

# TAKING CONTROL OF CUSTOMS

A guide to our Customs and Excise Services



**STREETS**<sup>®</sup>  
MYTON  
INDIRECT TAX

## THE INTERNATIONAL SPECIALISTS

Streets Myton Indirect Tax is the specialist indirect tax arm of Streets Chartered Accountants, a UK Top 40 mid-tier, multi-regional accountancy, assurance and tax advisory firm.

Streets Myton provides expert advice on matters of international trade, helping business leaders keep a firm grip of their costs and procedures and maximising their profitability.

If you run a business that buys or sells goods, materials or ingredients which cross the UK's borders, Streets Myton can give you the best possible platform to navigate technical duty matters as they affect supply chains.

The world of duty is complex and subject to significant changes and frequent uncertainties. Yet businesses which trade internationally have to abide by ever-changing legal rules irrespective of size. Streets Myton can help you level that particular playing field with a range of services that includes:

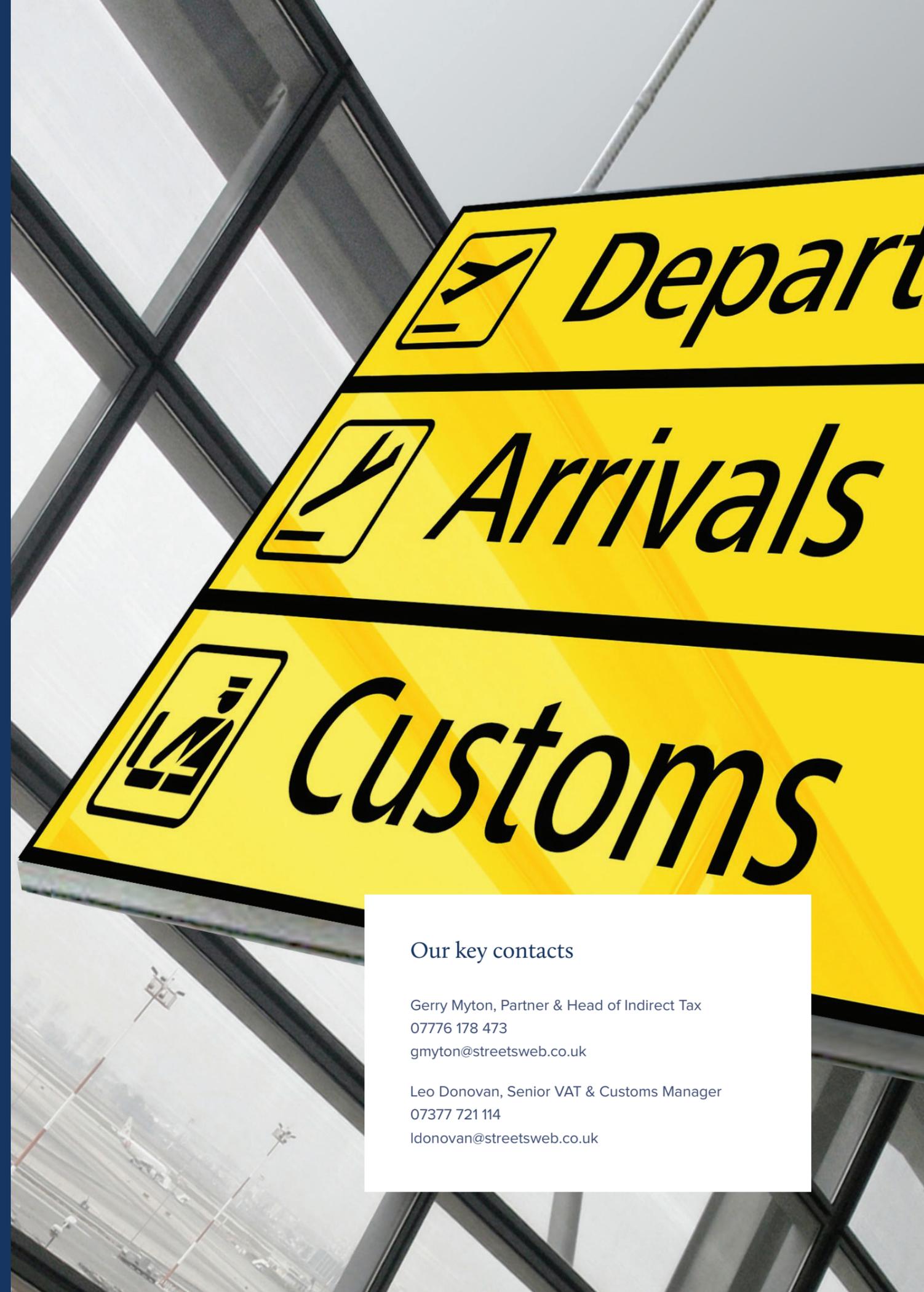
- General customs advice
- Dispute resolution
- Classification / valuation / origin consultancy

- Obtaining authorisations such as AEO 'trusted trader'
- Warehousing advice
- AWRS approval plus Know Your Customer (KYC) procedures
- Training

### SBC Global Alliance

Streets Chartered Accountants is a founder member of SBC Global Alliance, an association of leading international accountancy firms established to meet and support the growing needs of those who are looking to or already trade, invest or undertake business overseas or globally. SBC Global Alliance provides audit, tax, accounting, assurance and business advisory services around the world. The Alliance was founded by Streets Chartered Accountants in conjunction with Berdugo Metoudi of Paris and Costanzo & Associates, Milan.

For more information please visit [www.sbcglobalalliance.co.uk](http://www.sbcglobalalliance.co.uk)



### Our key contacts

Gerry Myton, Partner & Head of Indirect Tax  
07776 178 473  
gmyton@streetsweb.co.uk

Leo Donovan, Senior VAT & Customs Manager  
07377 721 114  
ldonovan@streetsweb.co.uk

## TAKING CONTROL OF CUSTOMS

---

This brief guide gives an outline of the main areas of customs compliance which present challenges for some businesses, but there are also opportunities to be seized by those who take control of their customs compliance.

Regardless of geo-politics, customs duty will always be a direct cost to businesses, alongside the burden of creating and submitting compliant customs declarations. Only by taking control of their customs compliance can UK businesses have confidence that they are well placed to grasp the opportunities of international trade.

The customs issues highlighted here already apply to the UK's trade with third countries, and will continue to do so after Brexit. The UK's trade with the EU is yet to be shaped but will almost certainly need to comply with the same obligations in place currently for third country trade.

To find out more, without obligation, please contact [gmyton@streetsweb.co.uk](mailto:gmyton@streetsweb.co.uk)



# AUTHORISED ECONOMIC OPERATOR

**The intention of AEO is to strengthen the security of shipments of goods moved across international borders.**

AEO is an accreditation awarded by HMRC to UK businesses that demonstrate strong internal procedures to:

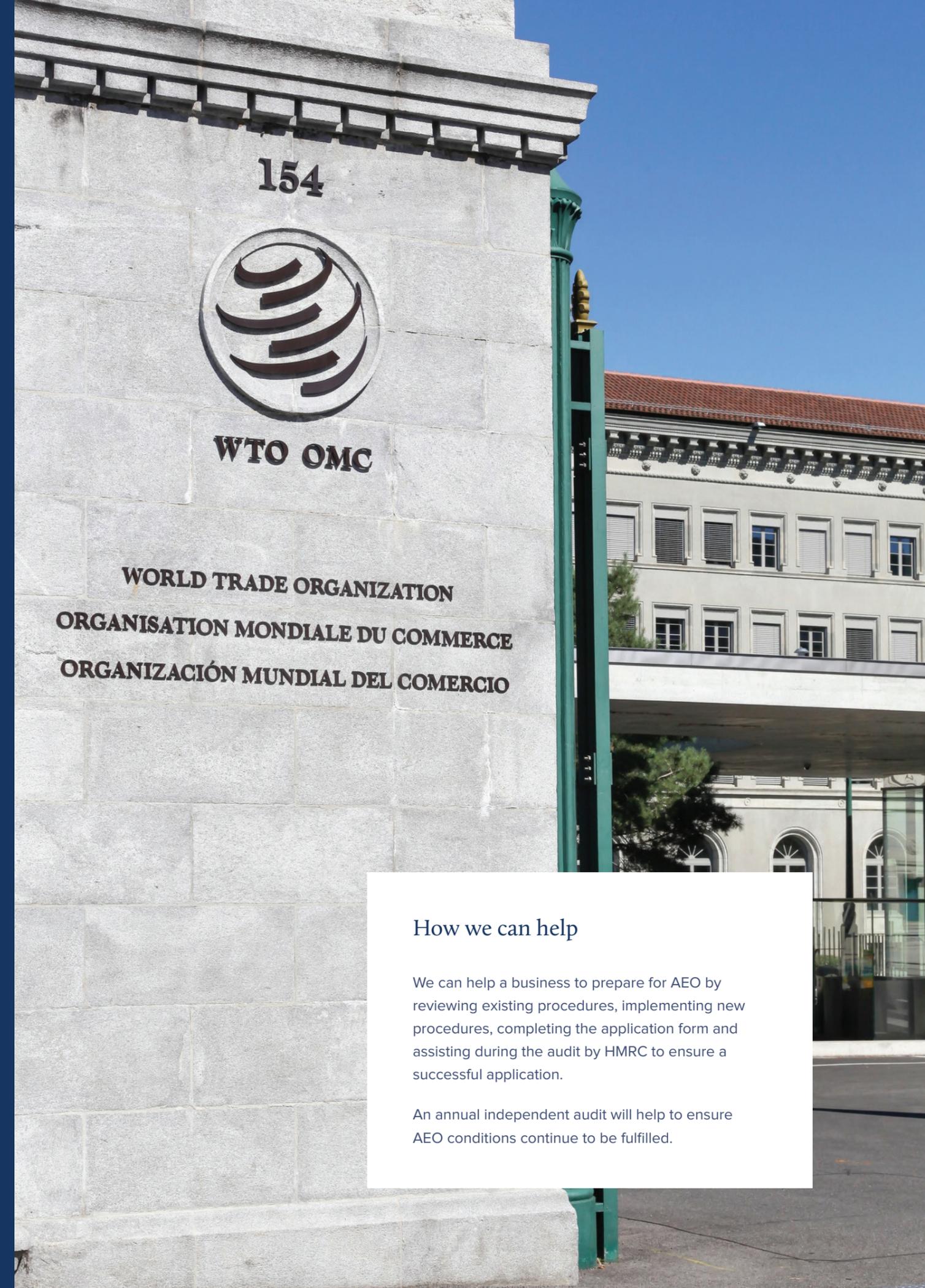
- secure their compliance with customs obligations (AEO C) and/or
- safeguard the security of the element of supply chain they control (AEO S).

An AEO certificate demonstrates to Customs authorities, customers and suppliers that the holder's role in the international supply chain is secure.

AEO is based on, and is compatible with, the World Customs Organisation's SAFE Framework of Standards, which is being implemented by Customs authorities across the world.

## Benefits

- Fast track priority customs clearance
- Reduced deferment guarantee requirements
- Full waiver of 'potential duty' guarantee
- Competitive advantage
- 'Trusted trader' status means less intrusion from customs authorities
- Eligibility for other customs facilitations
- Mutual recognition in other territories



## How we can help

We can help a business to prepare for AEO by reviewing existing procedures, implementing new procedures, completing the application form and assisting during the audit by HMRC to ensure a successful application.

An annual independent audit will help to ensure AEO conditions continue to be fulfilled.

## DEALING WITH CLEARANCE AGENTS

---

**Most importers and exporters use the services of customs clearance agents to complete and submit their customs entries.**

The clearance agent is not responsible to customs authorities for the accuracy of customs entry data – this is the responsibility of the importer.

The accuracy of an import entry depends entirely on the information provided to the clearance agent. It is essential, therefore, that importers have robust procedures to ensure full and accurate instruction is given to their clearance agent.



054	78	546.24	266.2	354.2
1598		22.35	642.5	84.2
3017		6.25		65.4
0510		365.25	64.28	120.2
59532		275.25		71.1

# Customs Clearance

### How we can help

With an understanding of your supply chains, we can provide template clearance instructions for you to issue to your authorised clearance agents.

We can provide appropriate training to key personnel to ensure the instruction given to clearance agents is accurate and compliant with customs requirements.

We can train staff to check that clearance instructions to agents have been fulfilled and that any errors are corrected.

If in-house resource is in short supply, we can check completed customs entries every month to ensure errors are addressed before they become serious, minimising the risk of paying too much or too little in duty and import VAT.

We can benchmark the services and costs of clearance agents to help clients obtain the best deal for their business.

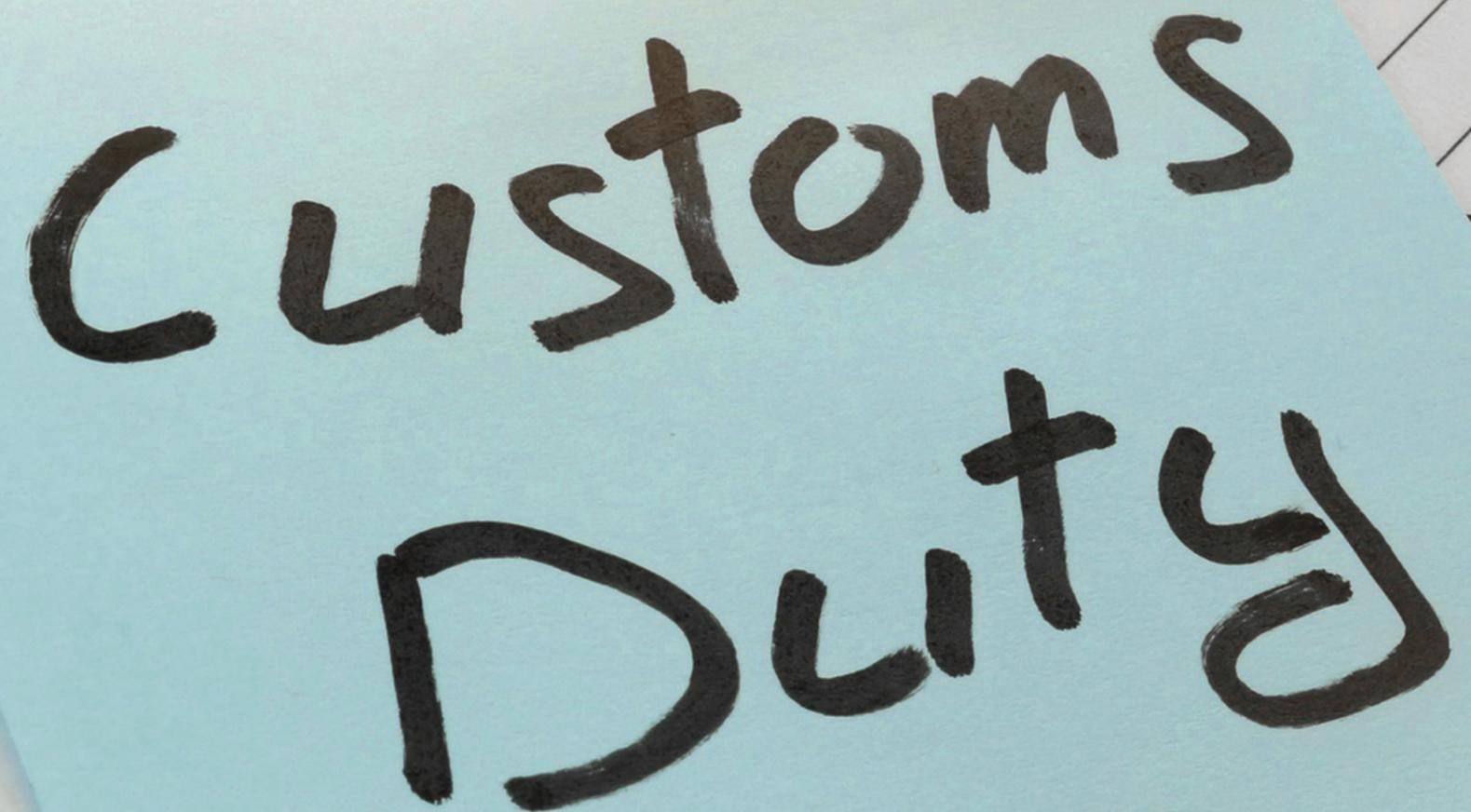
## TARIFF CLASSIFICATION

---

Every imported product, material, component or part has its own commodity code, also known as a HS code (Harmonised System) or tariff code.

The tariff classification determines the rate of customs duty as well as identifying any restrictive measures or conditions which must be complied with. Importers must declare the correct tariff classification for their goods at import to avoid paying too much, or too little, in customs duty and import VAT charges.

With many thousands of commodity codes in the customs tariff, subtle changes in product design or composition can affect the tariff classification and with it, the rate of customs duty payable.

A light blue sticky note is placed on a dark wooden surface. The words "Customs" and "Duty" are written in large, bold, black marker on the note. The note is slightly tilted and partially overlaps a white envelope and a piece of graph paper with a grid pattern. A black marker is visible at the bottom right corner of the note.

### How we can help

With an understanding of your products, we can determine the correct tariff classification, which minimises the risk of penalties. In some cases, overpaid customs duties can be identified during an independent audit and reclaimed following the correction of previous misclassification.

While any item can have only one tariff classification, a review of your import procedures may identify opportunities to re-engineer the product before import to achieve a more favourable tariff classification.

We can train and support key personnel in the rules of classification and design a robust classification procedure to help the business comply with its obligations.

We can challenge unfavourable classification decisions taken by HMRC and secure binding rulings in instances of uncertainty.

We also offer an outsourced classification service for clients with limited internal resources.

# CUSTOMS VALUATION

---

**When goods are imported, a customs declaration must include their value as the basis on which customs duty and import VAT is charged. This must be the total cost of the goods to the importer, including the cost of freight and insurance up to the point of import.**

Where there is no transaction, or where a transaction price has been influenced by the relationship between the buyer and seller, there is a strict hierarchical methodology to determine the correct customs value.

## Excluded costs

Some costs can be excluded from the customs value, providing they can be identified at the time of import:

- Buying commissions, payable under the terms of a buying agency contract
- Post-import construction or installation charges
- Certain financing charges
- Certain royalty payments (currently under review).

## Extra costs

Some costs must be added to the customs value where they are not already included in the invoice price:

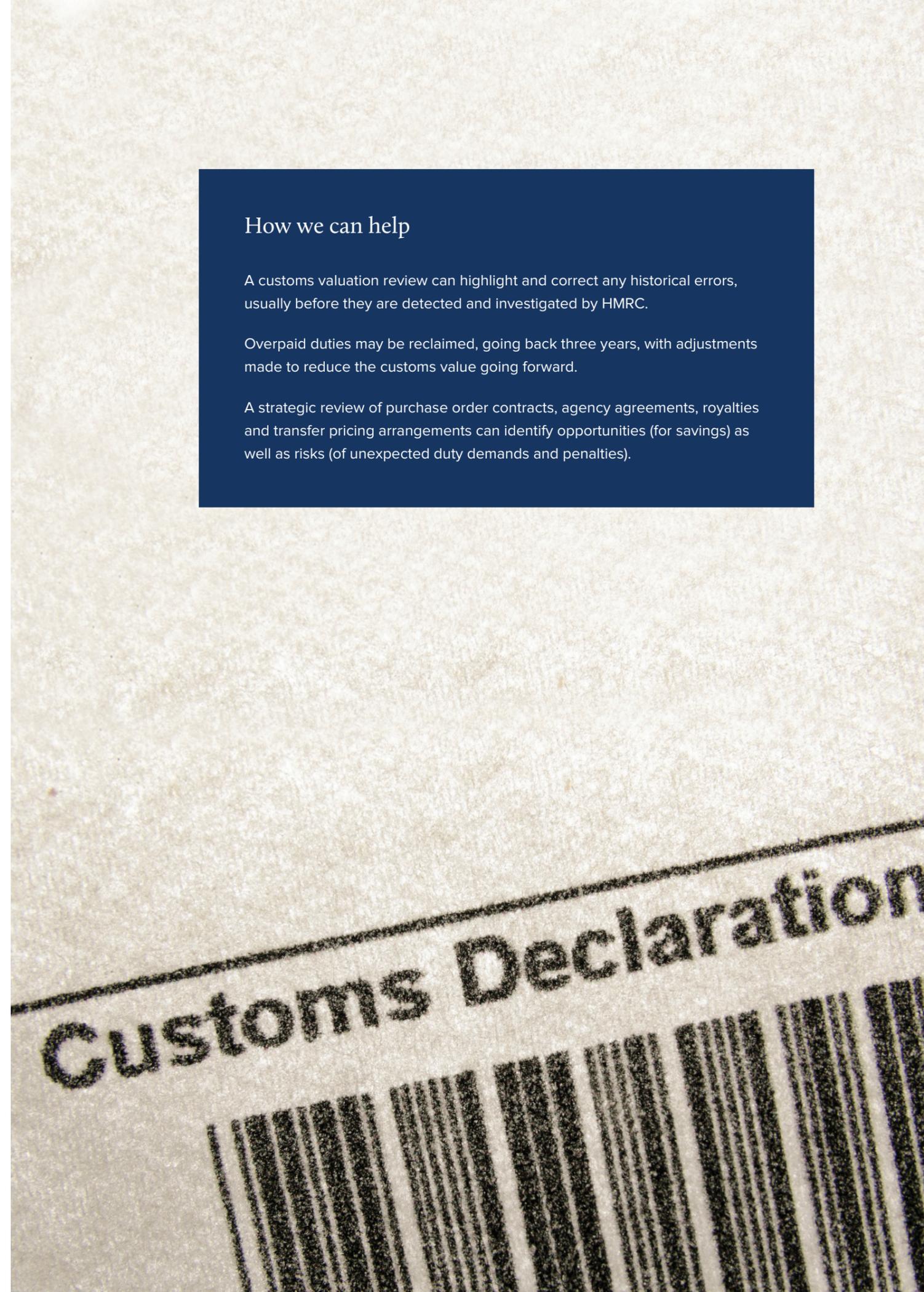
- Assists, eg tooling, moulds etc
- Design work
- Certain royalty payments (currently under review), payable as a condition of the purchase of the imported goods, even if at a later date
- Insurance, where the goods are insured in transit
- Commissions, other than buying commissions as described above.

## How we can help

A customs valuation review can highlight and correct any historical errors, usually before they are detected and investigated by HMRC.

Overpaid duties may be reclaimed, going back three years, with adjustments made to reduce the customs value going forward.

A strategic review of purchase order contracts, agency agreements, royalties and transfer pricing arrangements can identify opportunities (for savings) as well as risks (of unexpected duty demands and penalties).



## ORIGIN

---

The origin of imported goods is one of many elements which must be declared to customs authorities at import. Where there is a Free Trade Agreement (FTA) between countries, goods which meet strict origin criteria may be eligible for preferential rates of customs duty.

Different rules of origin apply to different goods, which means a compliant claim for preference is dependent upon a sufficient knowledge of the goods to determine the correct customs classification, then additional knowledge of the manufacturing process to ensure the correct origin rule is applied.

In manufacturing, a strategy of multiple sourcing of components and parts is often relied upon to ensure continuity of production but can sometimes result in inconsistent eligibility for preference.

Managed properly, a preferential origin procedure can deliver significant savings in customs duty costs and can often influence strategic decisions in supply chain planning.

### How we can help

We can review the eligibility to preference of goods imported from relevant suppliers and implement procedures for obtaining accurate evidence of origin.

We can review manufacturers' bills of materials to ensure any changes in material suppliers are correctly captured and reflected in subsequent declarations of origin.

We can train key personnel to understand and apply the correct rules of origin and undertake periodic reviews of preferential origin procedures.

# CUSTOMS WAREHOUSING

**Customs warehousing enables the storage of imported goods without payment of customs duty or import VAT, which is suspended until those goods are removed from storage for use in the UK.**

Any business with suitable premises can operate a customs warehouse, providing they can manage their compliance obligations. It can be particularly helpful for businesses with slow-moving product lines, as well as for those who are part of a 'just-in-time' supply chain.

The key requirements are the necessity to identify duty suspended goods within the warehouse records and to ensure removals from customs warehousing are correctly declared to HMRC.

## Benefits

- Cash flow advantage through suspending the payment of customs duty and import VAT
- No UK customs duty or import VAT where goods are re-exported
- Common stocking of duty suspended and duty paid goods – no need for physical segregation
- Multiple sites can be approved by a single authorisation
- Abbreviated frontier declaration to HMRC, enabling faster clearance times
- Some activities, including quality inspections, can be undertaken before payment of customs duty and import VAT.

## How we can help

Streets Myton can evaluate the benefits of customs warehousing for clients and assist during the application process, providing training where required.



## CUSTOMS DISPUTES

**HMRC undertakes post-import checks of declarations made by or on behalf of an importer. These checks can go back three years and can consume a lot of management time.**

Where HMRC believes duty has been underpaid, it will issue a demand for payment, covering the past three years but payable in just 10 days. This can severely impact an importer's finances.

Less than one in 20 of customs-related decisions issued by HMRC are challenged, yet about one in three challenges are successful.



HM Revenue & Customs

CUSTOM HOUSE

### How we can help

An independent customs 'pre-audit' can help to prepare for a visit from HMRC, together with attendance at meetings with HMRC.

A regular check of customs declarations can identify and correct errors before they are detected and investigated by HMRC.

We can often identify errors and misunderstandings in HMRC's conclusions, with a high success rate in overturning their original decision.

We can organise representation for clients at independent Tribunal proceedings where required. However, most of our cases are satisfactorily resolved before they reach this stage.

## Contact us

Gerry Myton, Partner & Head of  
Indirect Tax  
07776 178 473  
gmyton@streetsweb.co.uk

Leo Donovan, Senior VAT &  
Customs Manager  
07377 721 114  
ldonovan@streetsweb.co.uk

-  [info@streetsweb.co.uk](mailto:info@streetsweb.co.uk)
-  [www.streetsweb.co.uk](http://www.streetsweb.co.uk)
-  [@streetsacc](https://twitter.com/streetsacc)
-  Like us on Facebook
-  Connect with us on LinkedIn
-  Watch us on YouTube