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**"Global Gate" a letter to the importing community from the Head of
Israel's Customs Directorate**

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FREE TRANSLATION

**RE: Documents For Importers - Implementation of the Next Generation
Customs Computerized System "Global Gate"**

The Israeli Customs Directorate is about to move into the second phase of the next generation computerized system, which will simplify the administrative burden of the international movement of goods.

The new "**Global Gate**" (Sha'ar Olami) System, one of the biggest and most advanced software projects in Israel, will implement state-of-the-art paperless technologies, concepts and interfaces between members of the trade community, as well as new internal procedures and policies, improving and accelerating the current customs procedures along with balancing trade facilitation and law enforcement.

The project will allow the rapid integration of Israel Customs into the international trend of simplifying foreign trade procedures according to standards set forth in international conventions and agreements such as the Kyoto Convention and the World Trade Organization

The system will set the pace for automation in other government departments, leading to true e-government in foreign trade.

The system, which is due to go into full operation in early January 2018, requires thorough preparations not only from the customs clearing community but also from the importers community.

Following are the main points to which each and every importer must carefully attend:

A. Smart card - Electronic Signature

- An electronic signature (or digital signature) is used to verify the identity of a person who has written an electronic document and a commitment that signifies the content of the document - just like an ordinary signature on a paper document. Electronic signatures can be performed where in the past personal presence or delivery of forms in the mail were required, such as: payments, filing tax returns, sending legal notices and more.

- The Smart Card, intended for citizens, government employees and businesses, is your electronic identification device when doing business with government offices. It is a reliable authentication device that enables electronic signature at the highest security level available today.
- A body that wishes to acquire a smart card must contact a party, as required by an electronic signature law.
- Importers will have to be equipped with SMART CARD, a signature device used to produce a certified electronic signature. A signature device is unique to its owner, kept confidential by its owner, and is also known as a “private key” in the public key encryption system.
The issuance of a smart card is subject to certain procedures relating to issuing electronic certificates that comply with provisions of the Electronic Signature Law and its regulations. Once importers are equipped with a SMART CARD they will be able to prepare a digital power of attorney to their customs clearing agents.
- A smart card is a plastic card the same size as a credit card that contains an electronic chip for the electronic identification of the cardholder.
- The smart card is a personal hardware component that stores the private and public key of the certificate owner. In order to perform an e-Authentication using the smart card the owner needs to identify with a personal password, biometric elements or even both.
- The smart card is required for identification in entering the system and for the electronic signature of documents submitted through the system.
- A card reader that connects to a computer using a standard USB connection is required to use the smart card.
- In addition, auxiliary software is required on the personal computer that is supplied with the card.

Smart cards are issued by two entities approved by the Justice Ministry as a certificate authority (CA) in Israel in accordance with the Electronic Signature Law 5761-2001.

- **ComSign**
- **Personal ID**

B. Power of Attorney

Once importers are equipped with a SMART CARD they will be able to prepare a digital power of attorney to their customs clearing agents.

A power of attorney is a legal instrument authorizing an entity or person to act as the attorney or agent of the grantor. Under customs rules customs brokers are required to have a valid power of attorney in order that they may transact Israeli Customs Business as required by law or regulation.

The digital format of the power of attorney can be traced on **Tehila (Infrastructure for the Internet Age)** web site, which is the main system of the Government of Israel and the dissemination of government information in the Internet, and the

central body which ensures secure browsing services to government ministries and its institutions.

<https://forms.gov.il/globaldata/getsequence/getsequence.aspx?formType=solo01@taxes.gov.il>

Importers should note that without a digital power of attorney customs clearance cannot be effected.

The SMART CARD is an integral and essential part of the new customs computerized system. It will enable importers to send scanned documents such as commercial invoices, certificates of origin, etc. direct to the customs computerized system.

C. Methods of transmitting Power of Attorney

There are two methods which can be adopted for transmitting Power of Attorney to a customs broker:

1. If the importer is a holder of a Smart Card, the importer has to fill up the form for a nominated customs broker (importers can nominate more than one customs broker). The importer signs the Power of Attorney using the Smart Card. Once the Power of Attorney has been digitally signed, the nominated customs broker is able to act on behalf of the importer vis-à-vis the Customs.
2. If the importer is not a holder of a Smart Card, the importer has to manually fill up the form for a nominated customs broker. The importer has to sign the Power of Attorney and verify the signature. (Verification can be carried out by using a customs broker, a registered customs broker clerk employed by the customs broker, a registered freight forwarder who handles the shipment, a lawyer, a certified accountant and a customs employee). After having verified the signature on the Power of Attorney form, the form will be given to the customs broker. The latter will fill again the digital form and transmit it to customs (together with the manual form signed by the importer as well as a copy of the ID card).
3. **Importer's declaration** – The Importer's declaration is a form required to be filled in by importers in order to establish importers' relations vis-à-vis their suppliers (exporters, shippers) thus assisting customs to establish the actual transaction value. Israel has implemented the WTO Agreement on Customs Valuation. The transaction value is defined as the price paid or payable for the goods when they are sold for export to Israel. *Ad valorem* duties are applied on the transaction value, adjusted to reflect some costs and services not already included in the price incurred by the buyer. The costs and services include those for fees and commissions (other than buyers commissions); royalties and license fees.
 - Importer's declaration must be submitted to customs once a year for each supplier.

- Existing Importer's declaration which have already been submitted and are currently stored at the existing customs computerized system, will be diverted to the Global Gate system.
- As from the time the new system will be in operation Importer's declaration will be transmitted using the digital format of the power of attorney which can be traced on **Tehila (Infrastructure for the Internet Age)** web site.

4. Commercial invoices and preferential documents (documents proving the originating status of the products concerned).

Paperless Clearance allows importers to electronically transmit documents to customs – eliminating the need to print and manually attach them to shipments.

Note: Paperless Clearance allows you to electronically transmit documents via your customs broker to customs – eliminating the need to print and manually attach them to shipments. This feature helps you avoid costly delays caused by handwritten, misread customs documentation. With Paperless Clearance, your documents will increase in accuracy and efficiency while accelerating the clearance process.

Commercial Invoice must be an original document which has no indication on its face as being "copy" or "**pro-forma**".

Within the framework of the new "**Global Gate**" System, Commercial Invoice will be regarded as admissible provided it is scanned and digitally signed by the importer or his customs broker using approved **Digital Signature** Certification entity.

Preferential documents / certificates of origin / EUR-1, EUR-MED Movement Certificates certify that goods are subject to reduced tariffs or exemptions when they are exported to countries extending these privileges.

Customs will accept scanned **Preferential documents provided the scanned document** is digitally signed by the importer or his customs broker by an approved **Digital Signature** Certification entity.

The same applies to limited Invoice Declarations valued €6,000 or less or Authorized Exporter Declarations valued over €6,000.

5. Submission of scanned documents - As a rule all documents transmitted to customs must be digitally signed in accordance with the above instructions.

Documents must be transmitted as follows:

1. Importers must submit import documents to their customs broker in the form of hard copy or electronic file in the following way:
 - a) Hard copy- scan the hard copy and digitally sign each document. Having digitally signed the document, the importer has to transmit them to their customs broker.
 - b) Where the importer receives scanned documents or electronic files from overseas suppliers, he must digitally sign the scanned documents or electronic file and transmit them to the customs broker.

2. Where the customs broker and the importer are both AEO approved (The Authorized Economic Operator- AEO - program is a voluntary program for global supply chain security and trade facilitation. The Authorized Economic Operator is a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards.) or the importer is an approved entity under the Customs Directorate - "Approved importer scheme", it is possible to submit electronic file or scanned documents received by the customs broker directly from the overseas supplier or the freight forwarder who handled the cargo.
3. In case of cargo arriving by air and the customs broker is an approved AEO entity it is possible to submit electronic file or scanned documents received by the customs broker directly from the overseas supplier or the freight forwarder who handled the cargo. It is the responsibility of the customs broker to verify with the importer that the importer is well aware that the said documents cover a shipment which he has ordered.
4. In the case of cargo arriving by sea or land and import documents were received by the customs broker directly from the overseas supplier or the freight forwarder who handled the cargo it is the responsibility of the customs broker to pass documents over to the importer. The importer has to follow the procedure noted in #1 above. It is the responsibility of the customs broker to verify with the importer that the importer is well aware that the said documents cover a shipment which he has ordered.

6. Holding of records and import documents

It is the responsibility of the importer to keep the following documents: commercial invoice, preferential documents, certificates of origin in accordance with the following rules:

1. Commercial invoice- as per instructions laid down by the inland revenue authority.
2. Preferential documents, certificates of origin – to be held for a period of 7 years from the date the import declaration was submitted.

7. Archiving trade documents.

As a rule all businesses must keep and preserve certain records and accounts and be able to present these upon request to the tax authority.

Method I

Physical storage of hard copies received from foreign suppliers.

Method II

Scanning of documents supports the transition to electronic document and records management systems (EDRM) by reducing or eliminating the need for hard-copy files and offers a solution to record keeping environments which have files 'split' between hard-copy originals and created digital documents.

Scanning (sometimes referred to as imaging or digitization) is a method for converting hard copy records into an electronic format, using scanners and associated software. While scanning of records produces obvious business benefits, it is important agencies recognize the record keeping issues that result from scanning records.

Original hard copy records can be disposed of after scanning if the conditions detailed in the income tax rules concerning Disposal schedule for temporary records which have been digitised have been met.

Best regards
IFFCCA