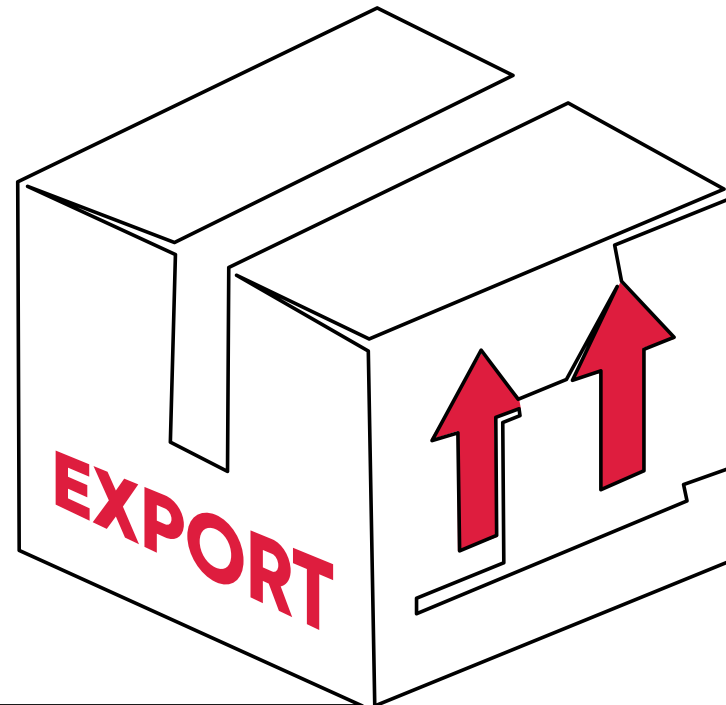


Customs Duties



Customs Duty is a tax imposed on imports and exports of goods.

The rates of customs duties are either specific or on ad valorem basis, that is, it is based on the value of goods.



The basics:

- Customs Duties apply to goods imported into the UK and the European Union (EU). There are no Customs Duties on services.
- Once goods are inside the EU there are no further Customs Duties if the goods are moved between EU-C members.
- Excise Duties are charged on the movement of Alcohol, Tobacco and Fuel Oils between UK/EU members.
- Customs Duties are payable by whoever “declares the goods”, that is the person or business whose name is on the import paperwork.
- Any commercial importer will need an EORI registration number (Economic Operator Registration and Identification), before they can import goods.
- Duty is payable at the point of entry into the UK/ EU, and Customs Officers will hold goods until the duty is paid, so the method of payment should be arranged with the shipping agent in advance.
- Import VAT is often also due on imported goods and this is payable on the duty inclusive price. VAT registered businesses should be able to recover their import VAT, as long as they keep the right paperwork – namely the C79 documents.
- Since 1 January 2021, UK government has introduced postponed VAT accounting (PVA) for imported goods. Instead of paying the import VAT at the port, you can account for it in your periodic VAT return. You simply instruct your Customs Agent that you wish to use PVA as the method of payment for the import VAT. Your Customs Agent can select this option when they complete the customs declaration for you.

Valuation for Customs purposes:

Customs Duty is an ad valorem tax. This means that it is based on a % of the value of the goods, therefore the valuation is important.

There are a number of acceptable methods of valuation, which should be considered in the following order. The first suitable method that applies to that particular business being the correct one to use:

- Transaction value - based on the price paid upon first sale for export into the EC.

- Value of identical goods - if method 1 cannot be used then the price paid for identical goods can be used.
- Value of similar goods - as above.
- Deductive method - working backwards from the final EC sales price to reach a notional frontier price.
- Computed value method - working from the production cost, on a cost-plus basis to arrive at a notional frontier price.
- “Fall back method” - the “if all else fails option”, any reasonable method can be used if none of the above are possible.

Customs Duty Reliefs

There are a number of different options which may provide relief from paying Customs Duties, either temporarily or permanently depending on circumstances.

Some of the most common are:

- Duty deferment - registered importers can pay their duty on a monthly basis rather than at point of import through a Deferment Approval Number (DAN.)
- Customs warehousing - goods can be held in duty suspension in the EC until they are shipped onward to a customer.
- Inward processing relief - goods can be brought into the EC for processing and re-exported without charge.
- Outward processing relief - goods of EC origin can be exported from the EC to be processed and returned without charge.

Relief is also often available where imported goods are returned or sent back for repairs or alterations.

It is important to plan ahead if you want to import goods into the UK and the EU. If you wish to reclaim the VAT back on importation into the UK it would be best to obtain your VAT number first and then obtain your EORI as they are linked, and otherwise it is very difficult to reclaim your VAT. Please note, to import into Europe, you will need a separate EORI number issued by one

of the European countries. A VAT number is also required if you wish to hold stock and trade in goods in the EU.

However, VAT numbers can take up to 6 weeks to be issued, so in some circumstances you may be forced to just get an EORI number, which can be issued in a few days. Talk the process through with your shipping agent. They will probably complete all the paperwork for you but will need to know how the Duty is to be paid and what value to assign to the goods.

If you wish to recover import VAT you will need the certificates called C79's which are your proof of payment from HMRC. These are important documents which cannot be replaced. Check with your shipping agent to ensure you are going to get these. Alternatively, you can use the postponed VAT accounting option, in which case you will not receive a C79 certificate. Instead, you will be able to download monthly PVA statement from Customs Declaration Service (CDS). You can get access to CDS from gov.uk website.

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