

C4T

White Paper

Special Procedures

Your insider guide to minimising
customs duty costs



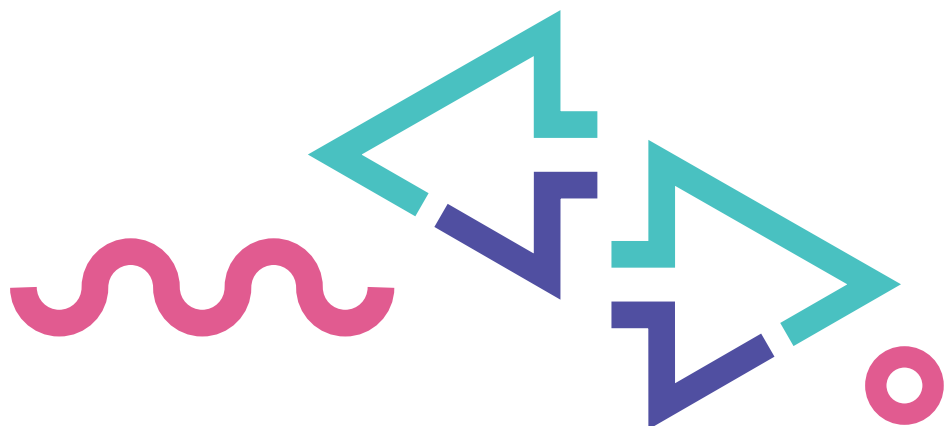


In this Paper

What are Customs Special Procedures and how can you benefit?

Companies importing or exporting goods are faced with the challenge of increasing costs, administration time, and the risk of non-compliance. Many countries offer the possibility of suspending or drawing back customs duties using Special Procedures (listed overleaf), allowing you to store, temporarily use, process, or repair your goods and get either suspension, partial, or complete relief from import duty.

Special Procedures can help companies save or delay customs duty costs on imported goods, resulting in a positive impact on their economy. For companies in industries subject to high duty rates, Special Procedures can present significant savings. However, it is important to understand that the legal administration and reporting of customs authorisations, inventory, and excise tax warehouses that need to be provided to Customs Authorities can be cumbersome for customs managers – but the payoffs can be substantial. Having insight into possible duty savings and up-to-date information that shows real-time stock become key factors in a company's decision to opt for Special Procedures.



Obtaining Authorisations

There are several different authorisations, registration processes, permits, admissions, and agreements required before economic operators can start using Special Procedures. To obtain a Special Procedures authorisation from customs authorities in the UK, IE and the EU, you will be required to meet the following criteria:

- Be financially solvent
- Produce a guarantee (for some types of Special Procedures)
- Maintain adequate records
- Have a physical establishment within the same jurisdiction (in some countries)

Depending on the type of Special Procedure, the process of acquiring an authorisation can take at least one month and requires constant follow-up and, often, guidance from customs experts.



Types of Special Procedures

 Inward and Outward Processing

 Customs Warehousing

 Returned Goods Relief

 Temporary Admission

 Temporary Storage

 End Use



Recordkeeping: Stock balances and Reporting

Companies wishing to take advantage of Special Procedures are subject to additional administration including:

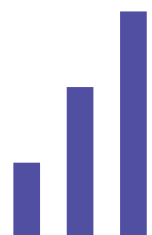
- Delivery of chronological recording of the products to be processed by the processor
- Conversion statements from unprocessed to processed
- Statement sheets with a comparative view of the respective quantities of imported goods versus those re-exported after processing to track the imported and exported stock balances
- Stock records kept up to date in real-time, reflecting the situation on the ground
- Detailed reporting to customs authorities

The potential savings a company can avail from using Special Procedures are often more complex. Hence, companies need visibility quantifying the savings. Expert advisers can help you determine what your cost savings will be by looking at your declarations, volumes, the composition of your materials, and supply chain.

It is necessary to demonstrate to Customs that all of these administrative obligations can be met when applying for authorisation. Since Special Procedures require sophisticated administration and integration with declarations that, in many cases, cannot be dealt with by simple spreadsheet management or ERP/WMS source systems, a software solution is typically needed to comply with the administrative obligations. The administration required involves a wide range of data and regulations that are constantly changing. Maintaining and updating Excel spreadsheets to reflect these changes can become cumbersome and prone to errors. The level of collaboration required from multiple stakeholders often needed can't be handled in Excel. With complex calculations and analysis, organisations can't risk missing the level of accuracy and efficiency required for customs administration.

Furthermore, if stock records are kept in a separate system from declaration data, it compromises the ability to keep them up to date in real-time.

Make use of Special Procedures one at a time or by combining them to maximise duty savings.



Customs Warehousing

Bonded goods are imported goods upon which duties, taxes, and other customs charges are not yet paid. These goods are typically kept in a customs bonded warehouse, an area of a warehouse under the supervision of Customs Authorities. There are two types of customs warehouse, 'Public' or 'Private.'

One may store warehouse goods for an indefinite period until the goods are:

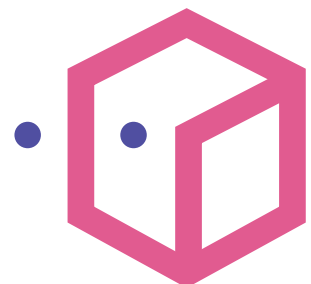
- Placed under a subsequent customs procedure
- Destroyed
- Re-exported
- Released into free circulation

Companies don't need to pay import duties or other levies on goods stored in the customs bonded warehouse. They can also use the warehouse as a distribution centre.

Benefits

- A customs warehouse has advantages for long-term storage, allowing importers to develop strategic relationships with local vendors
- Cost savings are significant, as duties are deferred until the goods leave the warehouse.
- Customs warehouses have advantages for storing restricted goods, as more extended periods are allowed for storage, giving the importer additional time to take care of the paperwork and legal requirements.
- Customs warehouses are ideal for international businesses, as they allow a shipper to store goods in strategic locations worldwide.
- A customs warehouse can also help maintain preferential origin.

Customs Warehousing is beneficial to any company using distribution centres, especially for stock that may remain on the shelf for longer periods of time.



Why are Customs Warehouses particularly beneficial right now?

One of the primary benefits of using a customs warehouse is that imported goods are immune to disruptive geopolitical changes, effectively acting as protected custody. For many organisations, the global pandemic created supply chain bottlenecks, decreasing global demand for specific items and resulting in inventory buildup. To maintain trade contracts with suppliers, many distributors and manufacturers are turning to customs warehouses to save money in the short term.

Dutiable luxury goods such as perfume are in lower demand, which means the warehouses of distributors and retailers are filling up with excess products. Placing some or all of the excess stock in a customs warehouse will temporarily relieve organisations of the products' customs duties. Importers can also export their goods without paying duties if they cannot sell them domestically.



Since CAS generated significant savings in terms of administration and customs duties for our Inward Processing (IP) flow, we were confident that CAS could realise great things for our Customs Warehouse project as well.

Shaun Hall
Customs and International Trade Manager
Honda Motor Europe



Inward Processing

In most countries, national legislation provides conditional relief from import duties and taxes on goods that will be re-exported after having undergone specified manufacturing, processing, or repair.

Customs Authorities may complete a site visit, and the business must provide the following details:

- The expected rate of yield (the number of imported goods required to produce a quantity of finished products)
- The period of discharge (the time needed for processing)
- Details of the processing taking place
- The expected disposal of the goods
- Identification of the goods
- The commodity code, description, value, and quantity of the goods being processed

Benefits

Processing activities that can be taken advantage of by using Inward Processing include:

- Manufacturing (assembling, fitting, or modifying the imported goods to make them into something else, thereby adding value to them)
- Reworking (to create new goods as a result)
- Repair (including overhaul and adjustment)
- Use or application (using goods as part of the production process enables or facilitates making something else). This includes all goods (catalysts, chemical retardants or accelerants, etc.) that are not found in the finished (processed) product but that enable or facilitate its production, even if they are partially or wholly used up during the process.

Inward Processing can result in significant savings for companies that source materials from all over the globe to make products for re-export.

Outward Processing

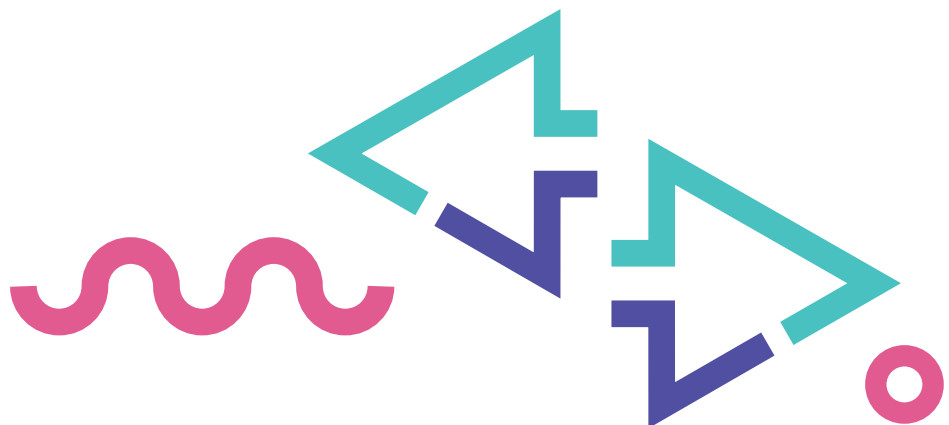
Outward Processing allows for the temporary export of goods for processing or repair that are then re-imported as processed products. Companies can send free circulation raw materials outside the country for processing, thus exporting the raw materials. After processing, the finished product is returned to the same country where Outward Processing is claimed, covered by an import customs declaration.

Along with applying for an Outward Processing authorisation, companies must also ensure that the exported goods and the process or repair they undergo are eligible for duty relief.

Customs duties are not levied on the original value of the raw materials; they must only be paid on the value added abroad.

Outward Processing:

 is used to reduce duty costs for companies that send materials to a third-party manufacturer in another country for them to improve or process, and send them back.



Temporary Admission

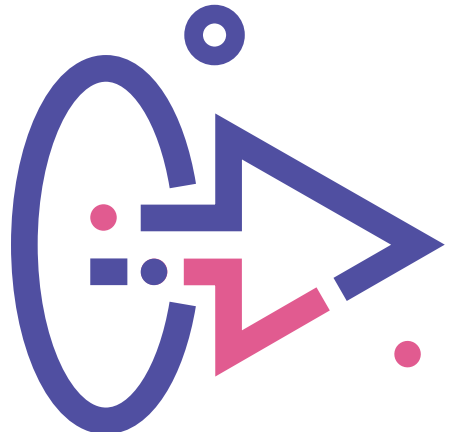
Temporary Admission allows goods to be brought in temporarily to a country with total or partial relief from import duty. Examples of where this procedure might be used would be in goods imported for purposes such as exhibiting at a trade fair or taking part in a music show.

Temporary Admission is subject to the following:

- No modification of the goods is intended other than changes brought about by normal devaluation due to their use.
- The goods can be clearly identified unless damages are likely, given the nature of the goods or the planned use.
- A guarantee is provided if required.
- The duration of the Temporary Admission is the time needed to use the goods and cannot, in theory, exceed 24 months.
- When the time limit expires, the goods must be re-exported from the customs territory in the same condition as they were in upon import, taking into account normal wear and tear.

Benefits

- Beneficial for businesses that ship goods internationally for short-term use and return because the import duties are totally or partially suspended for that period.
- Samples, rentals, exhibits, equipment, and other items not intended for sale and which will return to their originating country do not incur customs duty.



*End Use

End Use reduces or eliminates customs duty for goods with certain tariff codes

End Use relief allows for a preferential or zero rates of customs duty on certain imported goods that meet defined criteria and are put to a specific use within a set time period. The relief does not apply to VAT, excise duty, or anti-dumping duty.

Benefits

- In the EU, under the End Use procedure, traders can release non-Union goods for free circulation with a specific destination without paying duties or full duties. By applying duty relief or a reduced rate, the tax burden is lower.





Returned Goods Relief


Under the Returned Goods Relief (RGR) procedure, the EU allows Union goods to be re-imported into the EU without payment of customs duty and value-added tax (VAT).

Returned Goods Relief is available to declarants that can provide evidence that the goods:

- were originally Union goods that were exported from the customs territory of the Union and returned to Union territory within a period of three years. This period may be extended under special circumstances.
- are returned in the same state in which they were exported. They cannot have been processed abroad, however the following treatments are allowed:

 Treatment necessary for repair or to keep the goods in good condition.

 Handling or treatment which only altered the appearance of the goods.

 Other treatments done to the goods that were later found to be unsuitable for the intended use of the goods.

Proof that the goods have not been altered, e.g. by way of your inventory system or other means of tracking the import/storage/re-export from the UK of those goods, must also be provided.

Transit and Temporary Storage

For traders, Temporary Storage is an option that allows a pause so the company can decide what will happen to the goods, e.g., whether they will release them for free circulation, put them in transit, or put them under another Special Procedure.

Temporary Storage is often used for goods under the Transit procedure. The goods must be stored in an authorised temporary storage facility where Customs can control them for up to 90 days without having to pay duty or tax. During that time, they may only be handled or treated to ensure preservation.

Goods may be moved between temporary storage facilities with an authorisation. If the company does not hold such an authorisation, the goods must be put under the Transit procedure at the end of the 90-day window. Afterwards, they can then be put into Temporary Storage again for another 90 days.

Temporary Storage allows companies to defer duty and tax payments while the goods are in storage.

Benefits

- Goods can be temporarily stored in an authorised warehouse if import documentation has not yet been secured.
- Traders can buy time if they do not yet know what they want to do with the goods.
- Temporary storage facilities are often less expensive than renting a warehouse or other storage space.






A digital-first approach to duty savings

Realising the benefits of Special Procedures involves many initial hurdles to obtain the authorisations and, subsequently, to maintain a clear overview of the stock records.

C4T offers a fully compliant customs management system, CAS, that allows companies to implement and manage Special Procedures and instantly produce the reports and declarations required by Customs Authorities at the touch of a button. The Declarations module integrates seamlessly with Special Procedures, meaning CAS can guarantee full compliance and visibility into customs data allowing businesses to make strategic decisions in real-time. Unlike Excel or ERP/WMS systems which can't handle the complexities of duty calculations and data analysis, CAS gives full traceability of stock levels, allowing you to accurately report stock administration to customs authorities.

The path to using Special Procedures

-  Obtaining the correct authorisation and understanding the consequences for the business based on the different conditions in the authorisations.
-  The C4T team can guide you through the authorisation process and explain the impact on the business.
-  We help companies expedite the process and ensure correct details reach the Customs Authorities so all required information is submitted the first time.

Customs Authorities want to see a management system or else they won't approve the authorisation. Getting set up in CAS prior to applying for an authorisation will expedite or even be the deciding factor in obtaining the authorisation.



Special Procedures in CAS

With CAS, one can start configuring and testing administrative requirements when the customs authorisation process is still in progress. C4T will set up a demo environment to configure customs flows, prepare for data ingestion, and start testing. This way, from the moment the customs authorisation is approved, companies can immediately start using CAS's Special Procedures functionality.

Stock records should always be in sync with the on-ground situation

Built-in reporting on Special Procedures together with the CAS Insights module gives customers clarity and visibility into stock movements, optimisations, and cost savings. They also meet the administrative requirements of customs authorities.

CAS can track goods movement, maintaining stock records in real-time. CAS also keeps track of the composition of the materials, thus recognising which goods are processed. How to write off stocks is also configurable, allowing customers to make the best choices that benefit their business.



A multi-national grocery chain decreased their cost per declaration by 97% using the CAS Declarations and Special Procedures modules.

Conclusion

The use of Special Procedures described in this white paper can result in substantial cost savings for organisations participating in international trade, granting partial or even complete relief from customs duties.

It is important to note, however, that Customs Authorities require companies to have additional administrative controls in place upon application for the authorisation. They must prove that they can provide detailed records and reports to Customs Authorities showing real-time stock management capabilities that align with import and export declarations. In the majority of cases this is far too complex and time consuming to manage without a specialist dedicated customs management solution. Leveraging a solution like CAS will also give the authorities more confidence in your process during the approval process.

Although all EU countries and the UK are “supposed to be” harmonised via the Union Customs Code of 2016, there are still differences in each customs territory. To ensure your application is compliant and accepted the first time, you have the option to take advantage of C4T’s services team for application assistance. C4T has built a dedicated module into its digital solution, CAS, to manage the complexities of Special Procedures. By taking advantage of the cost savings provided by various Special Procedure regimes, CAS customers have been able to realise a speedy return on investment with ongoing savings year over year. This is a valuable course of action, especially given the long lead process and unique in the industry being provided by legal and customs experts.

If you are interested in exploring whether Special Procedures can save your company from unnecessary duty costs, C4T can help you analyse your declaration and supply chain details to determine projected cost savings.



About us

Customs4trade NV (C4T) has developed CAS, a collaborative hub, built on the Microsoft Azure platform delivered as a service (SaaS). It is designed to manage regional and worldwide customs and trade compliance quickly and accurately, with a digital-first approach, helping customers stay ahead of the digitisation of customs processes.

CAS provides customers with continual updates and feature enhancements, including the incorporation of any changes to legislation and compliance regulation—along with Azure’s signature accessibility, scalability, and security.

Forward-thinking companies are turning to C4T to help them navigate customs and trade with native-cloud software and support services for their organisation’s highest strategic benefit.

CAS helps us support our rapidly expanding export operations. We are realising significant improvements in the time-critical export shipment process.

Carman Wallays,
Procurement & Logistics
Director, Agristo



Get in touch

We’d love to hear from you.

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