

# Navigating Customs formalities and ensuring HMRC compliance



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# Agenda



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- ❑ Export process
- ❑ Import process
- ❑ Government systems
- ❑ Representation
- ❑ Customs declarations
- ❑ Additional documentation
- ❑ Determining origin of goods
- ❑ Valuation build up
- ❑ Payment of duty and VAT
- ❑ Customs compliance
- ❑ Customs simplified procedures





# New processes and requirements

# From 1<sup>st</sup> January 2021



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- ❑ Safety and security declarations
- ❑ Customs declarations
- ❑ Pre-notifications and authorisations
- ❑ Additional documentation
- ❑ Customs checks
- ❑ Border Control Posts
- ❑ Customs duties and import VAT
- ❑ Customs simplified procedures

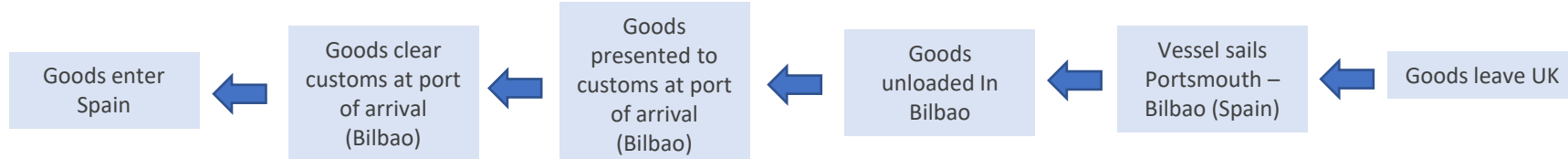
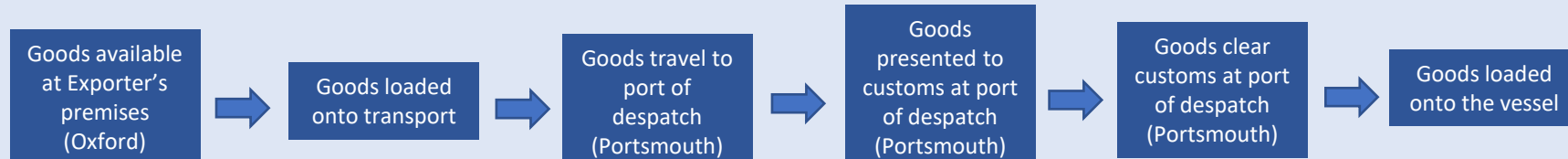




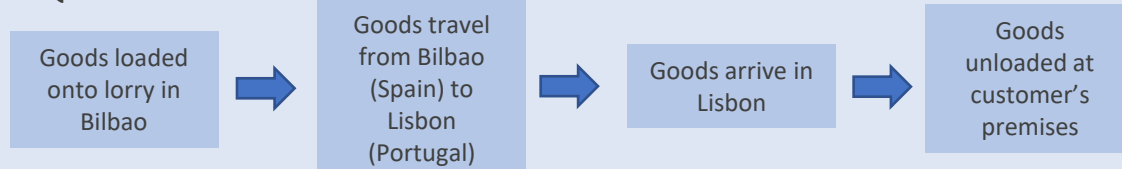
# Current intra-EU despatch and acquisition

Supplier in Oxford; Customer in Lisbon

## DESPATCH



## ACQUISITION

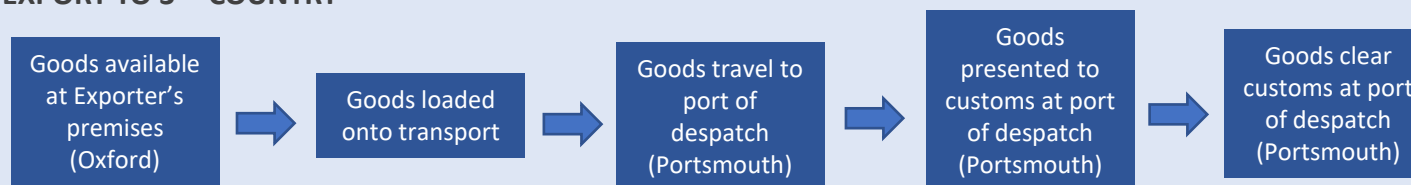




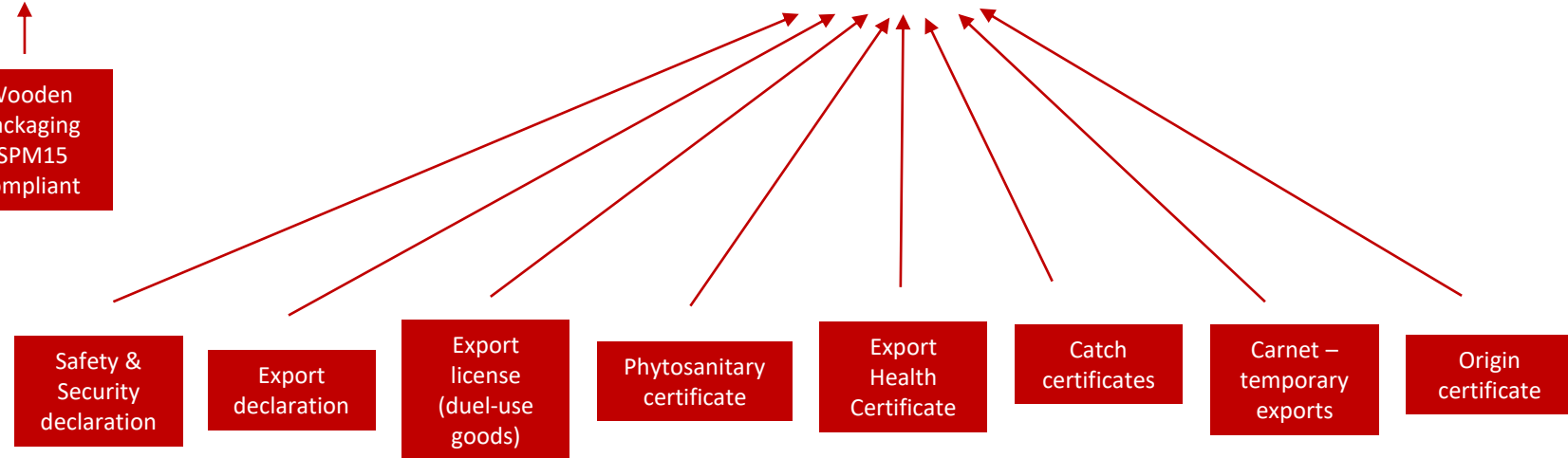
# From 1<sup>st</sup> January – export of goods

Supplier in Oxford; Customer in Lisbon

## EXPORT TO 3<sup>RD</sup> COUNTRY



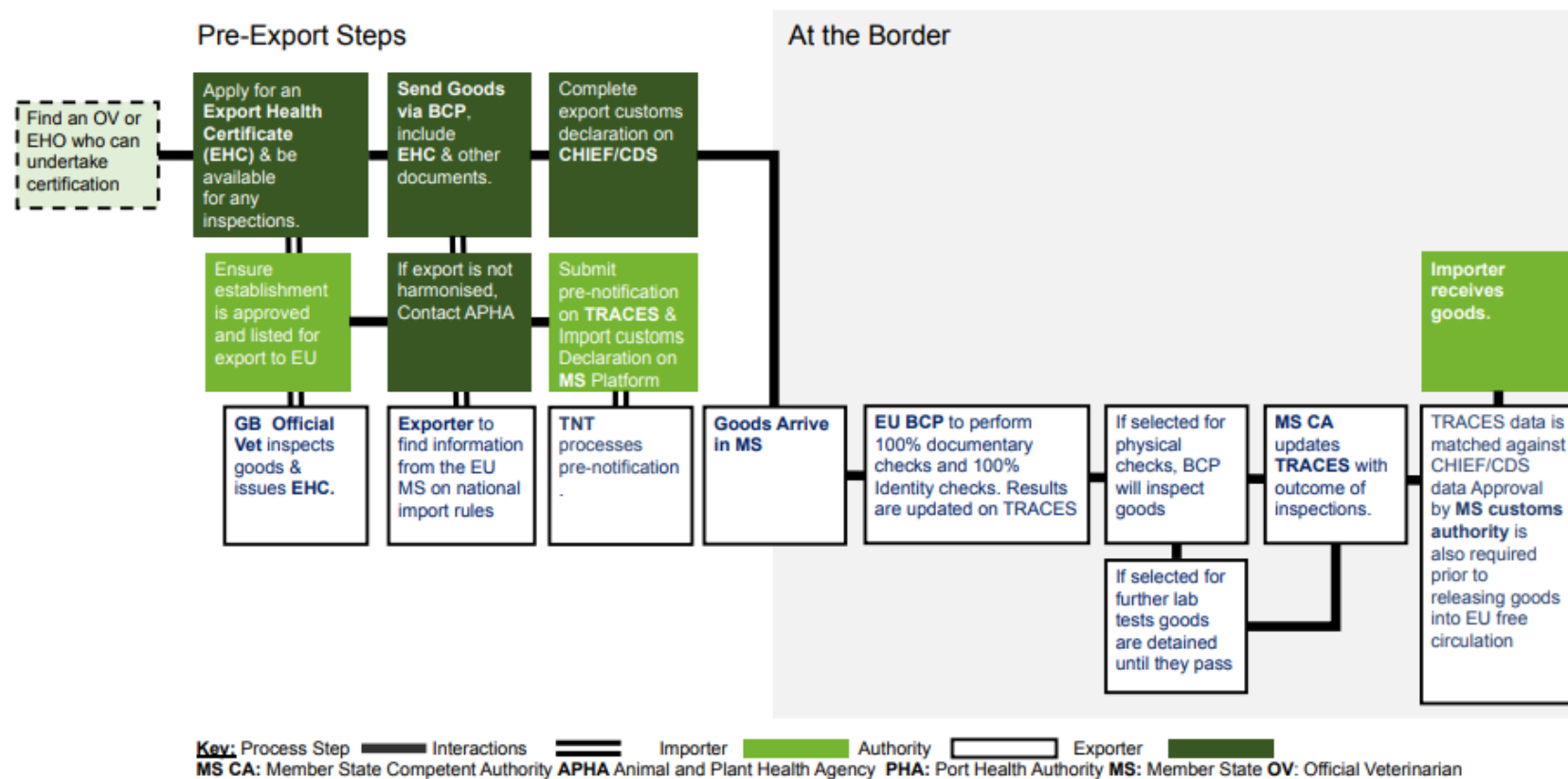
↑  
Wooden packaging ISPM15 compliant





# Export procedure (example)

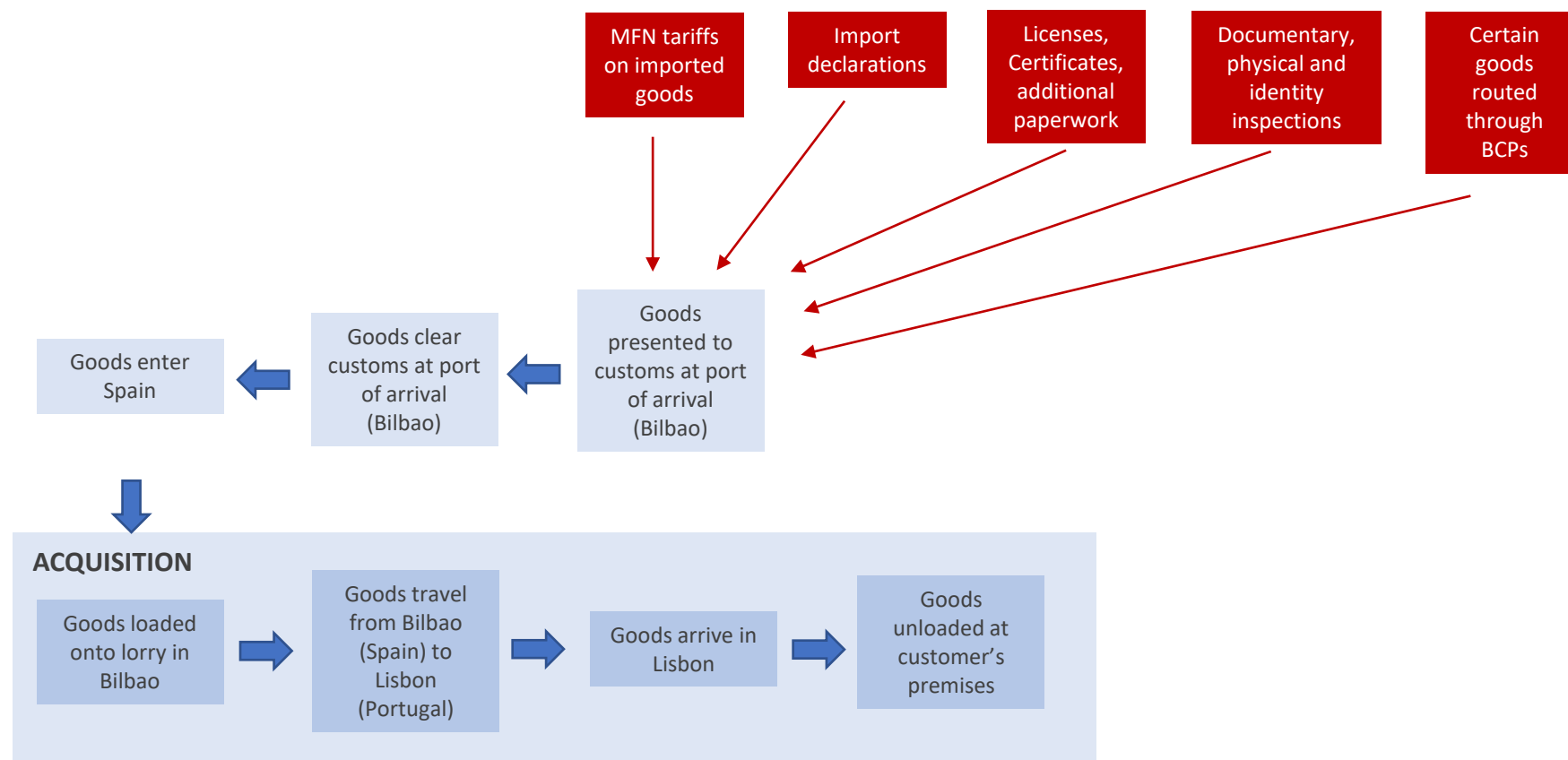
## Process Map: Products of Animal Origin (POAO) – 1<sup>st</sup> January 2021





# From 1<sup>st</sup> January – import of goods

Supplier in Oxford; Customer in Lisbon





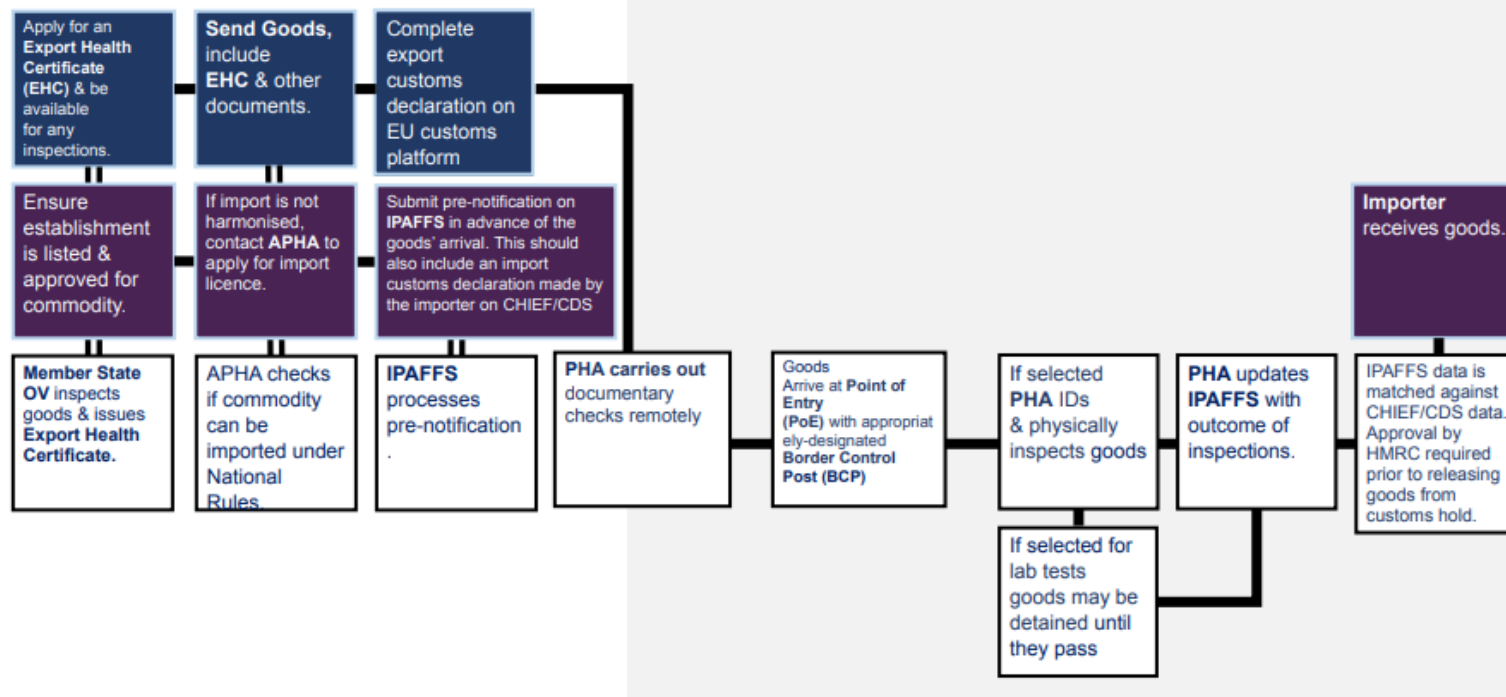


# Import procedure (example)

## Process Map: Products of Animal Origin (POAO) – 1<sup>st</sup> July 2021

### Pre-Import Steps

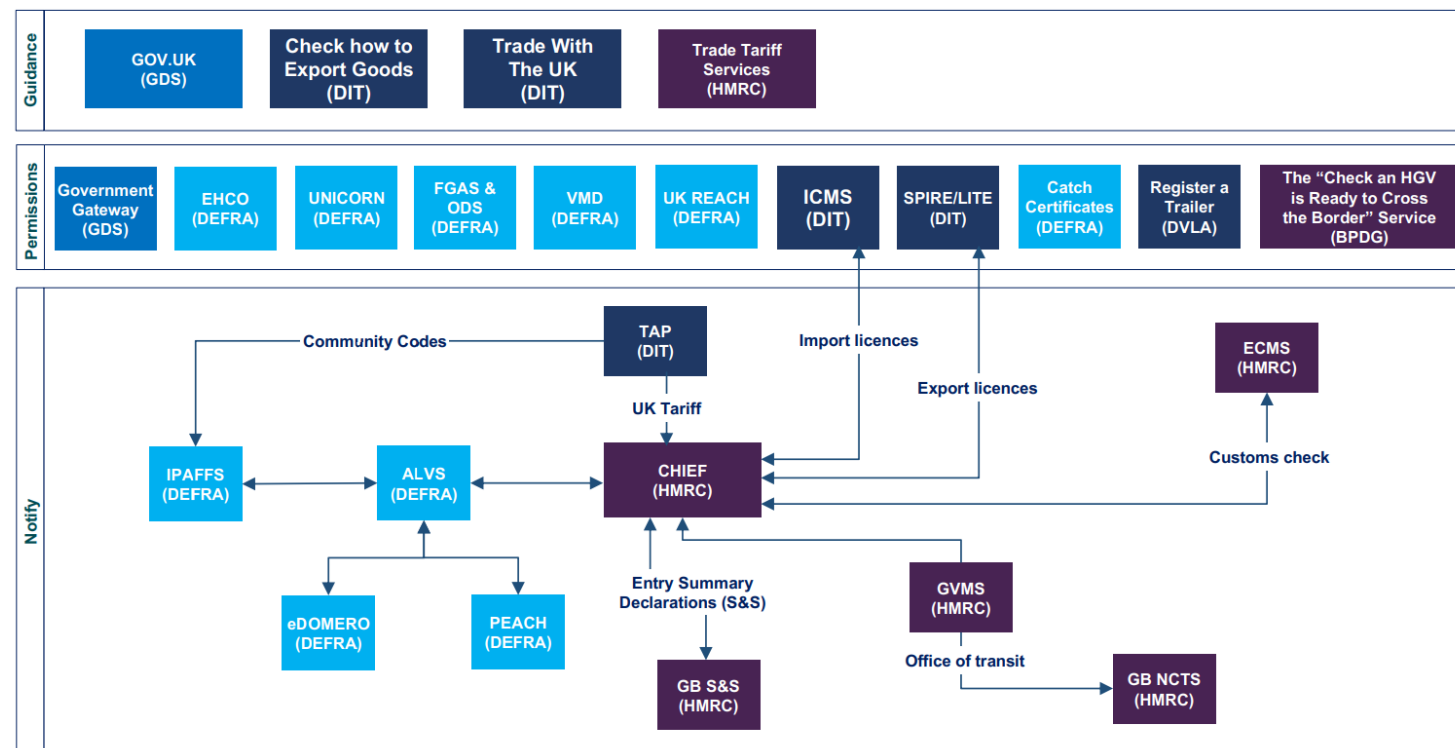
### At the Border



**Key:** Process step — Interactions — Importer — Authority — Exporter  
MS CA: Member State Competent Authority PHA: Port Health Authority OV: Official Veterinarian



# Government systems map



- ❑ **Guidance:** Resources to help provide relevant border information
- ❑ **Permission:** Granting of licenses and permits as required
- ❑ **Notify:** Handling of transactional information relating to border movements





# HMRC systems - declarations

3<sup>rd</sup> party software suites (import / export)

National Export System (export only)

## CHIEF

Customs Handling of Import  
Export Freight



Migration

## CDS

Customs Documentation  
Service

- Decades old
- Not scalable
- Notion of “Boxes”
- MSS data chargeable extra

- Up to date technology
- Scalable
- Notion of “Data elements”
- Management data FOC
- Expanded features
- Option to add additional data  
(World Customs Organisation Kyoto  
Convention)



# Representation

Responsibilities and liabilities:

Copy for the country:

14 Declarant/Representative	No	15 Country of despatch/export	15 C disp. /exp. Code	17 Country destin. Code
			a <sub>1</sub>   b <sub>1</sub>	a <sub>1</sub>   b <sub>1</sub>
		16 Country of origin	17 Country of destination	
18 Identity and nationality of means of transport at departure	19 Ctr.	20 Delivery terms		
21 Identity and nationality of active means of transport crossing the border	22 Currency and total amount invoiced	23 Exchange rate	24 Nature of transaction	
25 Mode of transport	26 Inland mode	27 Place of loading	28 Financial and banking data	

- [1] Self representation
- [2] Direct representation (Agent)
- [3] Indirect representation (Agent)

**UCC regulation 2016:**  
 Article 18.1 - "Any person may appoint a customs representative"  
 Article 18.2 - "a customs representative shall be established within the customs territory of the Union."



# Customs declarations



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- Process i.e. Declarations inc. Safety and Security (S&S) declarations, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/925140/BordersOpModel.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/925140/BordersOpModel.pdf)
- Accompanying documentation:
  - Clearance in the EU (<https://trade.ec.europa.eu/access-to-markets/en/content> and <https://www.check-duties-customs-exporting-goods.service.gov.uk/selectdest>)
  - Clearance in the UK (<https://www.get-rules-tariffs-trade-with-uk.service.gov.uk/choose-country/> and <https://www.check-future-uk-trade-tariffs.service.gov.uk/tariff>)
- Checks i.e. physical, identity or documentary examination
- Compliance (<https://www.gov.uk/guidance/vat-on-goods-exported-from-the-uk-notice-703#sect6>)
- Amending declarations
  - Export – Form C81
  - Import – Form C285





# Additional documentation



- ❑ Commercial invoices
- ❑ Packing lists
- ❑ Certificates of inspection
- ❑ Preference documents
- ❑ Certificates of Origin
- ❑ Health certificates
- ❑ Certificates of conformity
- ❑ Certificates of free sale
- ❑ Certificates of analysis
- ❑ Phytosanitary certificates
- ❑ Catch certificates
- ❑ Export licenses
- ❑ Import licenses

# Product classification



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**GOV.UK Trade Tariff**

Search Additional code Certificate Footnotes Quotas CAS A-Z Exchange rates

## Trade Tariff: look up commodity codes, duty and VAT rates

Search the tariff

Enter the name of the goods or commodity code

This tariff is for 8 September 2020 [Change date](#)

**All sections**

Section title	[BETA] Trade Tariff PDF (94MB)	Section	Chapters
<a href="#">Live animals: animal products</a>		Section I	1 to 5
<a href="#">Vegetable products</a>		Section II	6 to 14
<a href="#">Animal or vegetable fats and oils and their cleavage products and vegetable waxes</a>			
<a href="#">Prepared foodstuffs: beverages, spirits and vinegar; tobacco</a>			
<a href="#">Mineral products</a>			
<a href="#">Products of the chemical or allied industries</a>			
<a href="#">Plastics and articles thereof; rubber and articles thereof</a>			
<a href="#">Raw hides and skins, leather, furskins and articles thereof; handbags and similar containers; articles of animal gut</a>			

Overview **Import** Export

Import measures and restrictions

This information is for 9 November 2020.

Trade between the UK and

What are the main types of tariffs and charges

**Measures for all countries**

Country	Measure	Value	Conditions that apply	Exclusions	Legal base	Start date (End date)	Footnotes
All countries (1001)	VAT standard rate	20.00 %				01/08/2020	03020
All countries (1001)	Third country duty	2.70 %			R2261/98	01/01/1999	
CARIFORUM (1033)	Tariff preference	0.00 %		Haiti	D0805/08	29/12/2008	
Central America (2200)	Tariff preference	0.00 %			D0734/12	01/08/2013	
EU-Canada agreement: re-imported woods (1005)	Tariff preference	0.00 %	Conditions		D0032/17	21/09/2017	C0727
EU-Switzerland agreement: re-imported woods (1007)	Tariff preference	0.00 %	Conditions		R2840/72	01/01/2007	C0500
Eastern and Southern Africa States (1031)	Tariff preference	0.00 %			D0196/12	14/05/2012	
Economic Partnership Agreements (1032)	Tariff preference	0.00 %			R1076/16	28/07/2016	
European Economic Area (2012)	Tariff preference	0.00 %	Conditions		D0001/94	01/07/2007	C0303
GSP (R 12/978) - Annex IV (2005)	Tariff preference	0.00 %			R0978/12	01/01/2014	
GSP (R 12/978) - General arrangements (2009)	Tariff preference	0.00 %			R0978/12	01/01/2015	

Overview **Import** Export

This information is for 9 November 2020.

**Import**

The commodity code for importing is **6602000090**.

Goods are subject to **VAT standard rate (20.00 %)**.

Importing from outside the EU is subject to a third country duty of **2.70 %** unless subject to other measures.

Import measures and restrictions for specific countries can be found under the **import** tab.

**Export**

The commodity code for exporting is **66020000**.

Export measures and restrictions for specific countries can be found under the **export** tab.

**Footnotes**

Code	Description
TN701	According to the Council Regulation (EU) No 692/2014 (OJ L183, p. 9) it shall be prohibited to import into European Union goods originating in Crimea or Sevastopol. The prohibition shall not apply in respect of: (a) the execution until 26 September 2014, of trade contracts concluded before 25 June 2014, or of ancillary contracts necessary for the execution of such contracts, provided that the natural or legal persons, entity or body seeking to perform the contract have notified, at least 10 working days in advance, the activity or transaction to the competent authority of the Member State in which they are established; (b) goods originating in Crimea or Sevastopol which have been made available to the Ukrainian authorities for examination, for which compliance with the conditions conferring entitlement to preferential origin has been verified and for which a certificate of origin has been issued in accordance with Regulation (EU) No 978/2012 and Regulation (EU) No 374/2014 or in accordance with the EU-Ukraine Association Agreement.

- Full product information required:**
- ❑ What is it?
  - ❑ What is it made of?
  - ❑ What is its essential characteristic?
  - ❑ How does it work?
  - ❑ How is it presented/packaged to customs?

UK Trade Tariff: <https://www.trade-tariff.service.gov.uk/sections>





# Determining country of origin

Wholly obtained; or

**Sufficiently transformed** (Last substantial transformation):

- Substantial: *Processing, above that which is stipulated on the minimum lists*
- Economic: *'Value added' rule - Processing must add value to the finished product*
- Transformation: *Change in tariff heading*
- Cumulation: *Bilateral, diagonal, regional, full*







# Determining country of origin (example 1)



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## Transformation rule

**PSR Rule (EU-Canada CETA):** *a change from any heading or subheading outside a group, only non-originating material classified outside the group of headings or subheadings may be used in the production of the product.*

### Non-originating components



Leather 4104



Zip 9607



Metal fastener 8308

### Finished goods



Suitcase 4202

The product **does** meet the transformation rule



## Determining country of origin (example 2)

### The ad-valorem, or 'value added' rule

**PSR Rule (EU-Canada CETA):** *that the value of non-originating materials classified in the same tariff provision as the final product does not exceed x per cent of the transaction value or ex-works price of the product, non-originating material classified in a tariff provision other than that of the product may be used in the production of the product. Only the value of the non-originating materials classified in the same tariff provision as the final product is considered when calculating the value of non-originating materials. The percentage for the maximum value of non-originating materials as set out in this rule of origin may not be exceeded through the use of Article 6 (Tolerance)*

Product	£509.00	Non-originating components
	£320.00	Originating components
	£829.00	Ex-Works price

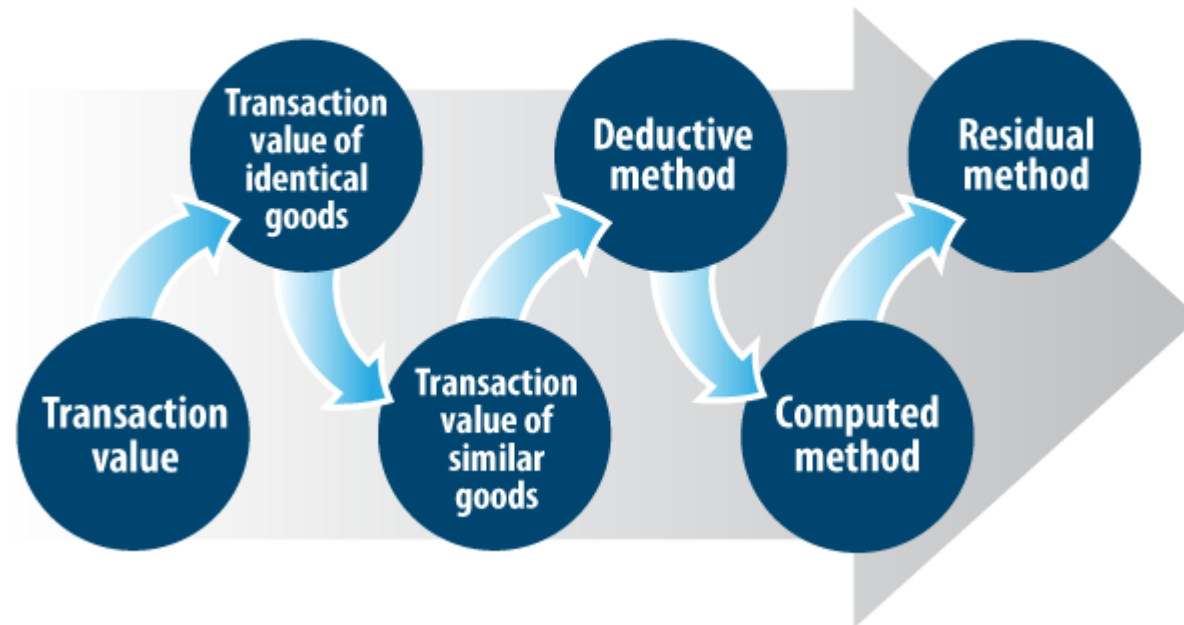
Commodity code 7321119000 (Stoves made from iron) = *"A change from within this heading, whether or not there is also a change from any other heading, provided that the value of non-originating materials of this heading does not exceed 50 per cent of the transaction value or ex-works price of the product"*

The percentage of the non-originating products is 61% so this product **does not qualify** for preferential origin.



# Customs valuation of imported goods

## METHODS OF DETERMINING VALUE FOR DUTY



- ❑ Method 1 - *Transaction value*
- ❑ Method 2 - *Transaction value of identical goods*
- ❑ Method 3 - *Transaction value of similar goods*
- ❑ Method 4 - *Deductive Method*
- ❑ Method 5 - *Computed Value Method*
- ❑ Method 6 – *Residual/'Fall-back' Method*



WTO Valuation - [https://www.wto.org/english/tratop\\_e/cusval\\_e/cusval\\_info\\_e.htm](https://www.wto.org/english/tratop_e/cusval_e/cusval_info_e.htm)

NB: 90% of declarations worldwide use Method 1



# Method 1: Transaction value

## Price paid to seller:

-  **Charges:** Delivery costs; Commissions, Royalties and license fees; FOC goods and services (materials and components, tool, dyes and moulds, engineering, development artwork, etc.); containers and packaging; proceeds of sale; export duty and taxes
-  **Deductions:** EU delivery costs; EU duties and taxes; Discounts (quantity or trade discounts; cash and early settlement discounts); Dividends; Marketing activity; Buying commission; Export quota and license payments; Rights of reproduction; Post-importation work; Management fees

Transaction value



**NB:** Must keep records of valuation build up for 4 years and make readily available to HMRC upon request



# Method 1: Transaction value (example)

Invoice price (Value of goods)	£10,000
Add £500 insurance	£500
Add £1,500 freight	£1500
Tooling charges and packaging	£250
Dividend payment	(£100)
<b>Customs value (Cost Insurance Freight value)</b>	<b>£12,150</b>
Customs Duty Rate @ 8.5% of CIF Value (12,150 x 8.5%)	£1032
<b>VAT value (Customs value + Duty)</b>	<b>£13182</b>
VAT @ 20%	£2636
<b>Actual price to clear goods to the UK</b>	<b>£15,818</b>

**More than 50% higher than the price of goods (if VAT is not recoverable)**



# Payment of duty and VAT



## Method of Payment:

- A = Immediate payment by cash or equivalent
- D = Immediate payment debited to FAS account
- F = Deferred payment
- G = Postponed accounting for VAT approved
- N = Security by individual cash deposit
- P = Security from agent's FAS account
- Q = Security from deferment account
- S = Security by individual guarantee
- T = Security from declarant's guarantee account
- U = Security from consignee's guarantee account
- V = Security from consignee's guarantee account
- W = Security by declarant's general bond
- X = Security by consignee's general bond
- Y = Security by ordinary bond
- Z = Security by undertaking
- BLANK = No payment due for tax type

47 Calculation of taxes	Type	Taxbase	Rate	Amount	MP
					48 Deferred payment
ACCOUNTING DETAILS					
			Total:		
50 Principal		No.		Signature:	





# General customs compliance

- ❑ Classification of goods in the customs tariff (import and export)
- ❑ Payment of import duties, calculation of customs value, terms of delivery and INCOTERMS
- ❑ Tariff preferences, origin of goods
- ❑ Export Control
- ❑ Denied Party Screening
- ❑ Management of export licenses and export control
- ❑ Customs declarations and applications for simplified customs procedures for easier processing
- ❑ Reporting obligations for import and export, INTRASTAT declarations
- ❑ Selection and instruction of external service providers, e.g. customs intermediaries, forwarding agents, etc.





# Compliance (Proof of export)

## Official evidence

- ❑ *Goods departed message, screenshot from CHIEF*

## Commercial evidence

- ❑ *Sea waybills, air waybills, CMRs, etc.*

## Supplementary evidence

- ❑ *Customer orders, sales contracts, inter-company correspondence, export sales invoices, packing lists, evidence of payment, etc.*

## Fast Parcel Operators (FPOs)

- ❑ *FPO's invoice, printed evidence from FPO's portal*

**NB:** Proof of Export must be maintained for 6 years







# Customs special procedures (export)

- ❑ **Transit** (allows some customs processes to be done away from the border **NB:** requires CCG and access to New Computerized Transit System - NCTS)
- ❑ **Simplified Transit Procedures Authorized consignor/consignee status** (allows traders to start or end transit movements at their own premises)
- ❑ **Access to HMRC's National Export System** (allows exporters to make export declarations themselves without the need for an agent or commercial software)
- ❑ **Customs Supervised Exports (CSE) and Designated Export Places (DEP)** (authorization for business premises to act in this capacity to consolidate and clear goods inland prior to the removal of goods to the point of departure. Under normal export procedures they would be required to re-present the goods at the UK Border)
- ❑ **Simplified Export Declaration process** (allow exporter to make a simplified export declaration or an entry in the declarant's records (EIDR) followed by a supplementary export declaration)

Apply for simplified procedures for import and export - <https://www.gov.uk/government/publications/import-and-export-simplified-procedures-application-ce48>



# Customs special procedures (import)

- ❑ **Transit** (allows some customs processes to be done away from the border NB: requires CCG and access to New Computerised Transit System (NCTS))
- ❑ **Customs Special Procedures:**
  - ❑ *Customs Warehousing* (allows for goods not in free circulation to be stored without payment of customs duty, and where appropriate excise duty or import VAT, in a customs warehouse)
  - ❑ *Inward Processing* (allows for the payment of customs duties, import VAT and excise duties to be suspended on imported goods whilst processing is taking place)
  - ❑ *Outward Processing* (allows for the temporary export of goods for processing or repair, and to re-import the processed products whilst retaining domestic status or with partial relief from import duties)
  - ❑ *Temporary Admission* (allows for businesses and individuals who are established outside of the UK to be authorised to import goods with total or partial relief from customs duties and other charges because of the specific use to which the goods will be put)
  - ❑ *Authorised Use* (allows for reduced or nil rates of Customs duty on certain imported goods, provided they are put to a prescribed end use)
- ❑ **Simplified Declaration procedure** (allows goods to be released directly at the frontier to a specified customs procedure. The goods may be entered directly to free circulation, an economic relief, a Special Procedure or other customs procedure. The goods are released from the frontier using a simplified frontier declaration or an entry in the declarant's records (EIDR) which is followed at a later date by a Supplementary Declaration Imports. This is required by the fourth working day of the following month)



## Customs special procedures (import) cont.

- ❑ **Authorized Economic Operator accreditation** (status that provides traders a range of benefits such as a reduction in the level of guarantee needed and fewer physical and document-based controls)
- ❑ **Simplified Transit Procedures Authorized consignor/consignee status** (allows traders to start or end transit movements at their own premises)
- ❑ **Duty Deferment Accounts** (allows traders to defer payments to HMRC which benefits cash flow – new rules regarding CCGs)
- ❑ **Temporary Storage** (allows traders to store goods for up to 90 days in an approved location before declaring them to a customs procedure and paying duties due)
- ❑ **Bulk Customs Declarations** (allows authorised parcel operators to submit bulked customs declaration for non-controlled goods with a value not exceeding £135)

Apply for simplified procedures for import and export - <https://www.gov.uk/government/publications/import-and-export-simplified-procedures-application-ce48>

# Customs procedure codes (CPCs)



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7-digit number

- 1<sup>st</sup> 2 digits – procedure to which goods are being entered
- 2<sup>nd</sup> 2 digits – procedure from which goods are being withdrawn
- Last 3 digits – statistical and financial purposes

Examples:

- 1000 001 – Permanent export
- 4000 000 – Permanent import
- 5100 000 – Inward processing
- 7100 000 – Customs Warehouse
- 5171 000 – Inwards Processing from Customs Warehouse
- 10 00 097 – Export of low value goods (less than £800)

37 PROCEDURE	38 Net mass (kg)	39 Quota
40 Summary declaration/Previous document		



# ADDITIONAL INFORMATION



# Sources of information

- ❑ Apply for EORI number - <https://www.gov.uk/eori>
- ❑ New Border Operating Model - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/908534/Border\\_Operating\\_Model.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/908534/Border_Operating_Model.pdf)
- ❑ Simplified procedures for import and export - <https://www.gov.uk/government/publications/import-and-export-simplified-procedures-application-ce48>
- ❑ Training and qualifications - <http://www.export.org.uk/default.asp?>
- ❑ Customs Intermediary Grant Scheme - <https://www.customsintermediarygrant.co.uk/>
- ❑ Freight forwarders - <https://www.bifa.org/members>
- ❑ Classifying goods – UK Trade Tariff / EU Common External Tariff - <https://www.gov.uk/guidance/classification-of-goods>
- ❑ Subscribe to updates on commodity codes by emailing [tariff.management@hmrc.gsi.gov.uk](mailto:tariff.management@hmrc.gsi.gov.uk)
- ❑ Consult HMRC if in doubt over commodity code by emailing the Tariff Classification Service ([classification.enquiries@hmrc.gov.uk](mailto:classification.enquiries@hmrc.gov.uk)) for non-legally binding advice on classifying goods
- ❑ Importing under preference – <https://www.gov.uk/guidance/importing-and-exporting-using-international-trade-preferences>
- ❑ Valuation methods and guidance – <https://www.gov.uk/government/publications/notice-252-valuation-of-imported-goods-for-customs-purposes-vat-and-trade-statistics>

# Sources of information



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- ❑ Customs Special Procedures – <https://www.gov.uk/government/publications/notice-3001-special-procedures-for-the-union-customs-code>
- ❑ Duties and rates applicable to UK goods in export markets - <https://www.check-duties-customs-exporting-goods.service.gov.uk/selectdest> and <https://madb.europa.eu/madb/euTariffs.htm> (view as a third country i.e. China)
- ❑ WTO Rules of Origin - [https://www.wto.org/english/tratop\\_e/roi\\_e/roi\\_info\\_e.htm](https://www.wto.org/english/tratop_e/roi_e/roi_info_e.htm)
- ❑ Export control organisation - <https://www.gov.uk/guidance/beginners-guide-to-export-controls>
- ❑ OGEL and Goods Checker Tools - [https://www.ecochecker.trade.gov.uk/spirefox5live/fox/spire/OGEL\\_GOODS\\_CHECKER\\_LANDING\\_PAGE/new](https://www.ecochecker.trade.gov.uk/spirefox5live/fox/spire/OGEL_GOODS_CHECKER_LANDING_PAGE/new)
- ❑ Regulation - Trade associations - <http://www.taforum.org/Members>
- ❑ CE and UKCA mark - <https://www.bsigroup.com/en-IL/Our-services/Product-certification/ukca-mark/>
- ❑ Protecting intellectual property - <https://www.gov.uk/intellectual-property-an-overview>
- ❑ UK overseas intellectual property attaché network - <https://www.gov.uk/government/news/uk-overseas-intellectual-property-attache-network>
- ❑ Incoterms - <https://iccwbo.org/>



# Sources of information

- ❑ Information Commissioner Office (ICO) - <https://ico.org.uk/for-organisations/data-protection-at-the-end-of-the-transition-period/>
- ❑ Oxford to Cambridge Arc Growth Hubs:
  - SEMLEP Growth Hub - <https://www.semlepgrowthhub.com/>
  - OxLEP Growth Hub – <https://www.oxlepbusiness.co.uk/>
  - New Anglia Growth Hub - <https://www.newangliagrowthhub.co.uk/>
  - Buckinghamshire First - <https://bbf.uk.com/>
  - Cambridge & Peterborough - <https://cambridgeshirepeterborough-ca.gov.uk/>
- ❑ The Export Department <https://www.exportdept.co.uk>
- ❑ BEIS 'Check, Change, Go' webinars  
<https://www.workcast.com/ControlUsher.aspx?cpak=2905552366482043&pak=2807339524439725&referrer=BIRD>
- ❑ Department for International Trade  
<https://www.gov.uk/government/organisations/department-for-international-trade>
- ❑ Local Chambers of Commerce - <https://www.britishchambers.org.uk/page/join-a-chamber>
- ❑ Export market information - <https://opentoexport.com/>
- ❑ Training – Institute of Export – <https://www.export.org.uk>



# Thank you for your time!

## Contacts:

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