

Import Customs Procedures

Import Obligations

Import declarations must be completed and submitted to Customs and Revenue authorities when goods are imported from outside the European Union. Imports are usually declared using the Single Administrative Document known as Form C88. The SAD / C88 is a harmonized EU document. The paperless version of the C88 in the UK is the (National Electronic System (NES) system). The declaration is processed by CHIEF.

The arrival of goods sets the point at which tax arises. Customs duty and VAT must be accounted for on goods when they are released into free circulation within the European Union. Duty and VAT may be accounted for by immediate payment or under some conditions, by deferred payment.

Single Administrative Document

The SAD is the principal EU customs document and declaration and contains up to 8 parts. Shorter versions are available for particular customs procedures. Electronic submission of customs declarations is possible and is increasing in use. The long term aim is to have a wholly paperless environment for traders.

In order to complete the SAD, it is necessary to use the Common Customs Tariff. The Tariff lists the codes which must be put in each box. The most important boxes are for classification of the goods and the customs procedure code. The code determines what duty is owed. The custom procedure refers to a number of possible procedures which may be opted for in particular circumstances some of which involve referral of customs duty.

The Single Administrative Document is recognised internationally by customs authorities. Many of the boxes in the SAD require information from other paperwork such as valuations, invoices and shipping documents. A completed SAD must detail what the goods are, the movement of the goods, the goods commodity code and the customs procedure code.

The SAD comes in eight parts for use at different points in the trading process. Parts 1,2,3, and 4 are for exports. Parts 6,7, & 8 are for imports. Parts 1, 4, 5, & 7 are for transit. Traders should use the part 3 of the tariff to complete the boxes. There are 54 boxes in the SAD that are grouped as follows:

- Status of goods
- contact details
- Duties and tax
- Description of goods
- Additional information
- Reference details for agents
- Valuation details
- Preference
- Delivery, Transport and Description of Goods.

HMRC clear declarations. There are different methods by which to make declarations. Generally, the declaration need only be made on the arrival of the goods in the European Union. However, some goods, particularly agricultural product, must be declared in advance so that they can be inspected by Port Authorities.

Declaration Options

There are a number of options for making customs declarations. Some traders use representatives which can be advantageous, because they use software compatible with HMRC systems.

Traders can make simplified declarations under certain conditions. This procedure may be used to release goods into free circulation or another customs procedure. When goods arrive in the EU, it is only necessary to complete a Simplified Frontier Declaration (SFD). A Supplementary Declaration is then required for all goods declared using an SFD. This must be sent to HMRC and be accepted before the end of the fourth working day of the month following which the SFD was submitted.

It is necessary to submit the import declaration by the SAD or simplified declaration at the point of entry into the European Union. This may be a port, airport or clearance depot. Many entry points use the Community Systems Provided (CPS) which can give electronic access to "CHIEF" so that declarations can be filed on line.

Preference documents are required to claim reduced duty which is available for certain goods. A commercial invoice is required which must incorporate the amount paid, including VAT. Certain documents may be required to detail the route of the goods.

Community Systems Providers

Community Systems Providers (CSP) are businesses that provide computer networks that collect information which is used to clear goods. CSPs gather and process information from shipping lines, air lines, traders, agents, freight forwarders and Government Departments. Each CSP communicates with the customs handling and export freight (CHIEF) system. Goods being cleared require a reference number called the unique consignment reference (UCR) which must be included in the import entry. Some Port Authorities have their own community system to clear goods.

As well as processing customs information, the Community System is used to return a response message from HMRC to tell the trader or agent the tax and duty which must be paid before goods can be cleared and whether the goods need to be inspected. HMRC will allocate the clearance route and advise the Community System interface. CHIEF will then send the CSP a customs clearance message which confirms that the goods can be released (assuming other commercial requirements have been satisfied) for free circulation or into another customs procedure. If for any reason goods are being investigated, an intermediate message may be sent.

Valuations

When goods are imported, HMRC must be provided with details of their value. The value must be declared manually or electronically. Valuations are required for customs duty, import VAT and trade statistics.

There are a number of methods of calculating value for tax purposes. Method 1 applies to 90% of goods. If not already included in the seller's price, the following must be added:-

- cost of delivery to the EU border
- most commissions except buyer's commission
- royalties and licence fees paid on the goods
- postage and packaging
- goods and services provided to the seller for free or at a reduced cost.

The following are excluded:-

- delivery costs within the EU
- EU tax and duties
- taxes in the country of origin or export

- quantity and trade discounts
- marketing activities related to the imports
- buying commission
- export quota costs
- interest costs
- management fees

The methods for calculating value should be applied consecutively so that if method 1 does not apply, method 2 applies and so on.

Method 1 is the transaction value or the price payable to the seller. If there has been no sale, the transaction value of identical goods (Method 2) applies. If there are no identical goods Method 3 provides that the customs value of similar goods may be used. The other methods, Method 4 (the Deductive method), Method 5 (the Computed method) and Method 6 (the Fall-back method) may be applied, if the earlier methods do not yield a valuation.

This Guide is intended as an overview and broad outline of the matters covered in it. Its purpose is to inform and raise awareness. We are happy to offer specific legal advice on particular circumstances. This Guide should not be relied on as a substitute for comprehensive legal advice with reference to the particular circumstances.

While we have taken care in the preparation of this publication, we do not accept legal liability as a result of any reliance placed on anything in this Guide. The reader should rely only on specific legal or taxation advice.