, and is not located in a border area. Currently, the SENAE is evaluating the possibility of building an inland port in the province of Cañar, in an area called Pampa Vintimilla, located 20 minutes from Cuenca. This would greatly benefit the southern region of Ecuador, enhancing trade and facilitating customs operations. However, this proposal presents a contradiction. As mentioned earlier, for a city to have a Customs Warehouse, it must have a District Directorate within the city, a

requirement that Azogues, Cañar province, does not meet. In the hypothetical case of wanting to establish the Southern Customs District Directorate in Azogues, what would happen to the existing customs warehouses in Cuenca, such as Almacopio and Adapaustro? These warehouses would be outside the city and would not meet the aforementioned criteria, leaving them with the only option of relocating all their physical facilities and operations to Azogues, a scenario that companies do not consider viable.

Regarding the duration, this regime grants the importer a period of up to one year from the moment the goods arrive in the country under regime 70 declaration. If this period is exceeded, the merchandise will be subject to specific abandonment rules, as detailed in the COPCI Regulation. One of the penalties for failing to meet the specified stay period is to pay a unified basic salary, which is \$450 US dollars per day, until the goods are cleared (RCOPCI, 2022, Art. 146).

According to the COPCI Regulation (RCOPCI, 2022), there are three types of abandonment: express abandonment, tacit abandonment, and final abandonment. Express abandonment occurs when the declarant, by written will directed to the customs administration, relinquishes the goods to the State. This can even happen after the customs declaration has been filed but must be requested before the release of the goods. If the taxes have been paid, the SENA E will refund them to the consignee through a credit note. Otherwise, the goods remain at the discretion of Customs, which is responsible for auctioning or destroying them, as applicable (RCOPCI, 2022, Art. 247).

Tacit abandonment operates automatically without the need for prior declaration. It occurs when goods are deemed abandoned due to non-compliance with the following reasons:

Failure to present or transmit the customs declaration within the stipulated period in the COPCI Regulation.

Failure to pay foreign trade taxes within 20 days from when they are due, except when payment facilities have been granted.

When the period of goods storage in customs warehouses has expired.

The SENAE will always notify the declarant in advance through electronic means and phone calls. If these violations are not corrected within 25 business days, the merchandise falls into final abandonment, and to clear it, the owner must pay a fine for regulatory infringement. If the consignee does not respond to this notification, the goods will be considered in a state of final abandonment (RCOPCI, 2022, Art. 248).

Committing one of the causes for final abandonment implies a tacit intention by the owner of the goods to abandon them in favor of the customs administration. The reasons for cargo to fall into final abandonment include:

Failure to rectify the reasons for tacit abandonment mentioned previously within 25 business days.

Absence of the declarant at a second physical examination of the goods.

Failure to collect personal effects of a traveler or taxable goods retained in the International Arrival Hall within five days of their arrival in the country; they will be considered abandoned.

When the risk profile system of the National Customs of Ecuador identifies risks associated with the nature of the declared goods and there is no evidence of a crime, the taxable person will be notified of the corresponding observations. They will have 15 days from the notification to provide justifications or make corrections according to the process established by the customs administration. If these deadlines are not met, the goods will be considered abandoned, and their value plus 20% will be deposited in a bank account in the name of the taxable person. Subsequently, the goods will become the property of the state and will be auctioned within 90 days.

Article 148 of the COPCI Regulation refers to operations that are considered lawful within the customs warehouse. These operations are allowed as long as they comply with the terms of the contract between SENAE and the legal representative of the customs warehouse. The regulation makes it clear that operations related to changing the condition or tariff classification of the stored goods are not allowed. A change of condition refers to goods that have undergone some form of transformation within the customs warehouse. Similarly, tariff reclassification is not permitted within the customs warehouse, and the SENAE has the authority to ensure that the warehouse owner does not commit such an offense (RCOPCI, 2022, Art. 148).

It should be noted that there are three types of customs violations: regulatory violations, infractions, and crimes.

In this regard, regulatory violations and infractions occur when there is a breach of the norm or non-compliance with formal duties. An example of this could be delivering a cargo manifest electronically after the designated deadline. These errors are typically related to the transmission of relevant documents (RCOPCI, 2022, Art. 241).

On the other hand, crimes involve malicious conduct by the declarant when importing or exporting goods, and it is essential to demonstrate that there was intent to commit a crime. This can include offenses against customs administration or crimes such as attempting to smuggle goods into the country. These crimes are punished with significant fines or even imprisonment. For example, clandestinely importing or exporting goods from the customs territory in quantities equal to or exceeding the total amount of ten unified basic salaries, equivalent to \$4,500 US dollars (COIP, 2021, Arts. 299-302).

Considering all the points mentioned, this import customs regime could provide several benefits or useful tools for Car SoundVision, if applicable. It would allow them to store their imported goods for a specific period without the immediate payment of customs taxes, and it provides a total suspension of VAT payments. This would enable the company to make partial merchandise clearances and nationalize the goods as needed, serving as a useful logistics tool for the company. Moreover, in the case of the company deciding to apply this regime, it does not necessarily have to be a private warehouse, as the company has the option to convert it into a public one. This would generate additional income for the company, especially if its business focus changes in the future, no longer being limited to importing electronic devices, but maintaining goods in a public customs warehouse, similar to what companies like Adapaustro and Almacopio do. Of course, this decision would have to be made by the company's executives and shareholders based on the profitability it offers.

CHAPTER 2

REQUIRED QUALIFICATIONS AND BENEFITS OF APPLYING CUSTOMS WAREHOUSING (REGIME 70) IN THE COMPANY

2.1 Analysis of the qualitative requirements for its application

According to Article 2, subsection ss of the Regulation (RCOPCI, 2022), qualitative requirements refer to the documents and legal requirements that Foreign Trade Operators (OCES) must meet for their proper application, with the aim of ensuring transparency, operability, and, above all, the security of processes related to foreign trade. OCES can be natural or legal persons who interact and exchange not only information but also operations with the National Customs Service (SENAE). This also relates to the Customs Warehouse, whether public or private, as its representatives are part of the aforementioned Foreign Trade Operators.

Precisely, this graduation project aimed to analyze the feasibility of applying a private customs warehouse by the company Car SoundVision, which must be subject to Customs control. Therefore, the documentary and legal requirements that Car SoundVision must fulfill, as established by SENA's Resolution 1-2003-R2 (Customs of Ecuador, 2009), for its mandatory compliance will be reviewed:

- Digital authorization form for Foreign Trade Operator, to be submitted to SENA.
- The corporate purpose should specify whether the customs warehouse is public or private, with a registered office within the Ecuadorian territory, as evidenced by a document issued by the Superintendency of Companies. This information will be validated by SENA through the Superintendency of Companies' website.
- The company must provide deeds and a certificate from the Property Registry or Lease Contract, as well as the seal and signature of the issuing company.
- The documentation must be submitted along with the duly paid settlement, and the application fee must be requested by email.
- The company must provide documentation to support compliance with SENA's Anti-Bribery Policy, depending on the type of foreign trade operator.
- A flowchart detailing the stages of the operation process must be presented.
- The customs warehouse must have a minimum of 150 m², specifying storage areas and their respective measurements.

- Physical and digital site layout plans in scale size, including storage areas, measurements, capacity, and areas for containerized and dangerous cargo must be submitted.
- Photos and an explanatory letter from the legal representative of the company detailing the materials to be used for construction.
- Prior to the inspection of the establishment, the National Intervention Directorate will issue an inspection fee settlement for the corresponding payment.
- A list of office equipment with a responsibility signature, invoices for internet, telephone, and email services with a domain name.
- The implementation and certification of supply chain security standards, such as ISO 28000 and BASC.
- An inventory report of merchandise.
- The computer system to be used.
- Submission of surveillance equipment photos.
- Description of the access and exit control system for personnel operating in the warehouse, including two names, two surnames, identity card number, person's photo, fingerprints, home address, contact phone numbers, and digitalized signature. The entire list must be submitted with a responsibility signature.
- Detailed list of merchandise characteristics with a responsibility signature.
- The contract authorization clauses will specify all the obligations that the customs warehouse must fulfill for its proper operation.
- Finally, it will be verified that the company does not have debts with the Superintendency of Companies, Internal Revenue Service, and the National Customs Service of Ecuador.

Among the requirements, SENA's Anti-Bribery Policy is mentioned, which is found in Resolution No. SENAE-SENAE-2020-0054-RE (SENAE, 2020). It outlines the policy's purpose, scope of application, and definitions. Essentially, this is a policy that promotes transparency and ethical activities within the institution, as well as the implementation of an Anti-Bribery Management System (SGAS). It is mandatory for all its personnel and extends to natural and legal persons affiliated with SENA in any capacity. The objective is to prevent and control the risk of bribery. The same resolution defines bribery as "...any offer, promise, delivery, acceptance, or solicitation of an undue

advantage of any value," and it can be of a financial or non-financial nature. As a control institution, SENA is committed to combating any such acts and continually improving transparency and professional ethics.

Another requirement refers to cargo areas, specifically containerized and dangerous cargo. According to Article 2 of the RCOPCI (2022), containerized cargo corresponds to one or more shippers, with one or more transport documents, and containers are moved within a single cargo unit. Dangerous cargo refers to any goods that pose a risk to health, the environment, personal safety, or the safety of the goods themselves. All cargo must comply with the current national regulations or international standards.

An example of dangerous cargo could be a shipment of lithium batteries. These batteries, due to the highly flammable chemical compounds inside them, require careful handling and transport, especially when exposed to elevated ambient temperatures or subjected to physical stress, as they can cause more volatile explosions than gasoline. Hence, such shipments must carry precautionary labels warning personnel handling them.

Car SoundVision meets all the legal and documentary requirements mentioned earlier. The only requirement yet to be fulfilled is the need to define the physical space where the warehouse's facilities will be constructed. However, as a company within a financially strong corporate group in the country, such as the Jaramillo Group (the family that owns Indurama and several businesses in the country), this should not pose a major problem. According to Juana Sánchez, head of the national purchasing and import department, the business group has multiple plots of land located in the Pampa Vintimilla area, where it was previously mentioned that a Customs Dry Port is planned to be built. This location is strategic for the customs warehouse, facilitating the feasibility of this project. The customs warehouse could be used by Indurama, Marcimex, Mercandina Movilidad, Grupo Consenso, Tarpuq, and Car SoundVision, all of which are part of the same group.

In light of the aforementioned, concerning the qualitative requirements that Car SoundVision meets, as per information provided by the operations manager, Javier

Valdivieso Ugalde, the company complies with all necessary requirements, which were analyzed earlier in this research. The only remaining requirement to be fulfilled is the decision on the specific physical location of the warehouse, which rests with the shareholders, who will decide on one of the available plots of land. With this said, and not much else to analyze in terms of the qualitative aspects, it is up to the company to decide whether or not to complete all the relevant forms and provide all the documentary requirements demanded by SENA, considering that the company already has almost all the necessary requirements for the application of the Customs Warehouse.

2.2 Analysis of the quantitative requirements for its application

The creation of the Customs Warehouse requires a thorough financial analysis by the company's executives to determine the feasibility of making a significant investment. Company executives must consider that this project involves two phases related to the use of resources: the installation of the Warehouse and the operational phase. This is why a brief investigation of all the resources needed for the project was conducted.

For the first phase of the project, the cost of the fixed assets needed by the company for the establishment of the Warehouse will be evaluated. These assets include land, infrastructure and construction, office and work equipment, furniture and fixtures. The values will be taken as reference from the Mercado Libre website (Mercado Libre Ecuador, 2023), and the links and products can be found in Appendix 1 of this document (see Appendix 1).

Regarding the land, as mentioned previously, it would not need to be acquired by Car SoundVision since one is available for the Warehouse construction. As for the size, there are plans to construct it on land with an area of approximately 200 square meters. The construction cost is estimated to be around \$750.00 per square meter, resulting in a total infrastructure cost of \$150,000.00 (Mercado Libre Ecuador, 2023).

Considering that the Warehouse will start its operations with as few employees as possible, not many workstations for administrative and operational staff will be required. It is estimated that only eight workstations with desks valued at \$200.00 each, eight office chairs priced at \$120.00 each, four filing cabinets with a cost of \$180.00

each, and 16 visitor chairs priced at \$120.00 each will be necessary, totaling \$5,200.00 (Mercado Libre Ecuador, 2023).

For computer equipment, a total of eight computers valued at \$800.00 each and two printers with a cost of \$400 each are needed, resulting in a total of \$7,200.00. Another category to consider is machinery for operational control and safety equipment, including a forklift with a 3.5-ton capacity priced at \$30,500.00, two hydraulic carts with a unit cost of \$350.00, a digital hanging scale with a 1-ton capacity for \$150.00, a digital platform scale of 3 tons for \$700.00, a label printer for \$160.00, and 10 sets of industrial safety gear, which, including harnesses, helmets, gloves, boots, adds up to \$200.00. The machinery mentioned above has an average value of \$33,037.00 (Mercado Libre Ecuador, 2023).

As for the second phase of the project, the values representing the operation and functionality of the Warehouse must be taken into account. These values include employee salaries and fixed expenses for basic services (water, electricity, internet). In terms of worker and employee salaries, it should be noted that the Warehouse will start with eight administrative employees, with salaries ranging from \$600.00 to \$1,200.00, and 10 operational workers with salaries between \$450.00 and \$550.00. The costs of basic services such as water and electricity would range from \$150.00 to \$250.00 per month, plus an internet service cost of \$80.00 per month.

Taking all these items into account, Car SoundVision's executives will need to analyze whether it is feasible for the company to invest in all the mentioned resources to establish a Customs Warehouse and maintain its operations. As evidenced, these are substantial sums of money, exceeding \$200,000.00 in tangible fixed assets alone, not to mention some monthly expenses for its operation. Therefore, it is the company's duty to assess whether these monetary amounts will be compensated by the benefits that the application of the Warehouse could provide, benefits that will be explained in more detail later in this research.

Additionally, another important point to consider is related to the guarantee that must be provided when a Foreign Trade Operator is granted permission to have a Customs Warehouse. As established in the COPCI Regulations (RCOPCI, 2022, Art.

233), the customs guarantee is a liability that is acquired to ensure that the customs duties on foreign trade may be paid when importing or exporting products. It also ensures compliance with the procedures established by the customs authority and the obligations assumed by foreign trade operators with the National Customs Service of Ecuador (SENAE) to carry out their activities.

In the COPCI (2021, Art. 174), customs guarantees are of two types: General and Specific. General guarantees cover all the activities of a person participating in international trade of goods or customs procedures, while specific guarantees cover a particular customs or foreign trade operation. All customs guarantees must be irrevocable, immediately enforceable, unconditional, and immediately collectible, making them sufficient for immediate execution just by their presentation for collection, as provided by law.

For the purposes of this project, only general guarantees were analyzed, as these are the ones that the Customs Warehouse must provide, under the following means (RCOPCI, 2022, Art. 233):

- Cash deposit.
- Certificates of deposit in established financial institutions in Ecuador, endorsed in favor of the customs administration.
- Credit note, also with its respective endorsement.
- Bank guarantee.
- Insurance policy.
- Guarantee letter issued by the highest authority of public sector institutions.
- Guarantee letter issued by the highest authority of diplomatic missions.
- Real estate properties mortgaged for the benefit of SENAE, which must be assessed by the respective municipal appraisal.
- Others established in the RCOPCI.

General customs guarantees must be submitted to the SENAE General Directorate, as opposed to Specific guarantees which must be submitted in the following cases, according to what is indicated in article 234 of the RCOPCI (2022):

- A. For the practice of customs agent activity.
- B. For Authorized Legal Entities to Provide Express Mail and International Postal Traffic Services.
- C. Guarantees for Temporary Warehouses.
- D. Guarantees for Guaranteed Payment Clearance.
- E. Guarantees for Free Warehouses and Special Warehouses.
- F. Guarantees for the operation of Customs Warehouses and Facilities Authorized to operate regularly under the Temporary Admission with Active Improvement Regime.

For the purpose of this analysis, the guarantee referred to in letter F, concerning Customs Warehouses, were considered. In this regard, Car SoundVision should use the guarantee for the operation of the Warehouse, which must be paid based on the taxes and surcharges of the goods that the company plans to import under this regime. It is important to note that the amount cannot be less than \$20,000.00, and goods cannot be imported once the amount of the taxes paid for the imported goods equals or exceeds the current guarantee amount. This amount can be increased or decreased according to the procedure established by the Director General of the National Customs Service of Ecuador (SENAE). Likewise, this guarantee will have a specific duration, so it must be renewed annually during the period of operation authorization granted by SENAE.

Article 273 of the Regulations (RCOPCI, 2022) refers to the provisions that must be met by customs guarantees. First, it states that guarantees must be expressed in United States dollars. They must also be unconditional, irrevocable, and immediately collectible, allowing full or partial execution, which must be stated in the guarantee text. If the Customs Administration does not initiate the collection action on the due date of the guarantee, there is an additional period of sixty business days. If a general guarantee is executed partially, the authorized operator must replenish the executed amount to maintain the total guaranteed amount throughout the entire authorization period. Bank guarantees and insurance policies must be signed by the insured. If a general guarantee is not renewed and expires, the operation code will be immediately suspended, which will be communicated to the unit that safeguards the guarantee and the corresponding competent area.

Article 239 of the same regulation (RCOPCI, 2022) establishes the conditions for the acceptance and execution of customs guarantees. These guarantees must comply with the formalities and requirements established by the National Customs Service of Ecuador and applicable legislation. To execute a guarantee, a title that contains a liquid obligation in favor of the National Customs Service of Ecuador, such as a settlement, fine, promissory note, or other similar document, will be required. The guarantee can only be executed during its validity or within the established period. If the taxpayer challenges the administrative act that generates the customs obligation, the guarantee must be kept valid until the dispute is resolved.

In case the guarantee is issued by an insurance company or a bank, the collection action will begin with the notification of the obligation titles backed by the guarantee to the issuing company, which must pay the required amount to the customs administration when the title becomes final or enforceable, unless it is revoked. If the guarantee is provided in cash or time deposit certificates, the customs administration may retain the full amount of the obligation as a guarantee until it becomes final or enforceable. Once the titles are final or enforceable, the guarantee will be executed definitively, unless it has been revoked.

However, in the case of bank guarantees or insurance policies, the issuing entity may voluntarily disburse the amount required by the customs authority, with this amount remaining as a cash guarantee. If the execution of the guarantee covers the entire unpaid obligation, it will be considered as satisfied. Nevertheless, the taxpayer must fulfill any pending formalities before the customs authority accepts new guarantees from the responsible users or their customs agents. If an issuing entity does not honor two or more customs guarantees in favor of SENAE under firm resolutions, late payment interest will accrue. In this case, the Customs Authority will not accept any further guarantees from the entity and will declare it in breach of its contract with the State, notifying the SERCOP within 48 hours from the date of issuance of the administrative act that establishes the obligation. If it is necessary to execute the guarantees, the relevant customs authority must be responsible for their collection, except in the case of general guarantees presented to the General Directorate, in which case the Director General will forward them to the competent district authority where the taxpayer has its tax domicile (RCOPCI, 2022, Art. 239).

It is important to note that the guarantee cannot be collected without the principal obligation being final or enforceable. Once the customs obligations or formalities have been fulfilled, the competent official must return the previously established customs guarantee.

As for the quantitative analysis, Javier Valdivieso, the company's operations manager, provided certain import data that helped conduct a small analysis to determine the viability of applying this regime.

According to the provided data, the company currently makes an average of 14 imports per month, and for each of these imports, it pays taxes as follows:

- Average VAT of \$14,000.00 per import.
- Average Ad Valorem of \$5,000.00 per import.
- Average FODINFA of \$2,000.00 per import.

Taking into account this data and multiplying it by the 14 imports made each month, the total amount of taxes to be paid is \$294,000.00 per month. When multiplied by 12 months, this amounts to \$3,528,000.00 in tariff taxes annually.

Subsequently, with this information, an analysis was conducted to determine the monetary amount that the company is disbursing to nationalize its merchandise. If we consider the figure of \$294,000.00, which is necessary to nationalize merchandise on a monthly basis, the shareholders in conjunction with the company's executives could opt to apply the Customs Warehouse regime. This would help them keep goods in the Warehouse and perform customs clearance as needed or as dictated by the production requirements. This could be particularly helpful in months when the market for televisions and radios is not as in demand as in February, March, April, May, and June, as explained by the operations manager.

Additionally, a factor to consider is the fees that the Customs Broker is entitled to, as each merchandise clearance process has a cost of \$250.00.

In summary, the greatest advantage would be the ability to pay the necessary tariffs for nationalization simultaneously with the actual sale of the goods. This means the company wouldn't need to make an unnecessary upfront payment of money.

2.3 Logistical advantages in the application of the Customs Warehouse regime

The use of a customs warehouse can offer multiple logistical benefits, such as:

- **Cost Reduction:** Storing products in a customs warehouse can be more cost-effective than in a conventional warehouse because it allows the postponement of tax and duty payments until the products are removed from the warehouse.
- **Flexibility:** A customs warehouse allows the importer to store products for an extended period without having to pay import taxes or duties, providing more time for logistics planning and execution.
- **Improved Delivery Time:** If the customs warehouse is located near the arrival port or airport, it can reduce the delivery time to the final destination as partial shipments can be made from the warehouse as needed.
- **Inventory Control:** By keeping goods in a customs warehouse, the importer gains better control over their inventory, being able to check the quantities and quality of stored products at any time.
- **Enhanced Security:** Customs warehouses are designed to provide a high level of security for stored products, reducing the risk of loss or damage during the logistics process.

In summary, the logistical advantages of implementing a customs warehouse are quite significant. This would allow the company to reduce the number of annual imports to some extent while maintaining larger volumes in the warehouse until customs clearance is necessary. Additionally, another significant advantage is that the company would have greater stock, significantly reducing the response time to customer

purchases, improving delivery times, quality, and customer loyalty (typically, goods purchased in China take around one to one and a half months to arrive and be delivered). Another significant advantage is that upon the arrival of merchandise shipments in the country, the time required for their entry into the warehouse is much shorter compared to direct nationalization at the point of entry.

As can be seen, all these advantages translate into benefits for optimizing time, resulting in better service. It's important to consider that time is the most valuable asset for any company, as it ultimately translates into monetary savings.

2.4 Economic advantages for the company

The availability of a private customs warehouse can provide several economic advantages for the company:

1. **Cost Savings:** Having a private customs warehouse allows the company to reduce storage costs since it doesn't have to pay for the use of third-party warehouses. Additionally, it can defer tax and duty payments until the merchandise is removed from the warehouse, which can enhance the company's cash flow management.
2. **Improved Logistics Efficiency:** A private customs warehouse enables the company to optimize its supply chain and enhance logistics efficiency. With greater control over storage and merchandise management, the company can plan logistics operations more accurately and swiftly, reducing waiting times and associated costs.
3. **Inventory Management Flexibility:** With a private customs warehouse, the company can keep its inventory close to its operational center, which can reduce delivery times and improve efficiency. Moreover, the company can manage its inventory more flexibly, reducing costs associated with excessive storage or inventory shortages.
4. **Risk Reduction:** Having a private customs warehouse allows the company to mitigate the risk of loss or damage to goods during the logistics process.

Additionally, the company can exercise greater control over compliance with customs regulations, reducing costs related to fines or penalties.

Overall, the availability of a private customs warehouse can provide the company with increased logistics efficiency and flexibility, ultimately enhancing its profitability and competitiveness in the market.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

In conclusion, this project highlights the issue of high tariffs in Ecuador, specifically on the import and assembly of electronic components and technological devices. The high taxes and surcharges have a negative impact on the industry and lead some entrepreneurs to consider the possibility of relocating their businesses out of the country, which has a significant economic and social impact due to job losses.

Import Regime number 70, also known as the Customs Warehouse, is treated as a potential solution to provide security and stability for domestic entrepreneurs. It allows them to store imported goods for a specified period and suspend customs taxes and surcharges. This regime also offers flexibility by allowing partial clearance of goods and is crucial as a strategic ally for companies, as it streamlines port operations and facilitates cargo movement.

The work provided a comprehensive overview of import customs regimes in Ecuador, focusing on the Consumption Import Regime (Regime 10) and the Customs Warehouse (Regime 70). It emphasizes the importance of choosing the right regime according to a company's commercial activity and complying with the current customs regulations.

The research indicates that Regime 10, although widely used, can be unfavorable for certain companies due to high tariffs and a lack of economic and logistical benefits. In relation to this regime, the company Car SoundVision, in particular, has experienced difficulties in competition and delivery times.

Hence, Regime 70 (Customs Warehouse) is an alternative that allows the storage of goods for a specific period without the immediate payment of customs taxes, which could benefit the company by reducing costs and improving product availability. The necessary conditions and requirements for applying this regime are highlighted, as well as the implications of abandoning goods in the customs warehouse.

An analysis of the qualitative and quantitative requirements necessary for the

private Customs Warehouse application by Car SoundVision was conducted, demonstrating that the company is well-prepared and meets several of these aspects to carry out this project. Regarding qualitative requirements, the company has fulfilled all the legal and documentary requirements established by SENA, demonstrating its commitment to transparency and ethics in foreign trade. Additionally, the company is backed by a strong economic group with suitable land and economic solvency for the construction of the warehouse, facilitating the project's viability.

Regarding quantitative requirements, a financial analysis was performed, showing that Car SoundVision has the financial capacity to make the necessary investment in fixed assets, such as land, infrastructure, equipment, and furniture required for the establishment and operation of the Customs Warehouse. The costs associated with these assets have been estimated, and it has been demonstrated that the company can manage them.

The analysis also addressed issues related to sanctions for customs violations, differentiating between regulatory offenses, contraventions, and crimes, with the latter having more severe legal consequences.

Regarding costs, it was found that the initial investment and monthly expenses to maintain the Customs Warehouse are significant, exceeding \$200,000.00 in fixed assets and requiring monthly payments for salaries, basic services, and customs guarantees. The importance of company executives carefully analyzing whether these expenses can be offset by the benefits offered by the Customs Warehouse is emphasized.

The obligation to provide customs guarantees was also mentioned, which are necessary to ensure compliance with tax and customs obligations. The available options for providing these guarantees must be irrevocable and immediately callable. In the quantitative analysis, it was evident that the company pays substantial sums of taxes for its monthly imports, and the possibility of using the Customs Warehouse to defer these payments until the goods are cleared from customs is considered, which could improve cash flow management.

The logistics advantages of a Customs Warehouse are highlighted, including cost

reduction, inventory management flexibility, and improved delivery times. These advantages can have a positive impact on service quality and customer loyalty.

Finally, the economic benefits are discussed, including cost savings, improved logistics efficiency, inventory management flexibility, and risk reduction. It is concluded that a private Customs Warehouse can provide the company with greater efficiency and flexibility in its logistics management, which could translate into higher profitability and competitiveness in the market. In other words, a comprehensive evaluation of key considerations for deciding to implement a Customs Warehouse in the Car SoundVision company is presented.

In summary, Car SoundVision is in a strong position to move forward with the implementation of its private Customs Warehouse. Only the definition of the physical space remains pending, but given its access to suitable land, this obstacle does not seem insurmountable. The success of this project will ultimately depend on the decision of the company's shareholders and their willingness to complete the final forms and requirements. Overall, the company has conducted a thorough analysis and is well on its way to successfully carry out this initiative.

Recommendations

It is suggested that the company Car SoundVision may consider implementing Regime 70 as an option to enhance its efficiency and competitiveness in the market, although a detailed evaluation is proposed. It is necessary to have a clear and comprehensive perspective on what the key aspects of customs regimes in Ecuador are and what their potential impact on importing companies could be.

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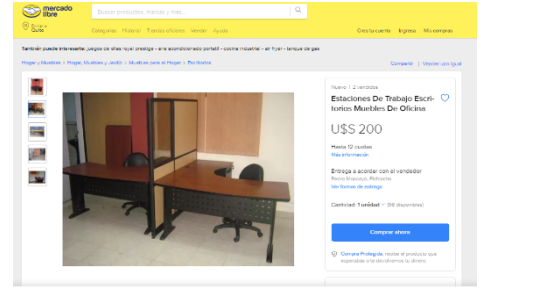
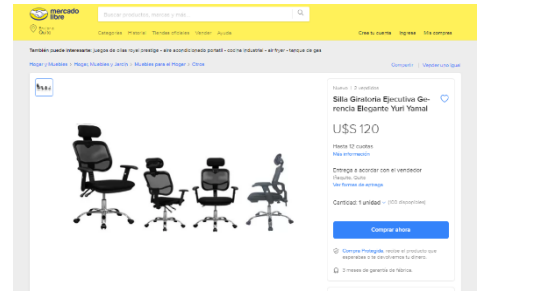
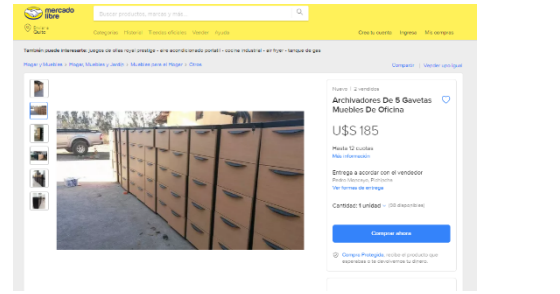
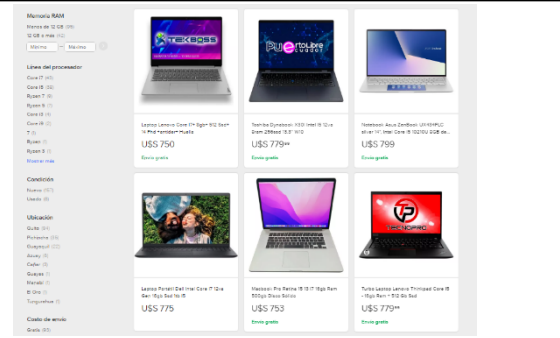
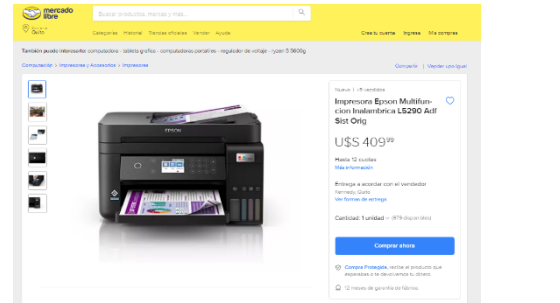
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APPENDICES

Appendix 1. Links and images of articles consulted on Mercado Libre.

	<p>Inquiry link: https://bit.ly/48IMCb1</p>
	<p>Inquiry link: https://bit.ly/3PLCcyT</p>
	<p>Inquiry link: https://bit.ly/3tlwWuj</p>
	<p>Inquiry link: https://bit.ly/3PQ55Kq</p>
	<p>Inquiry link: https://bit.ly/3Q2GmDP</p>

mercado libre

montacargas dual de 35 toneladas modelo cpnyd35

Montacargas 110 P35 Montacarga Heli 3 Tons 3m A12
US\$ 17.900

Montacargas 100S/electrico 2 Ton A 3.5 Mts Lift Truck
US\$ 16.895

Montacargas Manual 3 Toneladas 55 Cm Separacion Uñas
US\$ 544⁹⁹

Montacargas 3 Toneladas Montacarga Heli 3 Tons 3m A12
US\$ 17.900

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Inquiry link:
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mercado libre

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 Más información

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 Consulta los términos y las formas de envío.

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Comprar ahora

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12 meses de garantía de Mercado.

Inquiry link:
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