

Customs Guides

CUSTOMS DECLARATIONS



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About this Guide

- This is one of a series of three Guides to help businesses understand Rules of Origin, Tariffs and Customs Declarations in the event of a No-Deal Brexit.
- The Guides are focused on practicalities and helping businesses to understand the actions they need to take.
- In the Guides you will learn what these concepts are, how they might apply to you, and how they may be different in the event of a No-Deal Brexit.
- The Guides provide you with an overview, with links to more detailed information on the British Chambers of Commerce [website](#).
- If you have any specific questions [please get in touch](#) with your local Accredited Chamber of Commerce that can provide expert help in trade facilitation matters.
- This information is correct on 22 October 2019.

EXECUTIVE SUMMARY

1 What are customs declarations and what role do they play in international trade?

A customs declaration is a form used to accompany goods that are entering or leaving a given market. They are used internationally to communicate to the relevant authorities the origin of the product and the relevant tariff in order to calculate duty payable and understand applicable restrictions.

2 How do the customs declarations affect importers and exporters?

Completing a customs declaration correctly is key to ensure that authorities clear the goods avoiding unnecessary delays and detention at the border. Declaring the goods incorrectly can attract fines or be considered an attempt to commit fraud.

3 What are the current requirements/rules in the UK?

The UK is currently a member of the EU and as such the requirements are the same as for the rest of the EU member states. In short, a customs declaration is commonly required only for goods entering or leaving the EU Single Market.

4 What will change in the event of a No-Deal Brexit?

After the UK leaves the EU, it will cease to be a party to the EU Single Market. UK companies will need to complete customs declarations for goods entering or leaving the UK from all other countries.

What are customs declarations and what role do they play in international trade?



Every year, more than £12 trillion worth of goods are traded amongst the world's nations in nearly every language on the globe. How do customs and regulatory authorities know where the goods are coming from or going to, in order to control the flow of goods, ensure the safety and security of the country and collect the correct duty?

Within the EU Single Market, goods can move freely between member states. However, a customs declaration is required to accompany goods entering or leaving the EU Single Market.

When goods enter or leave the EU through the UK, traders have to declare to HMRC what the goods are, where they come from, where they're going and why they're being moved.

The form currently in use in the UK and across Europe is the Single Administrative Document, also known as SAD or C88.

CUSTOMS DEFINITIONS:

Customs: the agency responsible for the collection of duty and taxes and which also has the responsibility for the application of other laws and regulations relating to the importation, exportation, movement or storage of goods. (wcoomd.org)

Customs declaration: an official document that lists and gives details of goods that are being imported or exported. (ec.europa.eu)

Commodity code: a code to identify a type of product/goods. Customs set rates of duty and specific restrictions against each commodity code. Please refer to the [British Chambers of Commerce Tariff Guide](#).

Goods classification: identifying the correct commodity code to describe your goods.

Customs declarations in more detail

Presently when most goods enter or leave a country, the relevant Customs authorities of the countries involved need to be informed of the transaction. In short, a customs declaration serves this purpose by detailing what the goods are, where they come from, where they're going and why they're being moved.

Each country will be interested in knowing the detail of goods leaving or entering their market for a variety of reasons. These can be summarised in three main categories:

Safety and security

Collection of duty

Statistical information

A group of countries may decide to create an agreement to reduce or eliminate the need to control the movements of goods amongst them, in order to facilitate trade between a selected group. This is the case for the EU Single Market, although there are other examples around the world. In the case of goods moving within a Single Market, therefore, the need to fill in a customs declaration is reduced or completely eliminated.

Goods can enter or leave the EU Single Market through any of the member states. A customs declaration, therefore, will accompany goods entering or leaving the EU Single Market.

A customs declaration needs to be presented to the authorities of the country through which the goods enter or leave the EU. In the case of goods entering/leaving EU via the UK, traders have to present a customs declaration to HMRC.

Declaring incorrect information on a customs declaration may lead to non-compliance or even be considered fraud. For example, if the product imported from China is subject to anti-dumping duty, but the duty is not paid because the importer declares it as originating in India, this could be viewed as an attempt to avoid paying duty. Similarly, using an incorrect commodity code may be viewed as an attempt by the importer to defraud Customs.



How do customs declarations affect importers and exporters?

The information on a customs declaration is used to evaluate safety and security aspects, and any applicable restrictions. The information is also used for duty and VAT purposes:

- **For imports, HMRC requires the information to calculate how much duty and VAT a trader will have to pay.**
- **For exports, HMRC needs to be notified that the goods are leaving the country and therefore no duty or VAT will be payable.**

Be aware that declaring information to Customs authorities carries a degree of liability.

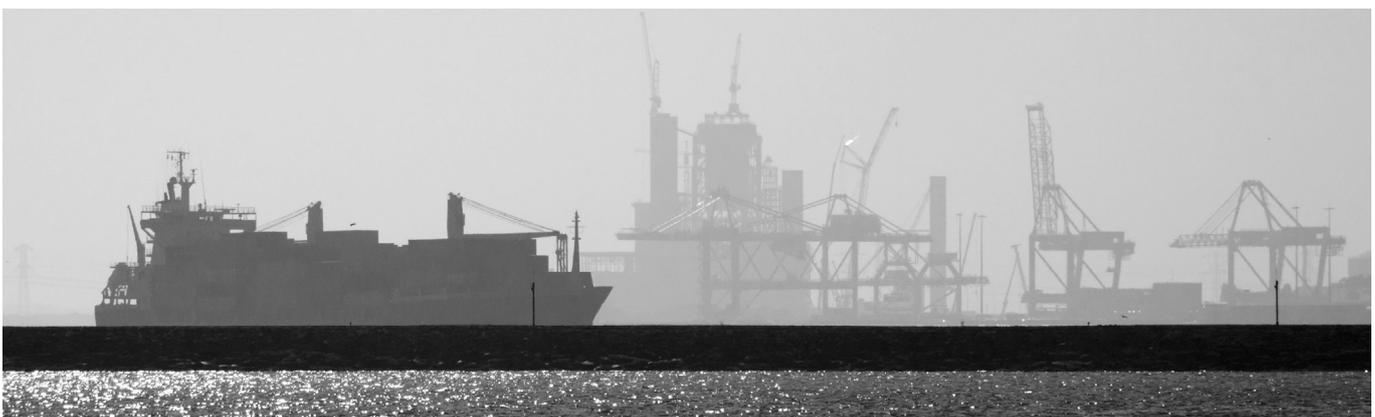
It is important to understand who's responsible for deciding what should be declared.

This involves choosing the correct commodity code to classify the goods; identifying the correct procedure to explain why the goods are moving; claiming specific preferential tariff treatment; or stating that a particular licence is or is not required.

When traders choose to get support with preparing their customs declarations from somebody else, for example by nominating a customs broker, the relationship between the trader and the declarant should be explained to HMRC. The way in which a trader can be represented by the declarant can be either direct or indirect:

Direct representation indicates that the declarant doesn't make decisions about what to declare to HMRC, but simply passes on the information provided by the trader. In this situation, the declarant would only be liable for mis-representing the information provided by the trader. It is the typical relationship type when using a customs broker.

Indirect representation indicates that the declarant is an integral part of the decision-making process. As such, the declarant would have joint and several responsibility for the information submitted to Customs.



What are the current requirements/rules in the UK?

The UK is currently a member of the EU and as such the requirements are the same as for the rest of the EU member states. In short, a customs declaration is required for goods entering or leaving the EU Single Market.

Below is a summary of some of the systems and processes involved:

CHIEF: Customs Handling of Import and Export Freight. The HMRC centralised computer system that handles customs declarations. Introduced in the mid 90s. You can only access it via authorised software.

NES: National Export System – This is a front-end computer system, integrated with CHIEF, dedicated exclusively to handling customs declarations for export. NES has a basic web interface that traders can use directly.

CDS: Customs Declaration Service. The new computer system being gradually introduced to replace CHIEF. More information can be found [here](#). This not due to be fully operational until after Brexit.

UCC: Union Customs Code. This is a European Customs legislation that defines rules to move goods between countries. Each member state adopt the UCC into their own legislation.

Tariff: A set of rules and regulations covering duty applicable and importation/exportation of goods. The UK Trade Tariff is split into three volumes and covers everything traders need to know about goods classification when dealing with import and export. Please see the [British Chambers of Commerce Tariff Guide](#).

The UK legislation on customs matters currently follows the overall European legislation in terms of tariff (duty payable) and code (rules on goods movement). As a member state, the UK collects duty on goods entering the Single Market applying the EU Tariff. The rules regulating how goods move and when duty is collected are aligned with the overall Union Customs Code.

Traders are required to provide information when presenting goods to Customs. They can do that themselves, choose a customs broker or intermediary, or ask the freight forwarder to support with that task. Whatever the choice, traders will have to be clear on what information is required when presenting goods to Customs.



What will change in the event of a No-Deal Brexit?

Relationships between countries in an international trade transaction:

First country: The country where the transaction starts.

Second country: Any other country in the same customs union as the first country.

Third country: A country external to the customs union to which the first country belongs.

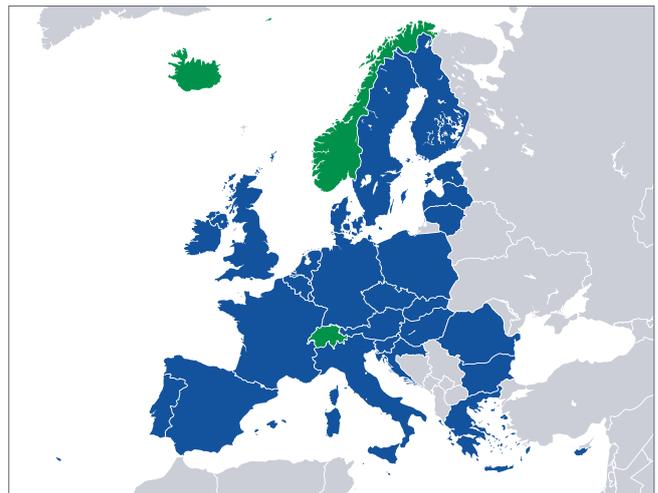
Customs declarations are needed when goods enter or leave the EU Single Market, represented in blue. No declarations are needed between the UK and the rest of the EU Single Market countries.

In practice, if we look at things from the UK perspective, the UK would be the first country, the EU member states would be considered the second countries and any other country outside of the bloc would be considered a third country.

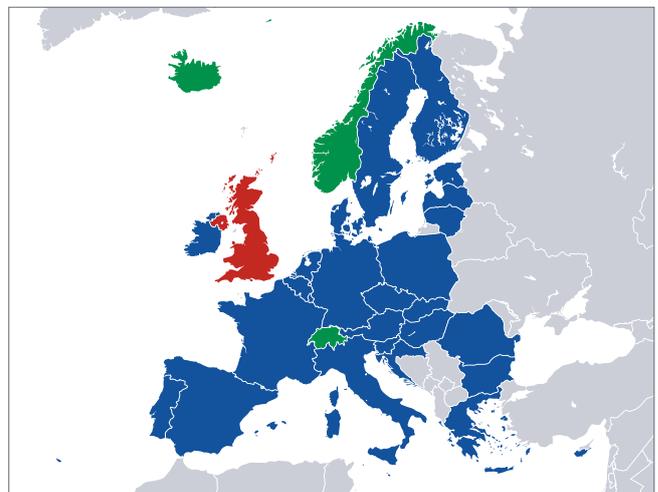
In a No-Deal scenario, customs declarations will be needed when goods enter or leave the UK, both when trading with EU and non-EU countries.

In practice, once the UK leaves the Single Market, it will most likely become a third country to the EU, unless a new agreement is made, or a new Customs Union is formed depending on what type of future relationship with the EU the UK will have.

Before Brexit



After Brexit



■ UK ■ EU Single Market countries ■ Countries outside the EU Single Market

Source: Author.

Submitting customs declarations and working with the customs authorities after Brexit

It is unlikely that the mechanics of how customs declarations are filed, or how the systems are used, will change as an immediate result of Brexit. In other words, although in the UK we may have to fill in customs declarations on more occasions than before, the information required to do so will not change drastically.

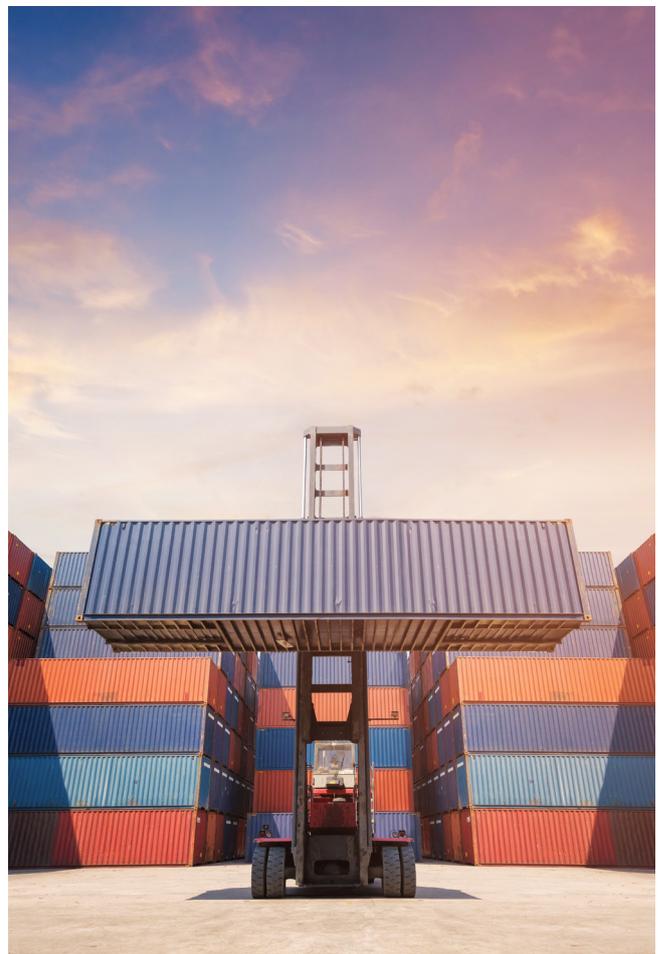
However, traders who in the past have not needed to declare goods to Customs when moving them in and out of EU countries, will now need to do so. In short, it means an increase of customs declarations for some traders.

This will cause extra work for these traders, but it also increases the pressure on Customs authorities and systems that have to deal with the increased volume.

Customs law won't change: declarations will still be required at the point of entry/exit. However, to alleviate pressure at the Border, HMRC has introduced Transitional Simplified Procedures for imports from the EU in the case of a No-Deal. This means that traders moving goods into the UK from the EU can benefit from the ability to delay the submission of the full customs declaration for up to 6 months. VAT registered businesses should have been automatically enrolled into the scheme by HMRC, whilst business not registered for VAT can consider applying for the scheme. This is a temporary arrangement aimed at easing pressure at the border. Under the TSP, some formalities still have to be followed. Please check more information on this topic [here](#).

In practice, however, failing to have the correct approach to importing and exporting goods can easily mean that goods are stopped at the border, causing delays and costing money.

The new requirements will come into force once the UK leaves the EU on the 31 October 2019, unless a new deal is agreed.



Will I have to submit a customs declaration in the event of a No-Deal Brexit?

Customs declarations for goods coming from or going to non-EU countries will still be required after Brexit. In addition, depending on the agreement reached when leaving the EU, importing goods from and exporting goods to an EU country may also require a customs declaration.

As discussed previously, in the event of a No-Deal, HMRC has introduced simplifications to allow import declarations to be submitted after the goods have been imported to avoid them being delayed at the border. However, there are several further changes that business will experience:

Trade deals no longer valid. Currently, the UK takes advantage of all the trade deals established with the EU bloc. Once the UK is out of the EU, those deals will no longer be valid. This will affect the existing GSP system (Generalised System of Preference), the European Quotas, etc. and have an impact on the amount of duty payable.

UK Tariff: For more information please see the [British Chambers of Commerce Tariff Guide](#).

Transitional Simplified Procedures: More declarations for goods being imported would translate in more checks at the Border. HMRC has introduced Transitional Simplified Procedures for imported goods to ensure that traders can submit supplementary declarations after the goods have arrived at their destination. More information can be found [here](#).

Common Transit Convention: It is important to consider the relationship between the customs declaration and the transit declaration. Please click [here](#) for more information. CTC is relevant when transmitting goods across a number of borders.

For the latest information please visit the [Brexit Hub](#) on the British Chambers of Commerce website.

How do I find out more information about this?

Accredited Chambers of Commerce can be found in every region and nation of the UK, providing your business with on-the-ground support. [Click here](#) to find out more.



FOR MORE INFORMATION ON NO-DEAL PREPARATIONS VISIT
WWW.BRITISHCHAMBERS.ORG.UK/PAGE/BREXIT-HUB

