

# Import & Export Practice and Procedures

Course book



...market leaders for business training



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## Course book

This document contains the text of the PowerPoint displays that are used during the presentation of the course

### Import & Export Practice and Procedures

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## Contents

Session 1: International trade overview.....	1
Session 2: International trade stakeholders .....	3
Session 3: The essential data relating to international trade.....	7
Session 4: Documentation required for importing and exporting.....	27
Session 5: The customs clearance process .....	43
Session 6: Export controls .....	59
Session 7: Introduction to Incoterms .....	62
Session 8: Trading with EU and Northern Ireland post 1/1/21.....	68
Session 9: Summary and conclusions.....	81
Appendix 1: Sources of information .....	83
Appendix 2: Incoterms – further information .....	84

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## Training objectives

By the end of the course you will understand...

- The legal basis to importing and exporting in the UK
- The key elements of data required for international trade
- The key internal and external stakeholders in international trade
- The different methods of customs clearance
- The basis of Incoterms and their applicability to international trade

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## Session 1: International trade overview

### Current international trade customs definitions

- **Export**
  - Movement of goods from the EU to a 'Third Country' - a country outside EU
  - There must be a Customs Entry
- **Despatch**
  - Movement of goods from UK to an EU country (intra-EC)
  - No customs entry currently required
- **Import**
  - Movement of goods from outside EU to any EU country
  - An import declaration is required
- **Acquisition**
  - Movement of goods from an EU country to UK (intra-EC)

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## Definitions in 2021

- EU sales become **exports**
- EU acquisitions become **imports**

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## UK imports and exports

### Imports

- Legal requirement for Customs entries
- Import VAT must be accounted for
- Goods must be assessed for import duty and excise duty
- Goods must conform to UK standards and regulations

### Exports

- Legal requirement for Customs entries
- Export transactions outside scope of VAT

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## Invisible exports

- Banking
- Shipping
- Insurance
- Services
- Tourism

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## Session 2: International trade stakeholders

### Stakeholders in importing and exporting

There are internal and external stakeholders that you work with:

- | Internal  | External   |
|---|--|
| <ul style="list-style-type: none"><li>• Sales department</li><li>• Purchasing department</li><li>• Finance</li><li>• Logistics</li><li>• Manufacturing</li><li>• Tax department</li><li>• IT department</li></ul> | <ul style="list-style-type: none"><li>• Customer/supplier</li><li>• Bank</li><li>• Freight forwarder</li><li>• HMRC and Border Force</li><li>• DIT</li><li>• Other Government Departments (OGD)</li><li>• Chambers of commerce</li></ul> |

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### Internal stakeholders

- **Sales department** responsible for setting prices and negotiating terms with the customers
- In many cases the **purchasing team** will have a supplier manual, that describes the relationship with the supplier
- **Finance** will want visibility of landed cost of the products, in order to set selling price to customers
- They will need visibility of imported products for stock valuation purposes
- **Logistics department** have close relationship with freight forwarder and tasked with ensuring goods shipped match the commercial invoices generated

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## Internal stakeholders

- Ensure **manufacturing** can produce products in line with the agreements that you have with your customers in terms of availability
- **Tax department** involved in setting transfer prices that will have a direct effect on your customs valuation
- Engage with **IT** to ensure the commercial invoice required to accompany the goods contains the correct data

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## External stakeholders

### The supplier relationship

- Can they provide all documents?
- Can they supply on a continuous basis?
- Can they maintain quality?
- Can they maintain agreed prices?
- Can they deliver?
- What are terms of payment?
- What are technical standards?
- Where will any disputes be resolved?
- How do you measure performance?

***If you're the supplier, you need to be able to answer these questions***

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### **Express courier services**

- Relatively small consignments
- Large international networks
- Guaranteed deliveries within specified time limits
- Relatively expensive
- High level of service and tracking facilities
- Lack of audit trail unless specifically requested

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### **Forwarder/agent management**

- Forwarders usually act as direct representatives
- You must provide forwarder/clearing agent with EORI number
- Exporter will have full responsibility and accountability for non-compliance of information on entry
- You must obtain copies of import and export entries and check them
- For exports, you should always request copy of Export Movement Departure Advice (EMDA) as proof that they have been discharged by HMRC

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## Advantages of using freight forwarder

- Presenting goods for customs clearance
- Advising on port and airport facilities
- Providing quotation information, e.g. FOB/CIF
- Advising on compliance with customs procedures
- Offers expertise in documentation, route planning, coordinating transport, ancillary services and paying charges

***But must be managed and documentation checked!***

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## Other Government departments

- **HMRC** - Collection of revenue and enforcement
- **DIT** – Detailed export advice and source of finance. Export control of military and dual use goods
- **DEFRA/RPA** – Agricultural produce/food e.g. fish, fruit, vegetables, meat, furs, plants, drinks
- **BEIS** – All others – iron and steel, toys, textiles, clothing, cosmetics (Certificate of Free Sale may now be necessary)
- **Home Office** – Drugs and weapons
- **DCMS** – Antiques and art
- **HSE** – Explosives

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## **Session 3: The essential data relating to international trade**

### **Union Customs Code (UCC)**

- Introduced in the UK in May 2016 and replaced the Community Customs Code (CCC)
- Framework for customs rules and procedures in the EU customs territory
- Aims to streamline and simplify customs legislation and procedures
- It is **European** legislation – there is no equivalent under UK law
- Will be replaced by UK legislation from 1 January 2021

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### **Data required for international trade**

There are 5 key elements of data required to export:

1. EORI number - *the trader must have one*
2. Tariff code - *what the goods are*
3. Customs value - *what the goods are worth*
4. Country of Origin - *where the goods were made or grown*
5. Applicable Customs procedure - *what are we doing with the goods*

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## Tariff code

### The tariff

- HMRC UK Integrated Tariff is split into 3 volumes...

<p><b>Volume 1</b></p> <p>Comprehensive background and details about policy on duty excise and preference</p>	<p><b>Volume 2</b></p> <p>Goods descriptions, commodity/tariff codes, tables of measures and rules of trade</p>	<p><b>Volume 3</b></p> <p>Guide for completion of customs declarations, valuation guide and list of Customs Procedure Codes</p>
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- A version of all volumes available on gov.uk website and primarily used to search for commodity/tariff codes - [www.gov.uk/trade-tariff](http://www.gov.uk/trade-tariff)

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### Third country duty rates and processes

- Useful resource which enables you to check codings, duty rates and customs procedures in non-UK countries

[www.gov.uk/check-duties-customs-exporting](http://www.gov.uk/check-duties-customs-exporting)

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## Importance of commodity/tariff codes

- It is essential that goods are classified correctly
- **Trader responsible for accuracy of customs entry**
- Required on all customs and international trade documentation
- Ensures payment of correct duty/excise
- Determines whether licenses are required
- Used for statistical records (Intrastat)
- Determines preferential rules
- Appropriate code avoids interest, back payments, seizure of goods by customs

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## Structure of the commodity/tariff code

- Varies in length and structure depending on type of goods and where they're moving to/from
- Made up of different elements which describe the detail of the product
- The terms tariff/commodity code tend to be used interchangeably
- 10 digit code used for goods **imported** from outside the UK
  - 14 digits for some products
- 8 digit code for goods **exported** from the UK

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## Harmonised System number (HS number)

- 6 digit identification code for goods applied by 200 customs administrations globally
- Administered by World Customs Organisation (WCO)
- Sixth Edition published January 2017
  - Correlation table now published on [www.wcoomd.org](http://www.wcoomd.org)

1 2	3 4	5 6
<b>XX</b>	<b>XX</b>	<b>XX</b>
HS chapter	HS heading	HS subheading
HS number		

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## Combined Nomenclature (CN number)

- 8 digit identification code used for **export** of goods from EU countries and all goods moving within EU
- First 6 digits are HS number
- Additional 2 digits used for export control/statistical reason

1 2	3 4	5 6	7 8
<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>
HS chapter	HS heading	HS subheading	CN code
HS number			
COMMODITY CODE			

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### Tariff (TARIC) code – additional digits

- For goods exported into EC which are specific import control issues, e.g. anti-dumping duties, agricultural component
- May represent different percentage of content
- Should be selected once 8 digit commodity code determined

1 2	3 4	5 6	7 8	9 10	11 12	13 14
<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>
HS chapter	HS heading	HS subheading	CN code	TARIC code	TARIC code	TARIC code
HS number						
COMMODITY CODE				ADDITIONAL DIGITS		

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### How do you determine the correct commodity code?

To classify your goods use the **6 general rules** in order

1. The main headings which goods are classed under
2. Incomplete or unfinished articles and articles of mixed materials or substances
3. Goods which can be classified under more than one description, composite goods of different materials and sets for retail
4. Goods which can't be classified using the first 3 rules
5. Packaging items that come with the goods
6. Subheadings which goods are classed under

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**Example - fully assembled bicycle**

<b>87</b>	Chapter		Vehicles, other than railway or tramway rolling-stock and parts and accessories thereof
<b>8712</b>	Heading		Bicycles and other cycles (including delivery tricycles), not motorised
<b>8712 00</b>	Subheading	HS number	Other
<b>8712 00 30</b>	CN code	Commodity code	Bicycles
<b>8712 00 30 90</b>	TARIC	Tariff code	

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**When is a part not a part?**

- Generally if goods have their own heading they cannot be classified as a part of something else
- This can make a big difference e.g. duty payable
- 8803 = aircraft parts specific to aircraft e.g. rotors
  - i.e. the part has been specifically designed/modified for aircraft and the aircraft could not work without it
- 7318 = standard steel bolts - they are 'parts of general use' not specifically designed or modified for an item
- NB may be dispensation for steel bolts for aircraft use within 7318

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### Definition of 'accessory'

- Something useful, but the product will work without it
  - e.g. Seat belt for a car
- If an accessory is not covered in main heading it must be coded elsewhere under the most specific description
- **Always** refer to section notes and chapter notes

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### Advantages of an eBTI (Electronic Binding Tariff Information)

- AKA Advanced Tariff Rulings WEF 1/1/21
- Legal document that confirms the commodity code agreed for your product
- Provides certainty that you are applying the correct classification
- Ensures that liabilities are known in advance
- Licensing, quota and quantitative restrictions are known in advance
- You can search database for matching descriptions - [tiny.cc/m5u3tz](http://tiny.cc/m5u3tz)

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## Obtaining an eBTI

- Available electronically via government gateway- [www.gateway.gov.uk](http://www.gateway.gov.uk)
- Service is free but costs may have to be met
- Verbal advice available from helpline 03000 513777 but is not binding
- Reference number should be entered in box 44 of export/import declaration
- eBTI cannot be made retrospectively
- Valid for up to 3 years unless product changes

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## Customs value

### Customs value of goods

- Every product has a value for customs
- Duties and VAT calculated as a percentage of the value
- 6 methods applied in order to determine the value of goods:
  - Method 1 - Transaction value
  - Method 2 - Identical goods
  - Method 3 - Similar goods
  - Method 4 - Domestic selling price
  - Method 5 - Cost of production
  - Method 6 - Fallback
- Export value is FOB, Import value is CIF

The price paid or payable by the buyer to the seller for the goods when sold for export to the EU adjusted in accordance with specific rules

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## Value for customs purposes

- For samples/sales material show **“samples-no commercial value”**
  - Samples must be clearly marked or identified
  - Some countries do not permit this – check reference books
- Value for customs purpose - e.g. for repair/return
  - Rules vary from country to country
  - Generally enter “fair market value” - must be at least equal to manufacturing cost
- Examples...
  - Insurance value
  - Original transaction value
  - Calculation for depreciation – *be prepared to support it*
- For export statistics you must show value as if goods were sold to customer
- For return after repair export invoice must show value at export plus charge for the process

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## Country of origin (COO)

### Country of origin (COO) - the economic nationality of the goods

- COO is the country of manufacture, production, or growth of a product
- The COO can either show...
  - Preferential origin status
  - Non preferential origin status

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## Origin – the economic nationality of the goods

### Non-preferential origin

- Used for commercial measures e.g. qualification for free circulation within the EU, tariff quotas, anti-dumping etc
- Used for trade between UK and countries where no Preferential Arrangements exist
- Full duty is payable

### Preferential origin

- Goods are traded outside UK with countries with whom they have a trade agreements
  - Goods which satisfy rules of origin and other criteria defined in trade agreement
  - Allows nil or reduced rates of duty
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## Non-preferential rules – World Trade Organisation (WTO)

- WTO regulates the rules of trade between nations, including harmonisation of the **non-preferential** rules of origin
  - UK operates within WTO under EU 'schedules' which dictate the tariffs
  - UK intends to copy/paste these schedules, however the EU has to agree to this (see Position Paper)
  - If there is no agreement with the EU they must apply the same tariffs to the UK as any third country and vice versa
    - Under MFN (Most Favoured Nation) principle of non discrimination
  - Other countries will have to agree UK Schedules
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## Cumulative origin for exported goods

Permits use of materials from countries in regional group e.g. for GSP cumulation preference origin is allocated where:

- Final processing took place - excludes “minimal” processing
- Value added is more than value of materials originating in other countries of group

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## Criteria for non-preferential origin

- Goods are **wholly produced** in EU
- Have been **sufficiently processed** in EU to be classed as originating
- Non-originating qualifying goods

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## Wholly produced

- Goods wholly produced in a single country will have their origin in that country
- To be wholly produced in, e.g. the UK...
  - Born, bred, mined or grown in UK
  - Caught in sea by UK flagged fishing boat
  - Product made from scrap materials

*Examples: wool, beef, lamb, pork, rock salt, potatoes*

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## Sufficiently processed

- Where the goods have undergone their last, substantial transformation defined
- A change in HS tariff heading/sub heading
- Specific manufacturing/processing operations that may/may not confer origin
- Value added rule – non originating materials represent a specified value of Ex works selling price

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## Certificates of origin

They are needed...

- To ensure that goods do not originate in embargoed or boycott countries
- To meet quota/ceiling regulations relating to preference
- For supplier verification of origin
- To show that goods comply with EU/UN conditions of aid

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## Preferential origin

Many countries currently covered by preferential free trade agreements

- Preference documents (EUR1, invoice declarations, ATR etc) enable buyer to pay lower/zero rate of duty if goods qualify under terms of the agreement
- Seller must ensure that goods meet the relevant rule of origin
  - A false claim is a fraudulent act!
- EUR1 forms/invoice declaration completed by customer and used by customer to claim duty

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## Preferential rules of origin

Goods must meet the specified rule of origin under The Preference Agreement for the destination country e.g...

- Wholly produced - rare for manufactured products
- Transformation rule – finished product is classified under a 4 digit tariff heading which differs from all the non-originating materials incorporated in that product
- Specific stage of production e.g. fabric woven from yarn
- Percentage rule – product may comprise non originating material up to a stated percentage limit
- A combination of above

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## Transformation rule

Where finished product is classified under a four figure tariff heading is different from that of all the non-originating materials in the product

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## Percentage rule – bases of calculation

- Ex-works selling price = labour + overhead + profit + materials
- Materials should be divided into originating and non-originating
- The percentage rule sets a limit on the value of non-originating materials that can be used
- All materials will be considered non originating unless evidence to contrary
- NB percentages vary between agreements

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## Evidence required for originating material

- Suppliers declaration if supplied from within EU
- Supporting origin documents CO, EUR1 etc
- Supplier costings that show percentages of origination/non-originating materials

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## Preference documents

- Convey preferential origin in order to reduce or remove duty
- False declaration = fraud = civil penalties!

EUR1 form	<ul style="list-style-type: none"><li>• For a large number of countries</li><li>• Issue if requested by customer and goods qualify under preference notices 827, 828, 832</li></ul>
Invoice declaration	<ul style="list-style-type: none"><li>• May be used instead of EUR in certain circumstances</li></ul>
ATR	<ul style="list-style-type: none"><li>• Turkey - Goods in free circulation qualify for preference using form ATR</li></ul>
Supplier declaration	<ul style="list-style-type: none"><li>• May be used within EU in lieu of origin documents</li></ul>

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## Customs Preference Notices – gov.uk

Notice 812	European Community Preferences: trade with Turkey (ATR document required)
Notice 826	Tariff Preferences: Exports
Notice 827	European Community Preferences: Export procedures
Notice 828	Rules of origin for <b>ACP</b> , Albania, Algeria, Bosnia-Herzegovina, Ceuta, Chile, Croatia, Egypt, Faroe Islands, GSP Beneficiary Countries, Iceland, Israel, Jordan, Lebanon, Liechtenstein, Macedonia, Mellila, Moldova, Montenegro, Kosovo, Morocco, Norway, <b>OCT</b> , Serbia, South Africa, Switzerland, Tunisia, Turkey, and Territories of the West Bank and Gaza Strip (EUR 1 document or invoice declaration required)
Notice 829	Rules of origin for Syria (temporarily withdrawn)
Notice 830	Tariff Preferences: New <b>GSP</b> Rules of origin (effective 01/Jan/11)
Notice 832	Tariff Preferences: Rules of Origin for Mexico (also for South Korea subject to entry in South Korea Guide: exceptions to the rules of origin in the EU South Korea (effective 01/07/11)

**ACP** = African, Caribbean and Pacific States

**GSP** = Generalised System of Preference

**OCT** = Overseas Countries and Territories

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### UK – South Korea agreement

- Traders in both countries must become “approved exporters” to issue relevant proof of origin for invoice value over £5700 (€6000)

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## Generalised System of Preferences (GSP)

- GSP allows originating products from certain countries to be imported into the EU at a reduced or zero rate of duty
- Some products from GSP countries are categorised depending on their sensitivity to EU trade
- Not all goods from GSP countries qualify for relief
- Graduation system – GSP is withdrawn when a country becomes competitive in the export of product or range of products
  - e.g. Electrical goods from Far East
- From 2017 GSP qualifying suppliers have to register on an EU database
- Most goods originating in Least Developed Developing Countries (LDDC) are all eligible for free rates of duty
- Importers should obtain annual Supplier Declaration stating that they understand GSP rules
- All claims to GSP must be supported by an original certified GSP Form A document
  - Replaced by Registered Exporter Scheme from 2017

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## Revised GSP

- Beneficiary countries reduced from 176 to 87 - January 2014
- If country is deemed to have exceeded income threshold GSP status is removed
- Will be constantly reviewed...
  - China/Thailand lost GSP from January 2015
  - Ukraine from January 2017
- Ex GSP countries may seek new agreements
  - e.g. Egypt, Morocco
- New products/raw materials may be added



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## Registered Exporter Scheme - REX

- New system of certification of origin of goods - phased introduction from January 2017
- Exporters in GSP beneficiary countries must register for a REX number
- For shipment valued above €6000 REX number must be declared on invoice with statement of origin
- Appropriate document code must be quoted on import declaration
- Requirement for new CETA agreement with Canada from September 2017
- Burden of proof remains with importer – must undertake due diligence

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## Conditions for claiming preference

- Goods must meet preferential rules for that country
- You must hold valid proof of origin
- Goods must have been transported direct from preference receiving country
- Goods must not have undergone any processing en-route - could result in them losing preference

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## **Proof of direct transport from originating country**

Proof can be either...

- Transport document (Through Bill, AWB) covering entire journey
- Certificate of non manipulation from customs authority in third country
- Any other documents such as proof of shipment showing intent to ship to EU

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## ***Customs procedures***

### **Customs Procedures Codes (CPC)**

- These are critically important
- Entry in box 37 of SAD C88 Export Declaration
- Describes the circumstances of the Export
- Tells HMRC why the goods are moving e.g. permanent export/samples/IPR movement
- 7 character format xx – xx - xxx
- Full alphabetical list of export/Export CPCs in volume 3 of Tariff on gov.uk

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## **Session 4: Documentation required for importing and exporting**

### **Documents are essential for...**

- Record keeping
- Compliance
- Movement of goods
- Financial reconciliation

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### **Documents required by customs**

- These must be retained for **7 years**
  - Commercial Invoice
  - Packing List
  - Certificate of Origin
  - Preference Document (if required)
  - Transport document
  - Entry Summary (ENS) in advance
  - SAD C88 or electronic declaration
  - Import/Export License (if required)
  - Authority for agent to act
  - Valuation build up (if requested)
  - Evidence of freight/insurance charge

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## Commercial invoice – essential information

- Seller
- Buyer
- Place of Delivery
- Vessel/Flight Number
- Port/airport of loading/discharge
- Payment terms/value/currency
- Full description of goods
- Country of origin
- Country of destination
- Commodity code
- Signature
- Any necessary declarations

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## Commercial invoice

INVOICE		RECHNUNG FACTURE FACTURA فاتورة			
<b>Seller (name, address, VAT reg no.)</b> Eastern Trading PO Box 500 Marine Parade Post Office Singapore 9144 Republic of Singapore		<b>Invoice number</b> JP-IV2167			
		<b>Invoice date (tax point)</b> 07 January 2007	<b>Seller's reference</b> JP-IV2167		
		<b>Buyer's reference</b> P.O.4123	<b>Other reference</b>		
<b>Consignee</b> VAT no. 123 4567 89 Kasha Importers Ltd 49 New Street Bedlington Essex EB 32 A19 United Kingdom		<b>Buyer (if not consignee)</b> VAT no. Consignee			
		<b>Country of origin of goods</b> Singapore	<b>Country of destination</b> UK		
<b>Terms of delivery and payment</b> CFR Felixstowe (Incoterms 2000) Payment via L/C A10784 opened at Bank of Foreign Trade 18-22 Valentine Place, London WC2E 9QM					
<b>Vessel/flight no. and date</b> Silver Crown	<b>Port/airport of loading</b> Singapore				
<b>Port/airport of discharge</b> Felixstowe	<b>Place of delivery</b>				
<b>Shipping marks; container number</b> KIL Felixstowe 01-36		<b>No. and kind of packages; description of goods</b> 36 cases Leather Goods	<b>Commodity code</b> 42033000 90 42050000 00 42022100 90 Total net wt (Kg) 296.40		
		<b>Total gross wt (Kg)</b> 337.20	<b>Total cube (m<sup>3</sup>)</b> 28.44		
<b>Item/packages</b> 12 Cases	<b>Gross/net/cube</b> Gross 111.60 kg Net 97.20 kg. 8.64M3	<b>Description</b> Leather Belts 42033000 90	<b>Quantity</b> 560	<b>Unit price</b> GBP 2.46	<b>Amount</b> GBP 1377.60
12 Cases	Gross 111.60 kg Net 97.20 kg. 8.64M3	Leather Straps 42050000 00	500	1.71	855.00
12 cases	Gross 114.00 kg Net 102.00 kg. 11.16M3	Leather Handbags 42022100 90	440	7.39	3251.60
<b>Invoice total</b> GBP 5484.20					
Freight included in invoice total					
<b>Name of signatory</b> K.L Ho, Chief Clerk					
<b>Place and date of issue</b> Singapore 07 January 2007					
<b>Signature</b> Kenneth Ho					
<small>It is hereby certified that this invoice shows the actual price of the goods described, that no other invoice has been or will be issued, and that all particulars are true and correct.</small>					



## Invoices

- Legalised invoices
  - Legalised by embassy/consulate
- Shipping invoice
  - Will usually show shipping costs
- Customs invoice
  - Usually on form prescribed by country for clearance
- Pro forma invoices
  - Advance copy of final invoice – often used as a sales confirmation
  - May be required by exporter to open LC or to request exchange
  - Differs from quotation (i.e. is not a negotiable offer)

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## Agent Power of Attorney (POA)

- If you engage a customs broker they will want you to formally authorise them as an agent
- There are two types of representation...
  - Direct representation - representative acts in the principal's name
  - Indirect representation - representative acts in their own name but on behalf of the principal
- The representative will be considered to be acting in their own name on their own behalf if...
  - They don't state the type of representation on the customs declaration, or
  - They are not empowered to act as a representative

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## Bill of lading

- Receipt for shipped goods between carrier and shipper
- Evidence of contract of carriage
- Details limits of liability
- Allows lawful holder to take possession of goods
- May be a negotiable document of title

Shipper <input type="checkbox"/> Eastern Trading Ltd P.O.Box 500 Marine Parade Post Office Singapore 9144		VAT no. B/L no. 1238704	
Consignee To Order		Shipper's reference B53428 Forwarder's reference IR 76-470	
Notify party and address Kasha Importers 49 New Street Bedlington Essex, United Kingdom 01732 566990		<b>ORIGINAL BILL OF LADING</b>  <b>ORIENT - OCCIDENT LINE</b>	
Pre-carriage by*	Place of receipt by pre-carrier*		
Vessel Silver Crown	Port of loading Singapore		
Port of discharge Felixstowe, U.K.	Place of delivery by on-carrier*		
Shipping marks; container number	Number and kind of packages; description of goods	Gross weight	Measurement
KIL Dover 1-24	Leather Belts and Straps	223.2 kg	17.3 M3
KIL Dover 25-36	Leather Handbags	114.00 kg	11.2M3
<div style="border: 2px solid black; padding: 5px; width: fit-content; margin: 0 auto;">                     SHIPPED ON BOARD                      IN APPARENT                      GOOD ORDER                      VESSEL INDICATED                      14 JULY 20XX                 </div>			
Freight details; charges etc. <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-top: 5px;"> <b>FREIGHT PREPAID</b> </div>		RECEIVED FOR CARRIAGE as above in apparent good order and condition, unless otherwise stated hereon, the goods described in the above particulars. IN WITNESS whereof the number of original bills of lading stated below have been signed, all of this tenor and date, one of which being accomplished the others to stand void.	
Ocean freight payable at Singapore		Place and date of issue Singapore 14 July 20xx	
Number of original B/L 3		Signature <i>C.K.Chan</i> Authorised signatory for Orient - Occident Line	
*Applicable only when document used as a through bill of lading			



## **Air waybill**

- Accompany goods shipped by air couriers
- Evidence of contract of carriage
- Details limits of liability
- It is not negotiable

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## CMR/CIM

### CMR

- International convention covering the transport of goods by road

### CIM

- International convention covering the transport of goods by rail

LETTRE DE VOITURE INTERNATIONALE CMR INTERNATIONAL CONSIGNMENT NOTE					
COPY 1 SENDER COPY 2 CONSIGNEE COPY 3 CARRIER	1	Sender (name, address, country) Expéditeur (nom, adresse, pays) Schmidt Frederich-Ebart Allee 853 67001 Bonn, Germany DE 99345195 5	20	Sender/agents reference Référence de l'expéditeur/agent	
	4	Consignee (name, address, country) Destinataire (nom, adresse, pays) Gibbons (UK) Ltd Export House, Nutley EB 1 2 AU U.K. VAT No GB 192 3934 43	5	Carrier (name, address, country) Transporteur (nom, adresse, pays) Acme Carriage Unit 4 Guildford Industrial Estate Guildford GU 3 7 XA U.K. 120 - 1314 STC 347	
	6	Place and date of taking over the goods (place, country, date) Lieu et date de la prise en charge des marchandises (lieu, pays, date)  Collect 09 October 20xx at Consignor Address	7	Successive carriers Transporteurs successifs	
Approved by FT/UR/AS/ET/RO UK 1981/1987/1993 NB FOR DANGEROUS GOODS SPECIFY: 1. Substance identification number (if applicable) 2. Substances and their (UN) 3. The hazard code or "RID" 6. Other statements as required by ADR or RID.	8	Place designated for delivery of goods (place, country) Lieu prévu pour la livraison des marchandises (lieu, pays)  NUTLEY UK	This carriage is subject, notwithstanding any clause to the contrary, to the Convention on the Contract for the International Carriage of Goods by Road (CMR) Ce transport est soumis nonobstant toute clause contraire à la Convention Relative au Contrat de Transport International de Marchandises par Route (CMR)		
	9	Shipping marks; no kind of packages; description of goods* Marques et nos; no et nature des colis; désignation des marchandises*	10	Gross weight (kg) pois brut (kg)	11
		SAC 0422 NUTLEY 1/12	12 Cartons Textile Piece Goods Printed Cotton Catalogue No. AB 321/56	3480 Kg.	8.899 m <sup>3</sup>
	12	Carriage charges Prix de transport  £182.00	13	Senders instructions for customs, etc... Instructions de l'expéditeur (optional)	
TATE FREIGHT FORMS UK (1969/8) 201162 SHIPRO LICENCE NO: 20	14	Reservations Reserves	15	Documents attached Documents annexes (optional)	
			16	Special agreements Conventions particulières (optional)	
	17	Goods received Marchandises reçues	18	Signature of Carrier Signature du transporteur  <b>T Rucker</b> For Acme Carriage	
		19	Company completing this note Société émetrice ACME Carriage 01483 330162	20	Place and date; signature Lieu et date; signature Guildford 09 October 20xx <b>T Rucker</b>



### Courier waybills

- Usually completed by shipper on standard form provided by courier or parcels operator
- Simplified document designed to satisfy basic requirements of international trade
- Does not provide evidence of export

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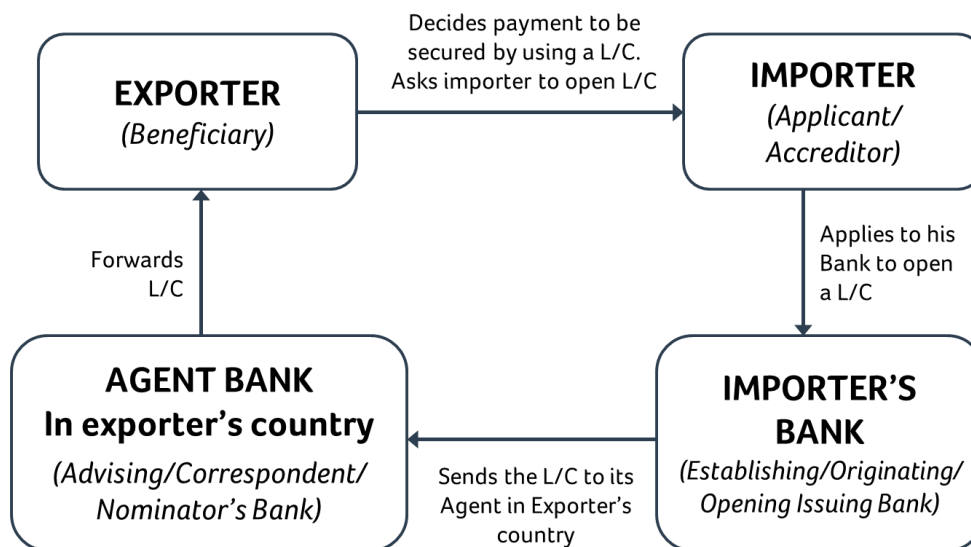
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### Documentary credits



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## Export control system - all goods leaving UK

- Requires summary pre-arrival declarations (ENS) to allow for risk analysis
  - Required min 24 hours before off-loading
  - Cut-off often 72 hours
- Declaration must be made by carrier - or agent on their behalf

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## Community Transit documentation

- Traders should use the New Computerised Transit System (NCTS) to make transit declarations
- Inbound and outbound goods which transit EU states with duty unpaid require...
  - Movement reference number (MRN) and
  - Transit Accompanying Document (TAD)

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## Audit trail for shipment

- A 'road map' for each shipment beginning at enquiry stage to consider
  - Incoterms – obligations of seller/buyer
  - Logistics costs
  - Export Control
  - Customs Clearance requirements
  - Customs Clearance costs
  - Documentation required
  - Quotation (offer)
  - Order (acceptance)
  - Internal documents
  - Instructions to agents
  - Invoice
  - Packing list
  - Origin documents
  - Other customs documents (inspection etc)
  - Consignment documents
  - Proof of export

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## Electronic documentation

- Incoterms® now fully embrace electronic documentation
- Electronic documents may not be acceptable for financial reconciliation (“original” rule) or by some customs authorities/countries
- May become more common with advent of E-Customs and “Electronic Borders”

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## The 'critical' documents

- Packing list
- Invoice
- Consignment document
- Declaration (for goods leaving or entering UK)

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## *Import and export VAT*

### Proof of export for VAT zero rating

HMRC require 'Basket of Evidence' to include:

- Freight document (AWB/BL/CMR etc)
- Customs declaration (NES/SAD/C88/GDM)
- Customers purchase order
- Sales order confirmation/contract
- Proof of delivery
- Evidence of receipt
- Invoice/Packing list/CO/Export Licence
- Evidence of payment

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## Proof of export for VAT zero rating

**Commercial** evidence (usually consignment document) must contain...

- Exporter name
- Customer details
- Full goods description
- Accurate value
- Destination and movement route
  - NB consignment docs must be validated
  - Photocopies not acceptable unless originally validated

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**Official** evidence may be:

- Goods departed message (from NES)
- Copy 3 of SAD/C88
- Confirmation of discharge from NCTS

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## **Proof of export for VAT zero rating – supply of goods to another EU member state**

- Must obtain specific proof of removal from UK
- Customs declaration not available
- Proof must be obtained within 3 months
- If cannot be obtained you must account for VAT
- If shipping under EXW terms and not charged VAT HMRC can go back 3 years
  - If non compliances found will charge all VAT plus interest
- If shipping to non registered company within EU VAT must be charged at UK rate (currently 20%)

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## **Proof of export for VAT zero rating**

- If exporter does not arrange shipment e.g. Ex-works contracts, the information requirement is greater - see notice 703
- Postal exports require relevant proof of posting
- Courier shipments – courier invoice is sufficient provided that it makes reference to AWB
  - Print out from “Track and Trace” system should also be retained
- Delegates are urged to obtain VAT notices 703
- See section 5 VAT notice 725 for despatches within EU

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J3199B00262UAA000047492001001000  
M8020/09210/1/094983 H.M. CUSTOMS AND EXCISE MONTHLY VAT CERTIFICATE IVC 0001  
DATE PRODUCED 10/09/19 \*\*\* DO NOT DESTROY \*\*\* PAGE 1  
PLEASE NOTE :

VAT REGISTRATION NO. [REDACTED]  
PERIOD ENDING... AUGUST 2019

A/C DATE	ENTRY NO	AGENTS REF	WAREHOUSE CODE NO	WARR NO/ CONSEC NO	AGENTS VAT NO	VAT AMOUNT
DECLARED TURN...706158151 000						
DOVER EAST						
14.08.19	1258A	WD159284D			912339539	2897.10
14.08.19	2565J	WD159284B			912339539	3088.96
FELIXSTOWE						
12.08.19	21637N	COLJ3510494			316645164	15283.59
13.08.19	21318W	COLJ3510567			316645164	24517.16
29.08.19	65381B	COLJ3510620			316645164	1366.88
LONDON AIRPORT						
01.08.19	5202L	15354SMI			302275889	708.71
01.08.19	6032A	15324SMI			302275889	135.76
02.08.19	12883T	15416SMI			302275889	164.35
02.08.19	13408R	15448SMI			302275889	715.48
03.08.19	17095M	15511SMI			302275889	3606.04
03.08.19	17190G	15487SMI			302275889	1829.24
04.08.19	19012H	HNI19080060-JKE			100146190	552.02
04.08.19	20544K	15609SMI			302275889	266.92
04.08.19	20835M	15622SMI			302275889	82.69
04.08.19	20839R	15619SMI			302275889	347.45
05.08.19	25124E	15650SMI			302275889	312.72
07.08.19	40887H	15715SMI			302275889	151.64
07.08.19	43277J	15718SMI			302275889	169.78
08.08.19	47984W	15756SMI			302275889	334.42
08.08.19	50477F	15782SMI			302275889	138.75
11.08.19	63299N	15872SMI			302275889	194.05
11.08.19	63832T	15990SMI			302275889	132.26
11.08.19	64314C	HNI19080118-LB			100146190	31234.39
11.08.19	64671E	HNI19080189-JKE			100146190	284.62
11.08.19	64752E	HNI19080191-JKE			100146190	188.98
11.08.19	65083B	16024SMI			302275889	111.29
12.08.19	70877D	SF3598812SMI			302275889	1851.02
13.08.19	75388E	SF3599507SMI			302275889	2055.86
14.08.19	83588P	16110SMI			302275889	1003.36
14.08.19	83900E	16105SMI			302275889	575.30
14.08.19	85186N	16116SMI			302275889	113.25
15.08.19	90380K	16199SMI			302275889	262.13
15.08.19	91601B	16175SMI			302275889	128.82
15.08.19	91689F	HNI19080241-FR			100146190	119.34
15.08.19	91693F	16170SMI			302275889	109.81
15.08.19	92084V	16192SMI			302275889	167.25
16.08.19	94886X	16150SMI			302275889	1705.60
16.08.19	98360V	16238SMI			302275889	453.23

Form C79





## Insurance

Peril	“A”	“B”	“C”
Collision or contact of the conveyance with external object	Covered	Covered	Covered
Discharge of cargo at port of distress	Covered	Covered	Covered
Fire and Explosion	Covered	Covered	Covered
General Average and Salvage Charges	Covered	Covered	Covered
Jettison	Covered	Covered	Covered
Overturning or derailment of land conveyance	Covered	Covered	Covered
Vessel or Craft stranded, grounded, sunk or capsized	Covered	Covered	Covered
Earthquake, volcanic eruption, lightning	Covered	Covered	
Entry of sea, lake or river water into vessel, craft, container, etc. or place of storage	Covered	Covered	
Total loss of package lost overboard, or unloading from vessel or craft	Covered	Covered	
Washing overboard	Covered	Covered	
Breakage and other physical loss or damage from any external cause	Covered		
Contact with other cargo	Covered		
Deliberate damage or destruction	Covered		
Fresh Water	Covered		
Hook damage, mud, grease	Covered		
Improper stowage by ship-owners	Covered		
Non-delivery	Covered		
Pilferage	Covered		
Ship sweat, steam of hold	Covered		
Theft	Covered		





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## ***Session 5: The customs clearance process***

### **UK import and export entries**

- Currently handled by mainframe computer **CHIEF** –  
Customs **H**andling of **I**mport and **E**xport **F**reight
- Due to be replaced by **CDS** –  
Customs **D**eclaration **S**ystem

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### ***Customs declarations***

#### **Customs declarations for all goods entering or leaving UK**

The trader must:

- Present correct entry
- Declare quantity and value
- Pay duty chargeable

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## HMRC customs declarations

All goods to be **imported** into or **exported** outside the UK and all goods in **transit** must be declared to customs by...

- Direct Trader Input (by trader or agent)
- Customs Input of Entries (CIE) - where DTI does not exist
- Data input by customs from C88 form
- Manual processing of C88 form
- Customs Freight Simplified Procedures (CFSP) - imports
- National Export System (NES) - exports

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## Export entry – SAD C88 via National Export System (NES)

Example - steps required for sea freight shipment

- Goods arrived at port by port operator
- CHIEF checks information
- If all OK permission to proceed P2P granted
- Port operator send departure notice to CHIEF
  - Additional safety and security data now required unless exporter is exempted under AEO

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### **Critical information on SAD C88 customs entry**

- Commodity/Tariff Code
- Goods description
- The movement of the goods
- Value
- EORI
- Unique consignment reference number (UCR)
- Customs Procedures Code (CPC)

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### **Export movement departure advice**

- Advised to CHIEF by loader
- Required by exporter as proof of export
- Must include:
  - UCR/MUCR/DUCR
  - Date of departure
  - Place of loading
  - Transport mode code
  - Transport identity
  - Transport country (flag) code

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## Trader's considerations

- Accuracy of customs declaration is the responsibility of the trader even though declaration may be lodged by agent
- Accurate records must be kept with a clear audit trail
- Very heavy penalties for deliberate discrepancies
- Ignorance of procedures is no excuse

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## Import declarations

- Importer must always insist on a copy of import declaration
- On receipt importer **must** check
  - Entry has correct importer EORI number
  - Customs Procedure Code (CPC)
  - Country of despatch
  - Origin of the Goods
  - Appropriate 10 digit import tariff code (commodity code)
  - Correct values
  - Amount of import Duty
  - Amount of import VAT
  - Has preference been applied if applicable

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## Customs entry C88

- The document used to lodge customs entries is the C88, the Single Administrative Document or SAD
- Can be completed in hard copy or more likely in electronic form (next slide)
- 54 boxes, although not all are required to be completed in the UK
- The number of fields depends on the entry process taking place

EUROPEAN COMMUNITY				OFFICE OF DISPATCH/EXPORT DESTINATION			
1	6	2	Consignor/Exporter	No		DECLARATION	
		3	Consignee	No		21 Items	41 Loading date
1	6	8	Declared Representative	No		4 Items	6 Total packages
		9	Person responsible for financial settlement	No		7 Reference number	
		10	Country of dispatch	No		10 City of origin	11 Total Prod country
		11	Country of origin	No		12 Invoice details	13 CAP
		14	Country of destination	No		14 Country of dispatch	15 Ship. inst. Code
		15	Country of origin	No		16 Country of origin	17 Country of destination
		16	Identity and nationality of means of transport at departure on arrival	No		18 Delivery terms	
		17	Identity and nationality of vehicle means of transport crossing the border	No		19 Currency and value amount invoiced	20 Exchange rate
		18	Mode of transport	No		21 Invoice and banking data	22 Nature of transaction
		19	Mode of transport	No		23	24
		20	Place of departure	No		25	26
		21	Markings and numbers — Container No(s) — Number and kind	No		27	28
		22	Additional information: Documents produced, Certificates and other values	No		29	30
		23	Calculation of taxes	No		31	32
		24	Principal	No		33	34
		25	Signature	No		35	36
		26	Office of departure	No		37	38
		27	Code	No		39	40
		28	Stamp	No		41	42
		29	Signature and name of declared representative	No		43	44

Page 1 (PT July 2003)



### Customs entry plain paper C88

- Electronic form of the C88 submitted to MRC
- Same box numbers as the paper SAD
- Submitted from a broker system at the port, likely through a Port Inventory system

```
Trader Input Plain Paper C88 (6)      1 IMC      EPU 290  ENO ████████  DOE 26/11/2018
2                                     3 I
TAL                                     5 1      6 401      7 CTS00764
TAL BUILDING 3RD FLOOR
KOWLOON
00      HK      15a MY 18
8 ██████████ ██████████ 21 CMA CGM ZHENG HE      MY
██████████ ██████████ 22 USD 53169.80
██████████ ██████████ 25      26 3
14 ██████████ ██████████ [2] 30 SOU
██████████ ██████████

-----
31 PANTS CTR=FCIU4569839, PKG=401xCT Adress 32 01 33
sed,
34a      35      36
37 0612071 38 2218.580      39
40 Z 705      APLU075179749
41      42 53169.80      43
45 0
46

44 DUCR=8GB ██████████ -CTS00764, MUCR=SCT12GYX100100, WHSE=██████████

-----
47A      B      C      D      E 48      49 ██████████
Box B
Total Dty: 0.00
Total Vat: 0.00
Total Other: 0.00

-----
Entry input by: ██████████
Telephone: ██████████
54 Place and date
HEATHROW 26/11/2018
Signature and name of
declarant/Representative
██████████
C88 (6)
ASM Sequoia

Generated by ASM Sequoia
```



## Customs entry acceptance - E2 form

- You or your agent will receive an E2 when the import entry has been accepted by HMRC
- It shows...
  - The 'Route' allocated
  - The value for duty calculation
  - Duty and VAT due

```
GBP                                                                 GBP
CHIEF                IMPORT ENTRY ACCEPTANCE ADVICE                at 09:09
DTI-E2                Entry: 290-029952N-26/11/2018 SFD version 01   on 26/11/2018
                    Route 6 at 290 status 00                        for CNSSXE
                                                            page 1

-----
ENTRY ACCEPTANCE DETAILS

Entry accepted      26/11/2018 at 09:08                Office 290
Declarant Id       GB245881479001                Submitting TURN 245881479000
Declarant reference CTS00764

CONSIGNMENT DETAILS

Decln UCR          8GB[REDACTED]-CTS00764                part
Consignee         GB[REDACTED]
Master UCR        SCT12GYX100100                Inventory system CNS1
Location          GBSOU                                Total Packages 401

ENTRY VALUE DETAILS

Invoice total      Amount from Currency at Exchange Rate
                  41178.59                USD                1.2912

ENTRY REVENUE TOTALS

Tax Type  Total Amount MOP  Tax Type  Total Amount MOP

Total deferred revenue 0.00
Total immediate revenue 0.00
Total revenue payable 0.00

ITEM DETAILS

Item 1
  Item Price      53169.80                VAT value        0.00
  Customs value   0.00                Licence value    41178.59
  Stat value      0.00

GBP                                                                 GBP
                    END OF REPORT IMPORT ENTRY ACCEPTANCE ADVICE

Generated by ASM Sequoia
```



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## Customs selection route

**Route 0** Awaiting a response from another government system before the route is determined

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**Route 1** Requiring the supporting documentation to be examined

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**Route 2** Requiring goods and documents to be examined

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**Route 3** Which implies automatic clearance after a short period of time during which the documentation must be submitted and Customs have the opportunity to examine it

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**Route 6** CFSP - Paperless declaration with the entry being given immediate clearance, ie zero time out

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## Customs duties

### Customs duties and taxes that may be payable at import from outside EU

- Import duty
  - Anti-dumping duty
  - Countervailing duty
  - Excise duty
  - Import VAT
- 
- 
- 
- 
- 
-





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## Import customs duties

- May be imposed on imported goods
- Based on UK Tariff (WTO rules)
- Dependent on commodity tariff code and CIF import value
- Excise may be imposed on imported goods at same rate as home produced goods
- Specific duties – based on quantity or weight
- Valuation statements may be requested by HMRC

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## Restrictions

- Import license types/quotas
  - Some goods restricted by import license quota e.g. iron and steel products from some countries
  - May restrict quantity or volume and source country
- Tariff quotas
  - A form of EU preference under which limited amounts of certain goods may be admitted to free circulation
- Anti dumping / countervailing duties
  - Trade defence measure
  - Once imposed may stay in place for 5 years
  - Traders must be aware if imported products are threatened with ADD

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## VAT

- Charged at same rate as UK sales
  - Standard rate 20%
  - Reduced rate 5%
  - Zero rate
- An arrival tax for EU and non EU imports
- VAT is calculated on...
  - invoice price + packing + freight + insurance + duties + freight charges to 1<sup>st</sup> delivery point + chargeable amount
- Import entry documents are required to reclaim VAT

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## Deferment accounts

- You can defer VAT, customs duties, excise duties and anti-dumping or countervailing duties
- Efficient means of arranging imports with cash flow advantages
- Allows operation of 'Customs Planning'
- Can be extended to cover IPR/OPR/CW
- Customs duty and import VAT must be paid as a lump sum on the 15<sup>th</sup> of the next month
- Excise duty deferment accounting period runs from the 15<sup>th</sup> to the 14<sup>th</sup> of the next month - payment by 29<sup>th</sup> of the latter
- New deferment accounts require Comprehensive Customs Guarantee (CCG)

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## Comprehensive Customs Guarantee (CCG)

- Introduced as part of UCC legislation
- UK historically did not require bank guarantees for 'potential' debt such as that related to goods in a customs warehouse
- Requires an application to HMRC, using CCG1 and CCG1a questionnaire
- This allows you to vary the level of guarantee to 50%, 30% or even 100% based on your processes
- Successful applications will be told the financial amount of guarantee that you are required to obtain from your guarantor
- This must be communicated to HMRC as either a CCG2, or a Joint Contractual Liability (JCL)

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## ***Customs special procedures***

### **Duty and VAT suspension regimes available to importers**

- Storage comprising Customs Warehousing **CW** and Free Zones **FZ**
- Specific use comprising Temporary Admission **TA** and End Use **EnU**
- Processing comprising Inward processing **IP** and Outward Processing **OP**
- Returned Goods Relief **RGR**

*All except RGR will require the use of Comprehensive Customs Guarantee -CCG*

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### **Customs warehousing - CW**

- Allows for the storage of imported goods free of duty and VAT
- Requires customs approval
- Warehouse keeper must be able to demonstrate economic need
- Goods may not be removed without authorisation
- Processing in warehouse (other than minor checking and relabelling) is not permitted

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## **Inward Processing Relief - IP**

- Trade facilitation measure
- Designed to put EU manufacturers on level footing with non-EU competitors
- Duty and VAT may be suspended during a throughput period but can only be used where a duty is payable
- Throughput period limited to 12 months if via full authorisation
- Throughput period limited to 6 months if via 'authorisation on Entry'
- Drawback procedures withdrawn under UCC

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## **Authorisation for IPR**

- Traders must be authorised to use IPR
- Authorised party must be the processor
- Processing may be subcontracted
- Subcontractor must hold own authorisation or be named on first Authorisation

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### **Returned Goods Relief - RGR**

- Allows relief of duty, VAT and excise on re-importation of goods in the same state they were on previous export
- Designed for goods that were exported on a temporary basis e.g. for trade show, overseas contract etc
- Can also be used if export customer rejects good
- Time limit = 3 years
- See Customs Notice 236

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### **Outward Processing Relief (OPR)**

- Goods temporarily exported from the EU for process or repair to be re-imported wholly or partly free of duty
- Authorisation required
- See Customs Notice 3001

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## Duty suspensions

- Temporary arrangements that allow duty free entry of raw materials, components and semi finished products that cannot be supplied from within EU
- Intended to allow manufacturers and processors to buy materials more cheaply
- May have a restricted end use

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## Authorised Economic Operator Status (AEO)

- AEO is a “trusted trader” status granted to businesses after undergoing audit by HMRC
- AEO holders can benefit financially e.g. when applying for special procedures as it waives guarantee requirement
- From May 2016 under the Union Customs Code (UCC) two certificates are available
  - Customs Simplifications (AEOC)
  - Security and Safety (AEOS)

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## Controlled goods

- All items specifically designed or modified by for military use
- Security and paramilitary goods, software, technology, ammunition and related material
- Dual-use goods – those which may have both civil and military application
- Goods covered by US regulations
- For info on export licenses see export control organisation on [www.gov.uk](http://www.gov.uk)

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## Export controls

### Level of control determined by 4 factors

- Nature of the goods due to be exported
- Destination concerned
- Ultimate end use of the goods
- Licensability of trade activities

### Failure to comply?

- Board level indictment if goods or technology get into the wrong hands & up to 10 years in prison

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## **Export control compliance - elements of code of practice**

- Commitment to compliance
- Identify responsible personnel
- Information and training
- Company compliance procedures
- Awareness of suspicious enquiries/orders
- Record keeping
- Internal audits
- Integration with management practices

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## Session 7: Introduction to Incoterms

### The Incoterms® rules

Standard set of trading terms and conditions for traders that define the obligations of seller and buyer...

- To arrange delivery and transfer risk
- To load/unload the goods
- Arrange import/export clearance
- Arrange freight contracts

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The 11 Incoterms fit into four groups...

Buyer responsible for all carriage	<b>EXW</b>
Buyer arranges main carriage	<b>FAS, FOB, FCA</b>
Seller arranges main carriage, risk passes after main carriage	<b>DPU, DAP, DDP</b>
Seller arranges main carriage, but risk passes before main carriage	<b>CFR, CIF, CPT, CIP</b>

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## ***Incoterms® 2020 - Rules applicable to all transport methods...***

### **EXW - Ex Works**

*Minimum responsibility on the seller*

- **Seller**
  - Needs to make the goods available for the buyer from a specified place e.g. factory
- **Buyer**
  - Responsible for loading the goods onto vehicle, all export procedures, onward transport and any costs after collection
- **Practical points**
  - Seller often better placed to be involved and may be needed for reporting & clearance processes

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### **DAP - Delivered at place**

*Delivery is responsibility of the seller*

- **Seller**
  - Transport handled by the seller – bears all the risk, liability and costs of transport
- **Buyer**
  - Responsible for arranging shipment unloading
  - Takes on risk when goods available to unload
  - Handles import clearance, taxes and duties

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## DDP - Delivered Duty Paid

*Maximum responsibility on the seller*

- **Seller**
  - Covers all costs and risks of transporting – including the export/import clearance, taxes and duties
- **Practical points**
  - Can be very difficult for seller
  - Do they have sufficient knowledge of rules and procedures in country of import?

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## FCA - Free Carrier

- **Seller**
  - Responsible for export clearance and delivery to the buyer's carrier at a named place
- **Buyer**
  - Responsible for risk and costs after goods have been delivered to the named place
- **Practical points**
  - Buyer really needs to consider the named place as the risks/processes are their responsibility after this point

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## CPT - Carriage Paid To

- **Seller**
  - Responsible for arranging delivery to a named place and export clearance
  - Risk transfers from to buyer when carrier receives goods
- **Buyer**
  - Seller is not responsible for insuring the goods to the named place
- **CIP - Carriage and Insurance Paid** same as CPT must cover the insurance to named destination
  - Seller must purchase maximum level of insurance cover

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## DPU - Delivered at Place Unloaded

- **Seller**
  - Transport handled by the seller – bears all the risk, liability and costs of transport to an agreed place of unloading
  - Responsible for export clearance and unloading the goods
- **Buyer**
  - Takes on risk when goods unloaded
  - Handles import clearance, taxes and duties

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***Incoterms® 2020 - Rules only applicable for sea and inland waterway...***

**FOB - Free On Board**

- **Seller**
  - Responsible for costs and risks until delivered on board ship
  - Also arranges export clearance
- **Buyer**
  - Takes on full responsibility and costs as soon as goods are on board
  - Costs include bill of lading, insurance, unloading and onward transport
- **Practical point**
  - If goods are containerised, FCA is usually worth considering instead

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**FAS - Free Alongside Ship**

- **Seller**
  - Similar to FOB but seller only required to deliver goods next to the ship
- **Buyer**
  - Takes on risks and costs of getting goods on board
  - Also handles both export and import clearance

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## CFR - Cost and Freight

- **Seller**
  - Same as FOB but seller also responsible for the costs to the port of delivery
- **Buyer**
  - Although cost of freight paid by seller, the buyer still takes on all responsibilities as soon as goods are on board
- **Practical point**
  - Seller pays for freight costs but not required to pay insurance - buyer will still need to arrange this

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## CIF - Cost Insurance and Freight

- **Seller**
  - Same as CFR but seller must also cover insurance costs
- **Buyer**
  - The buyer still takes on all responsibilities as soon as goods on board
- **Practical point**
  - Seller only required to pay for minimum cover – if buyer wants more, they will likely be required to pay for extra
  - Check agreements

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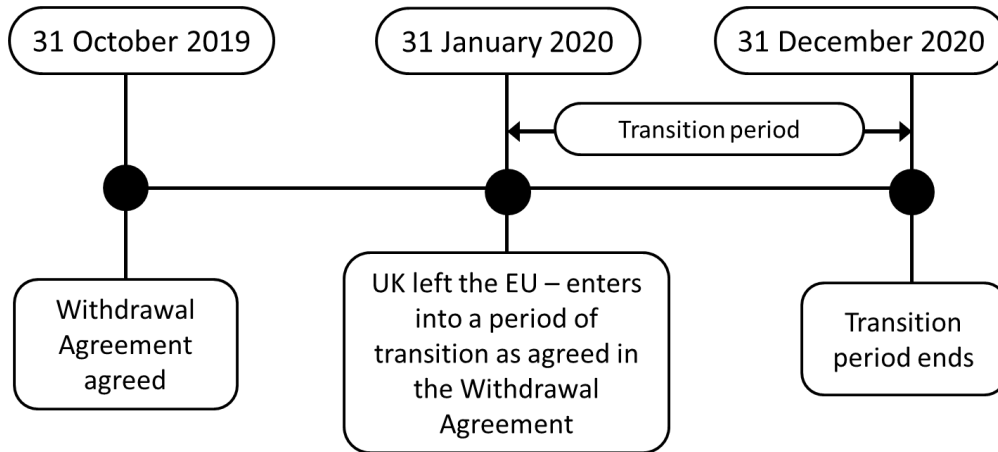
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## Session 8: Trading with EU and Northern Ireland post 1/1/21

### The Brexit transition period



### Definitions in 2021 - recap

- EU sales become **exports**
- EU sales become **exports**

### The new border with the EU in 2021

- Trade of goods with EU will be similar to current treatment with the rest of the world (ROW)
- **Exports** - full border controls immediately for goods moving from GB to EU from 1 January 2021
- **Imports** - full border controls on goods moving from EU to GB implemented in **3 stages** up until July 2021
- Separate rules for goods moving from GB to Northern Ireland



## Moving goods between GB and the EU – what’s changing?

- Some ‘core processes’ will apply to all goods movements – this is known as the ‘Core Model’
  - Customs declarations
  - Customs duties
  - VAT
  - Safety & Security (S&S) declarations
- There are ‘additional processes’ that only affect certain goods

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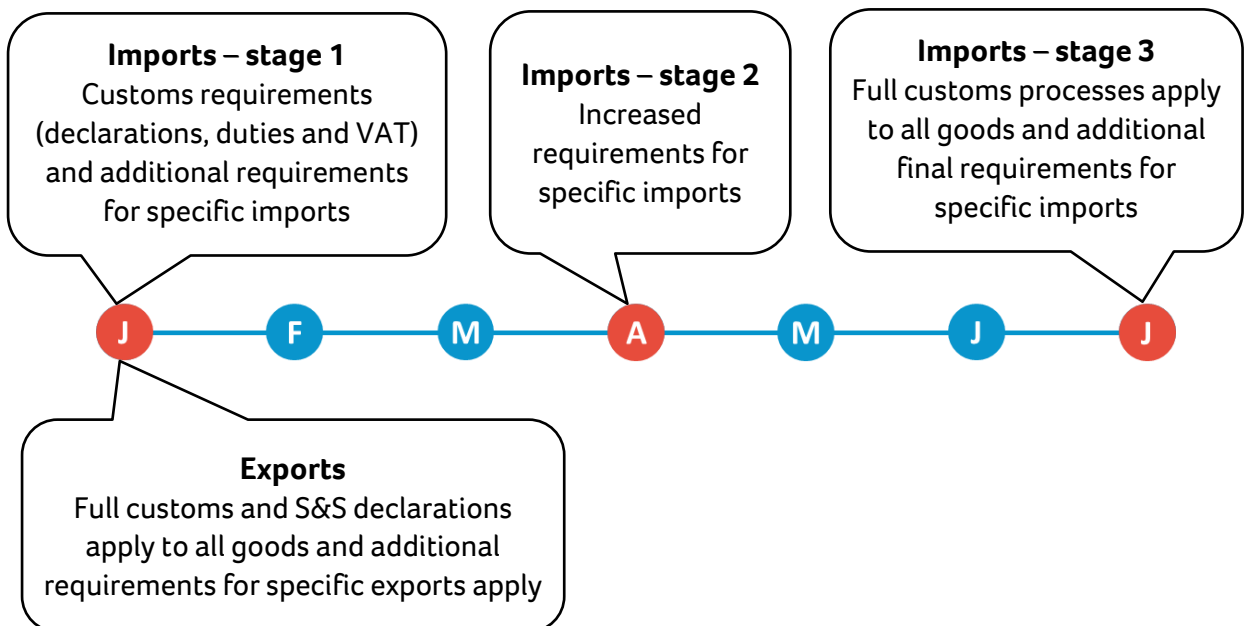
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## The Border Operating Model - 3 stages



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### Key planning points...

- Review existing contract terms
  - Incoterms important to establish responsibility for customs procedures
- Review existing trade agreements to determine what contracts are affected by the changes
- Review/check existing authorisations and relationships with intermediaries
- Consider internal resources and any training needs
  - Staff
  - IT/systems
  - Are grants available?

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### Will you use customs intermediaries?

- Customs procedures complex and easy for mistakes to be made
- Mistakes can lead to:
  - Delays in goods entering circulation or them being confiscated
  - Additional costs and lost revenue
- Who can help?
  - Customs agents and brokers
  - Freight forwarders
  - Shipping companies
  - Fast parcel operators e.g. couriers
  - Specific industry specialists e.g. pharmaceuticals

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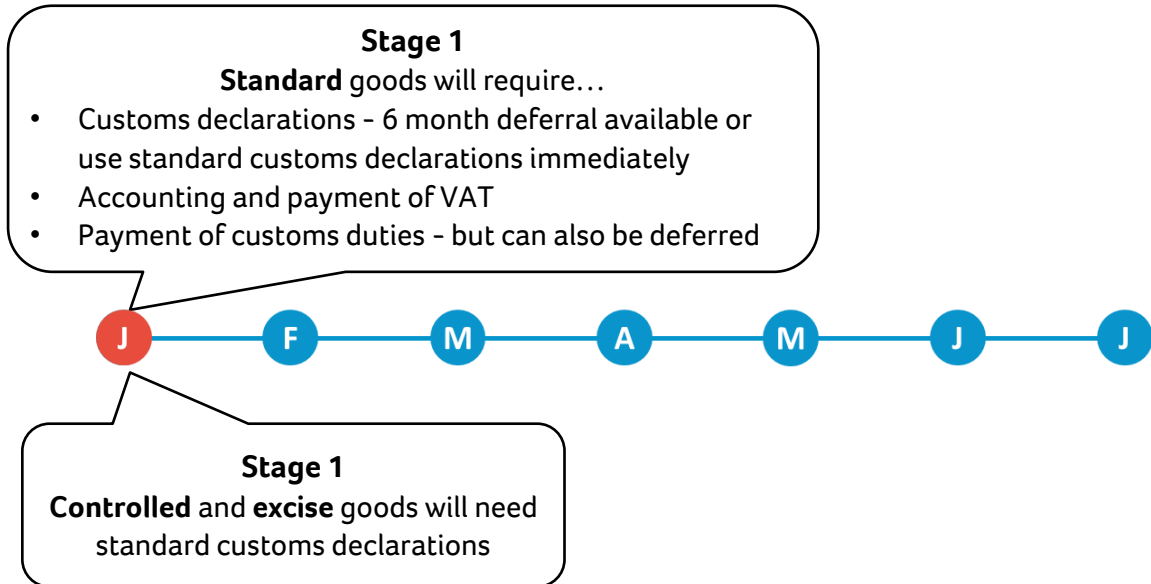
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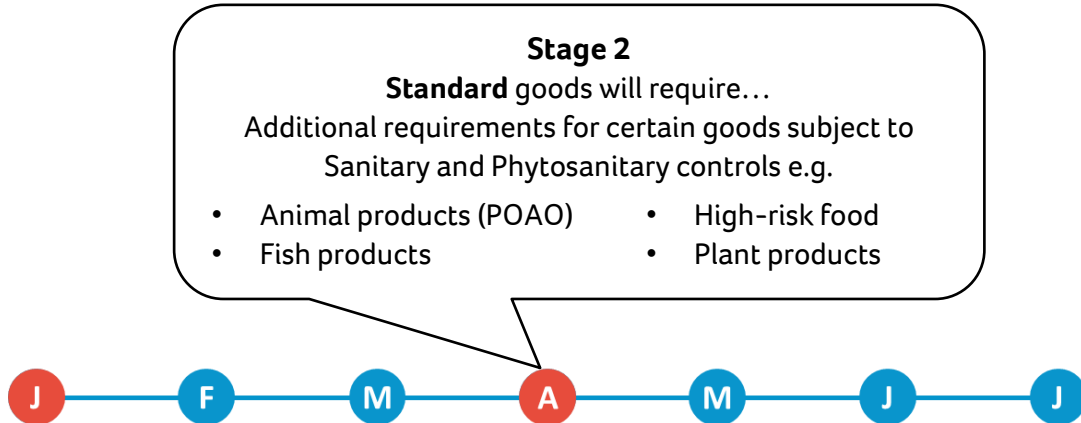


## Importing goods from the EU in 2021

### Imports - The New Border Model: January 2021



### Imports - The New Border Model: April 2021



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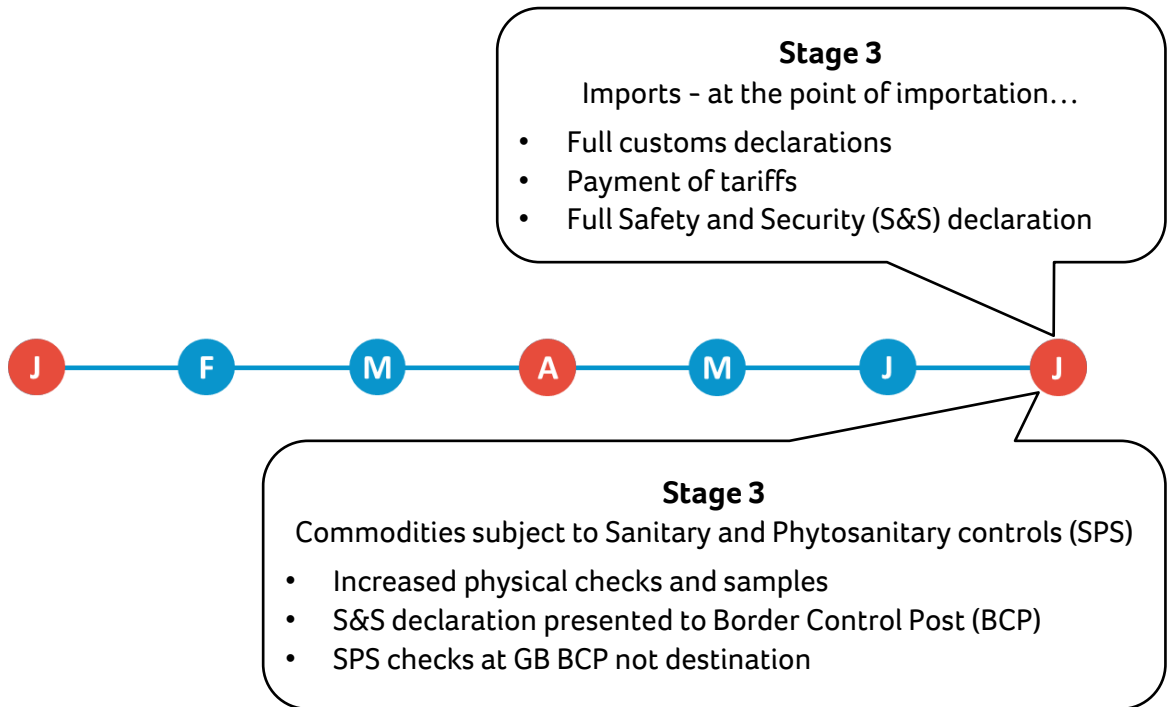
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## Imports - The New Border Model: July 2021



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## Import procedures available for EU imports from 1 January 2021

- **Deferred Declarations**
  - Available between 1 January – 30 June 2021 - for standard goods under stage 1
- **Standard import procedures**
  - Full customs declaration
- **Simplified Declaration** procedures
  - For some controlled goods to reduce processing requirements
- **Transit** arrangements
  - Moving goods through multiple territories

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## Deferred declarations - January to July 2021

- Deferred declarations enable you to delay making a full customs declaration and paying customs duties for up to 6 months
- You need to...
  - Record goods in your own records
    - Do not need advanced authorisation
  - Account for VAT on your VAT return if VAT registered
  - Make a supplementary declaration within 6 months
  - Ensure you have a Duty Deferment Account (DDA)
- You do not need to make an Entry Summary Declaration (S&S declaration for imports)





## What details need to be entered in your records?

- Record commodity code
- Customs procedure code
- Declaration unique consignment reference
- Purchase and sales invoice
- Date and time of entry - for VAT
- Any Free Zone, temporary admissions warehousing or storage account references
- Written description of the goods
- Customs value
- Quantity e.g. number of packages
- Details of licensing requirements and numbers
- Supporting documents
- Details of person representing if an intermediary

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## Making a Supplementary Declaration

- Once you have made an entry in your records, you must make a Supplementary Declaration to CHIEF within 6 months
- Contains a lot of the details you will already have entered into your own records...
  - A customs procedure code
  - A commodity code
  - Your declaration unique consignment reference consignee and consignor
  - Type, amount and packaging of your goods
  - Transport methods and costs
  - Currencies and valuation methods
  - Certificates and licences

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## Exporting goods to the EU in 2021

### The Border Operating Model – Exports

**Exports**

- Export declarations required
- Safety and Security (S&S) declarations apply
- Additional requirements for specific exports



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### Exporting goods to the EU from 1 January 2021

- All goods leaving the UK become exports and customs declarations required
- Normal procedure - submit full export declaration
  - Details goods in shipment
- If authorised you can use simplified procedures
- If not making full export declaration, you must submit S&S declaration - Exit Summary declaration (EXS)
  - Useful for perishable goods

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## Exporting goods to the EU – the core model

- Core model processes
  - Export preparations
  - UK Customs Declarations
  - UK Safety and Security Declarations (S&S)
  - EU S&S and Customs requirements
- Supplementary processes
  - Facilitations
  - SMART freight system

- GB EORI Number
- Customs intermediary with access to S&S GB System and CHIEF
- Check new rules for your types of goods
- Help - a new tool is available to check duties and procedures

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## Trade with NI in 2021

### The Northern Ireland Protocol

- Part of the Withdrawal Agreement
- Sets out provisions on customs, trade and other areas
- Not a permanent solution – consent vote every 4 years
- Designed to provide a solution to avoiding a hard border between Northern Ireland and Ireland
- Ensures unfettered access for NI businesses to GB
- UK Government to establish Trader Support Service (TSS)
  - Guides traders through GB to NI import processes, digital import and safety and security declarations



## Northern Ireland Protocol - Overview

-  Goods from NI to EU (including Ireland) – unaffected
-  Goods from NI to GB – unaffected
-  Goods from GB to NI – minimal changes
-  Trade in goods with ROW – NI benefits from UK FTAs
-  Goods from GB to NI via Ireland using Transit – subject to specified processes



***What will happen to goods moving from GB to NI destined for the Republic of Ireland or EU?***

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## Unfettered access for NI GB businesses

- Moving goods from NI to GB should take place as it does now
- No additional process, no additional paperwork and no additional restrictions
- For limited exceptions declarations will be required to be submitted in NI
  - Goods in transit
  - Specific cases related to international obligations e.g. CITES

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## Trade between NI and the EU

Trade between NI and the EU (including Ireland) will continue as now

- No change at the border
- No new paperwork
- No tariffs
- No regulatory checks
- Intrastat reporting still required

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## Goods moving from GB to NI via Ireland

- Goods can move under transit procedures from GB to Ireland and then to NI (e.g. Fishguard to Dublin to Belfast)
- Transit declarations would be required and some traders would require sealed trucks
- SPS, food and agricultural goods would require SPS checks at Irish BIP prior to proceeding to NI

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## Scenario

- A slate manufacturer in Penrith has a customer in Drogheda (Ireland) that is concerned about its systems being able to account for import VAT. With the exception of the slates it sources all its materials in Ireland. At the moment their system can handle the reverse charge on this supply.
- The sales manager of the slate manufacturer is concerned that she could potentially lose this customer so she suggests that, rather than route the goods via Liverpool to Dublin, the goods go via Cairnryan to Larne in Northern Ireland and then driven on to Drogheda.
- She explains to the customer's buyer that by doing this the goods will not be subject to import controls at Larne and there will be no cross-border checks when the vehicle crosses the border between Northern Ireland and Ireland.



**Is this a reasonable proposal?**

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## **Session 9: Summary and conclusions**

### **Training objectives**

By the end of the course you will understand...

- The legal basis to importing and exporting in the UK
- The key elements of data required for international trade
- The key internal and external stakeholders in international trade
- The different methods of customs clearance
- The basis of Incoterms and their applicability to international trade

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### **Exporting summary**

- Exporting grants access to markets worldwide
- Adds a level of complexity to your business
- Requires data and ability to produce documentation
- Requires a high level of due diligence on your customer
- Requires engagement with new stakeholders to be successful
- Thousands of companies will start exporting as a result of UK departure from EU

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## Importing summary

- Importing is an activity that will involve many internal and external stakeholders
- Is likely to need third party assistance to facilitate customs clearance, but YOU are accountable
- There are a number of elements of data needed to perform import entries
- Duty costs may be deferred or even legally avoided with use of duty planning regimes
- Thousands of companies will start importing as a result of UK departure from EU

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## ***Appendix 1: Sources of information***

On documentary requirements, international information and assistance...

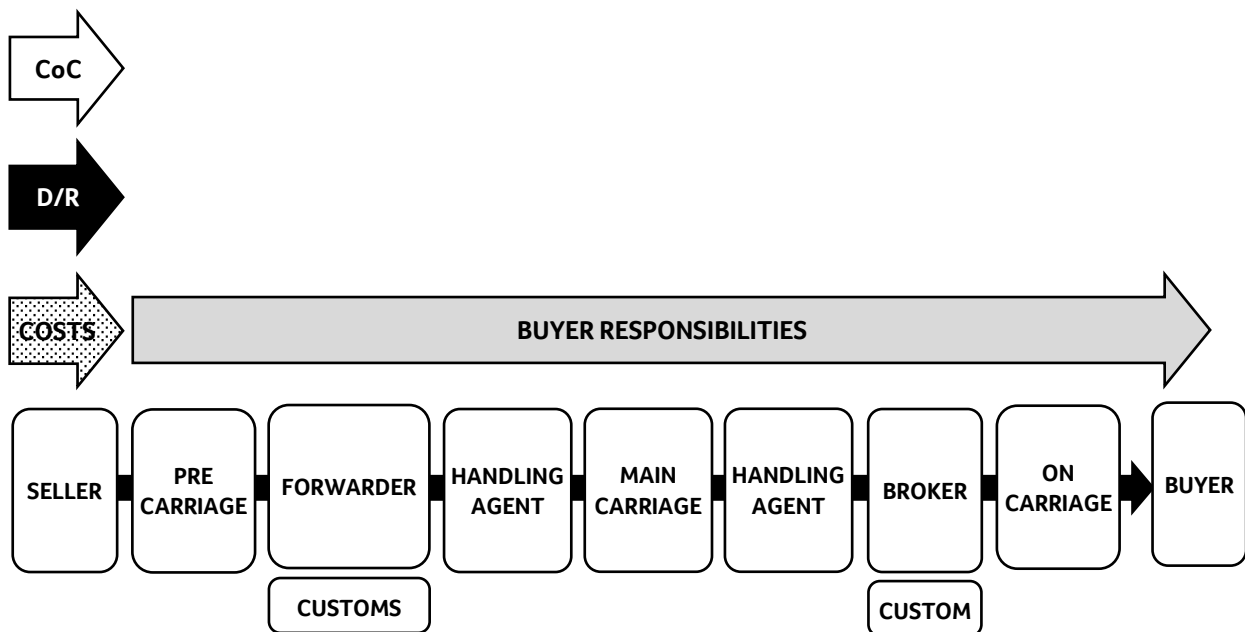
- Chambers of commerce (UK office of overseas chamber)
- HMRC
- UK overseas embassy/consulate
- British Institute of Forwarders (BIFA)
- Export control organisation
- Commercial reference books (Tates, Croners)
- [www.gov.uk](http://www.gov.uk)
- DIT
- Banks
- EU Market Access Database – to establish tariff rates and customs procedures in other countries



## Appendix 2: Incoterms – further information

### Ex Works – EXW (named place of delivery) Incoterms® 2020

Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller has no obligation to the buyer</li> <li>The seller is not responsible for loading goods onto a collecting vehicle</li> </ul>	<ul style="list-style-type: none"> <li>The seller delivers when the goods are placed at the disposal of the buyer</li> <li>Typically this is at the sellers premises</li> <li>Risk of loss, or damage to the goods also transfers when goods placed at disposal of the buyer</li> </ul>	<ul style="list-style-type: none"> <li>All costs transfer from the seller to buyer when goods are placed at the buyer's disposal at the named place of delivery                             <ul style="list-style-type: none"> <li>Includes risk of loss or damage to the goods</li> </ul> </li> <li>All further costs are borne by the buyer                             <ul style="list-style-type: none"> <li>Includes those incurred for export or security clearance</li> </ul> </li> </ul>

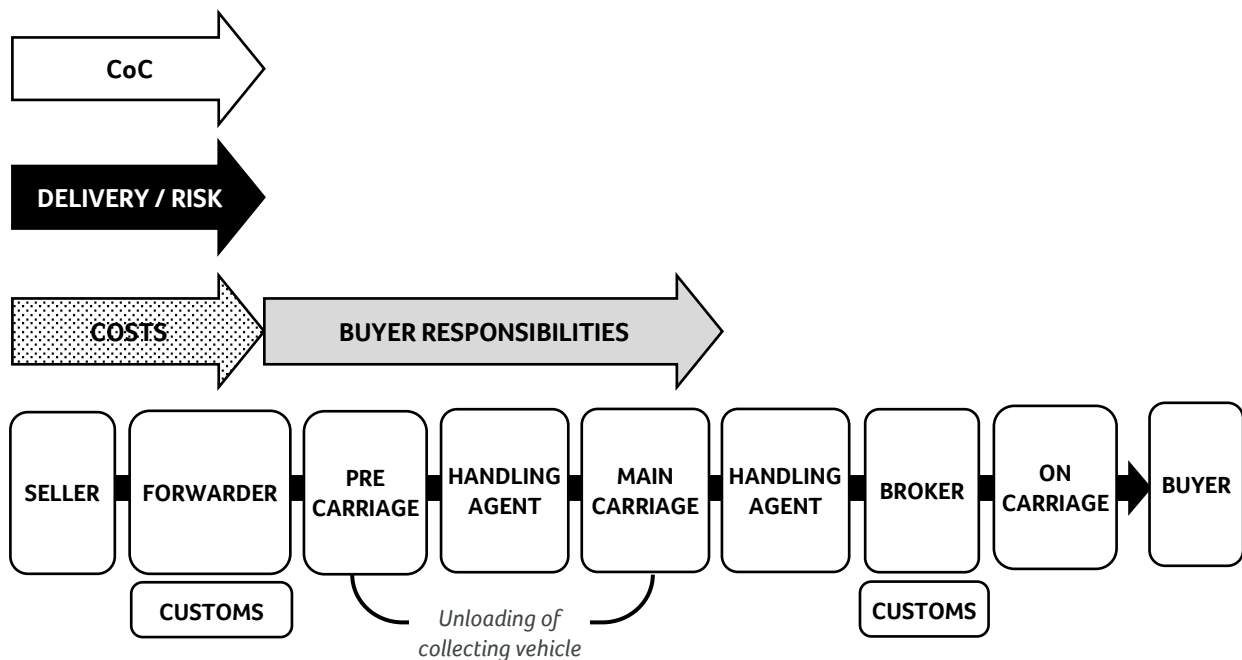




**Free Carrier – FCA (named place of delivery) - Incoterms® 2020**

*Example 1 – FCA (sellers premises)*

Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller has no obligation to the buyer</li> </ul>	<ul style="list-style-type: none"> <li>Risk of loss or damage to the goods, as well as all costs, transfers from the seller to the buyer when the goods have been loaded on the transport provided by the buyer at the sellers premises</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears all the costs until the goods have been delivered at the named place of delivery</li> <li>This includes any costs incurred for export or security clearance</li> </ul>

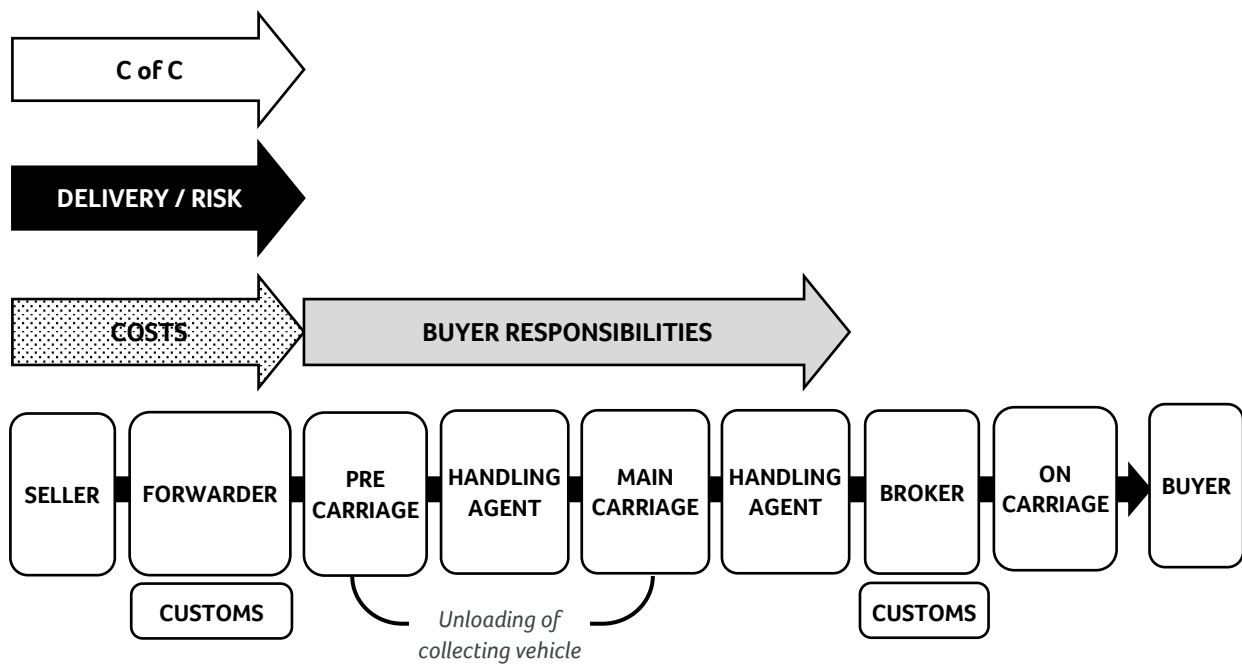




**Free Carrier – FCA (named place of delivery) - Incoterms® 2020**

*Example 2 – FCA (other named place of delivery)*

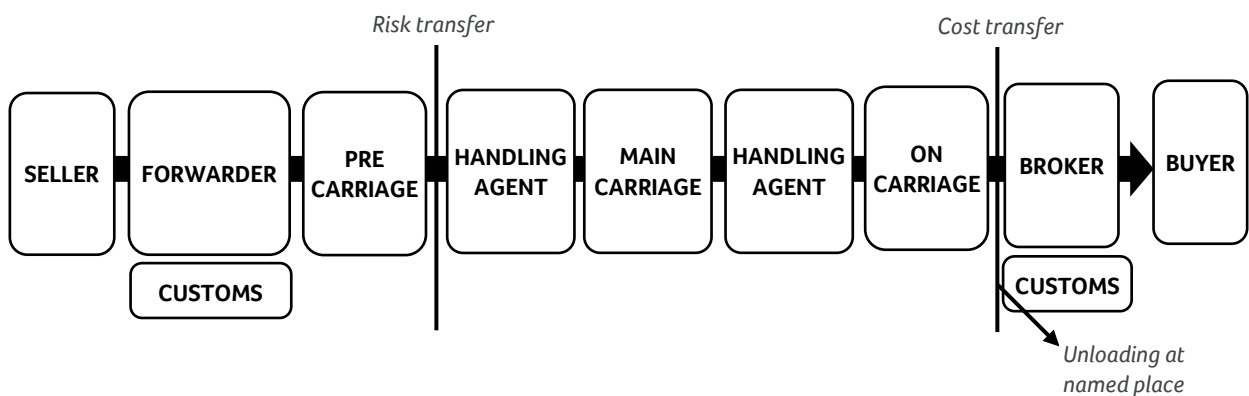
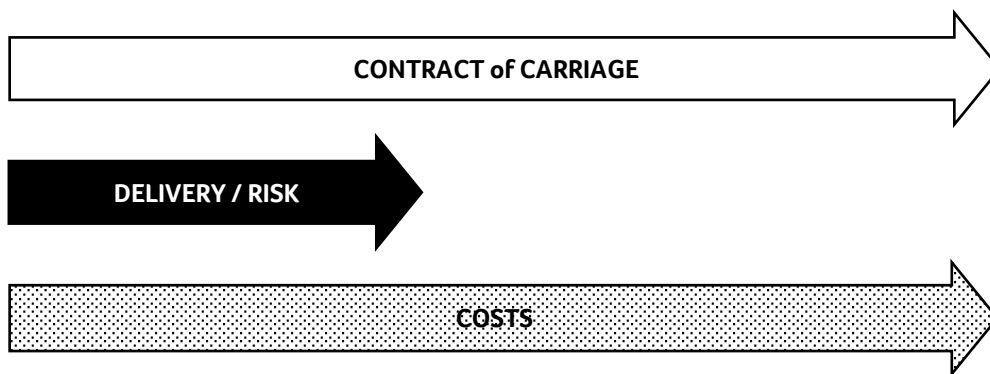
Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller has no obligation to the buyer</li> </ul>	<ul style="list-style-type: none"> <li>Risk of loss or damage to the goods, as well as all costs, transfers from the seller to the buyer</li> <li>This happens when the goods have been delivered to the carrier or other nominated person at the named place of delivery, on the sellers means of transport ready for unloading</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears all the costs until the goods have been delivered at the named place of delivery</li> <li>This includes any costs incurred for export or security clearance</li> </ul>





**Carriage Paid To – CPT (named place of destination)  
 Incoterms® 2020**

Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller must contract for the carriage of the goods to the named place of destination</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the risk until the goods are delivered to an agreed place by...                             <ul style="list-style-type: none"> <li>– The first carrier, or</li> <li>– Another person nominated by the seller at an agreed place</li> </ul> </li> </ul>	The seller bears the cost of... <ul style="list-style-type: none"> <li>The contract of carriage including loading to the named place of destination</li> <li>Unloading if included in the contract of carriage</li> <li>Any export or security clearance</li> </ul>

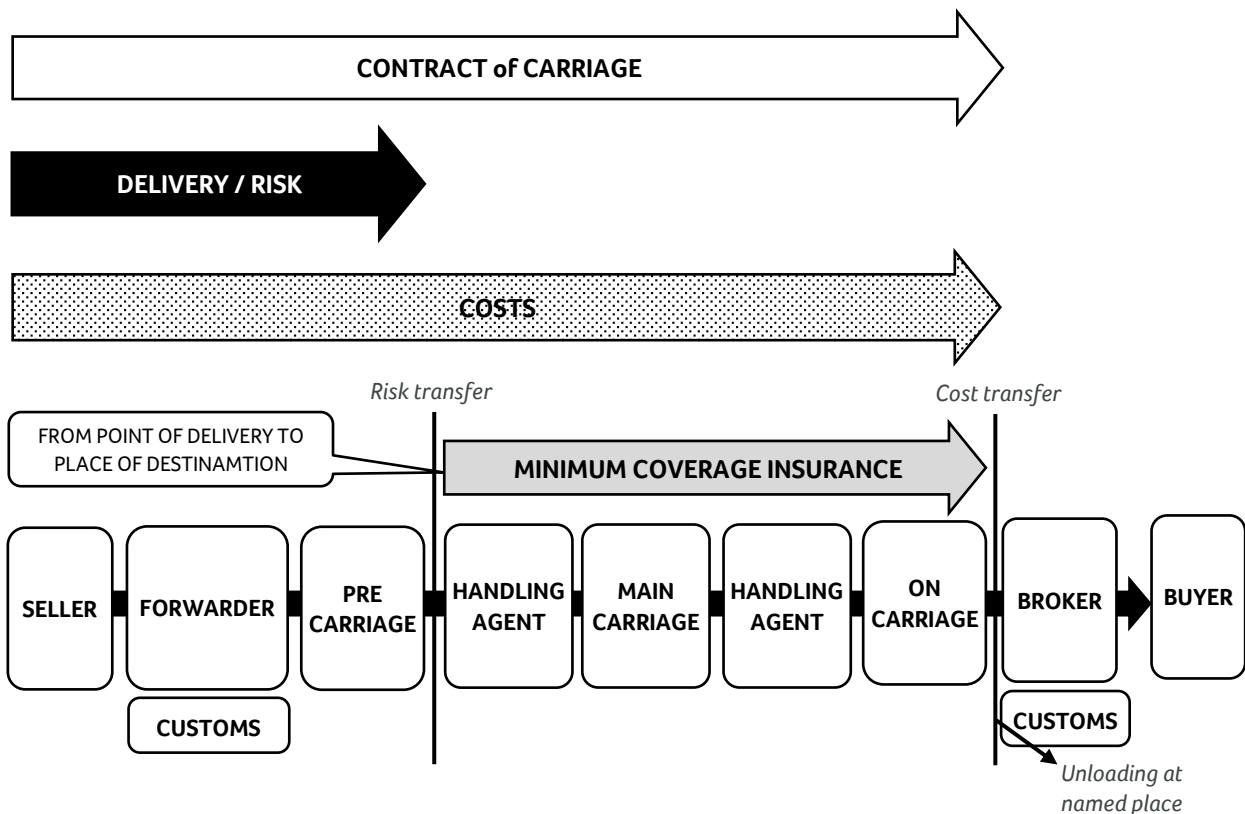




## Carriage & Insurance Paid To – CIP (named place of destination) Incoterms® 2020

Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller must contract for the carriage of the goods to the named place of destination</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the risk until the goods are delivered by the seller at an agreed place to                             <ul style="list-style-type: none"> <li>– The first carrier or</li> <li>– Another person nominated by the seller</li> </ul> </li> </ul>	The seller bears the cost of... <ul style="list-style-type: none"> <li>The contract of carriage including loading to the named place of destination</li> <li>Unloading if included in the contract of carriage</li> <li>Any export or security clearance</li> <li>Insurance of the goods with minimum cover during carriage*</li> </ul>

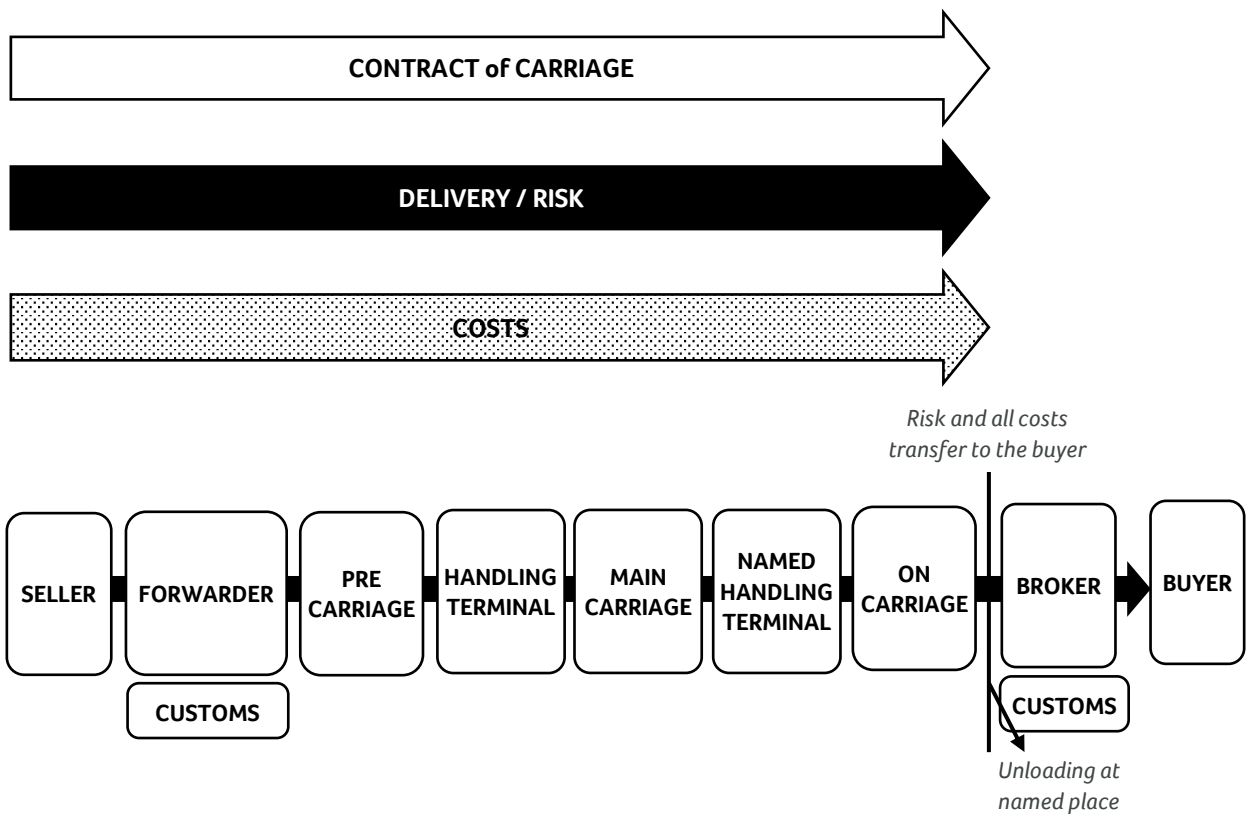
*\*The insurance shall cover at a minimum, the price provided in the contract plus 10% and shall be in the currency of the contract*





**Delivered At Place – DAP (named place of destination)  
 Incoterms® 2020**

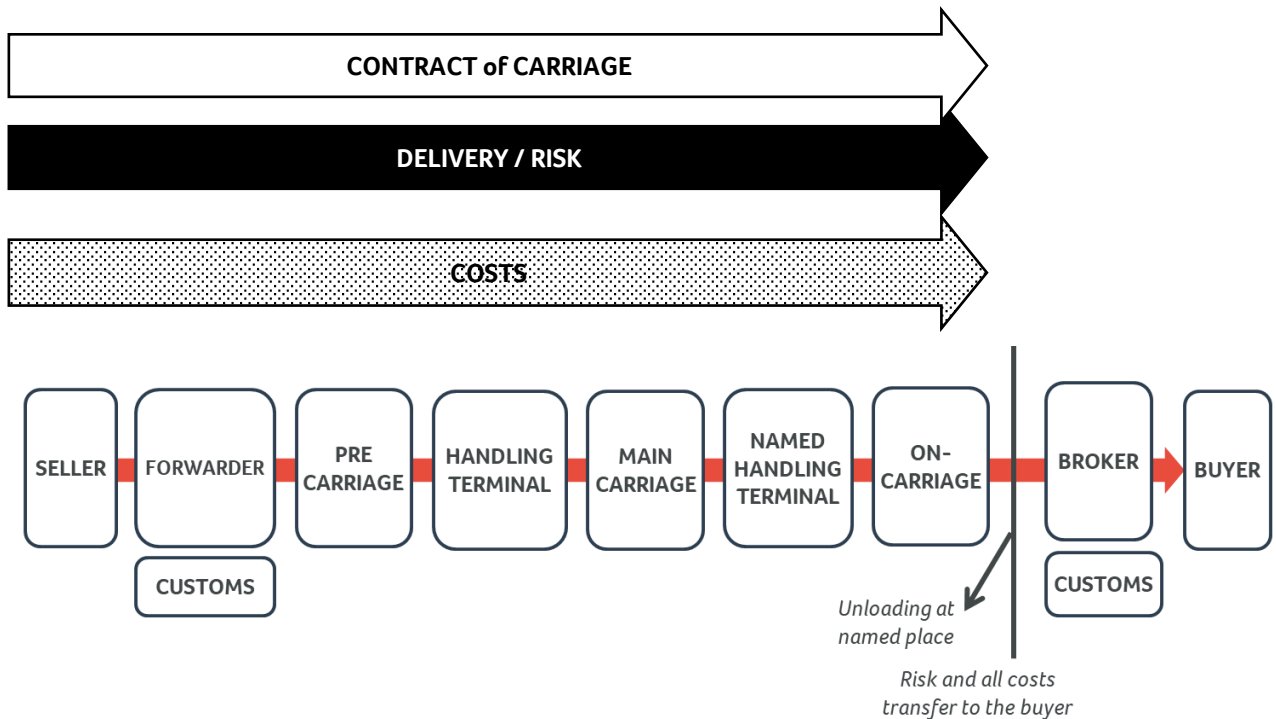
Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller must contract for the carriage of the goods to the named place of destination</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the risk until the goods are delivered ready for unloading at the agreed point at the named place of destination</li> </ul>	The seller bears the cost of... <ul style="list-style-type: none"> <li>Carriage including loading for carriage</li> <li>Transport of the goods through any country, prior to delivery at the named place of destination</li> </ul>





**Delivered At Place Unloaded - DPU (named place of destination)  
 Incoterms® 2020**

Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller must contract for the carriage of the goods to the named place of destination</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the risk until the goods are delivered, unloaded from the arriving means of transport and placed at the disposal of the buyer, at the agreed point at the named place of destination</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the cost of...               <ul style="list-style-type: none"> <li>Carriage including loading for carriage</li> <li>Transport of the goods through any country, prior to delivery at the named place of destination</li> </ul> </li> </ul>

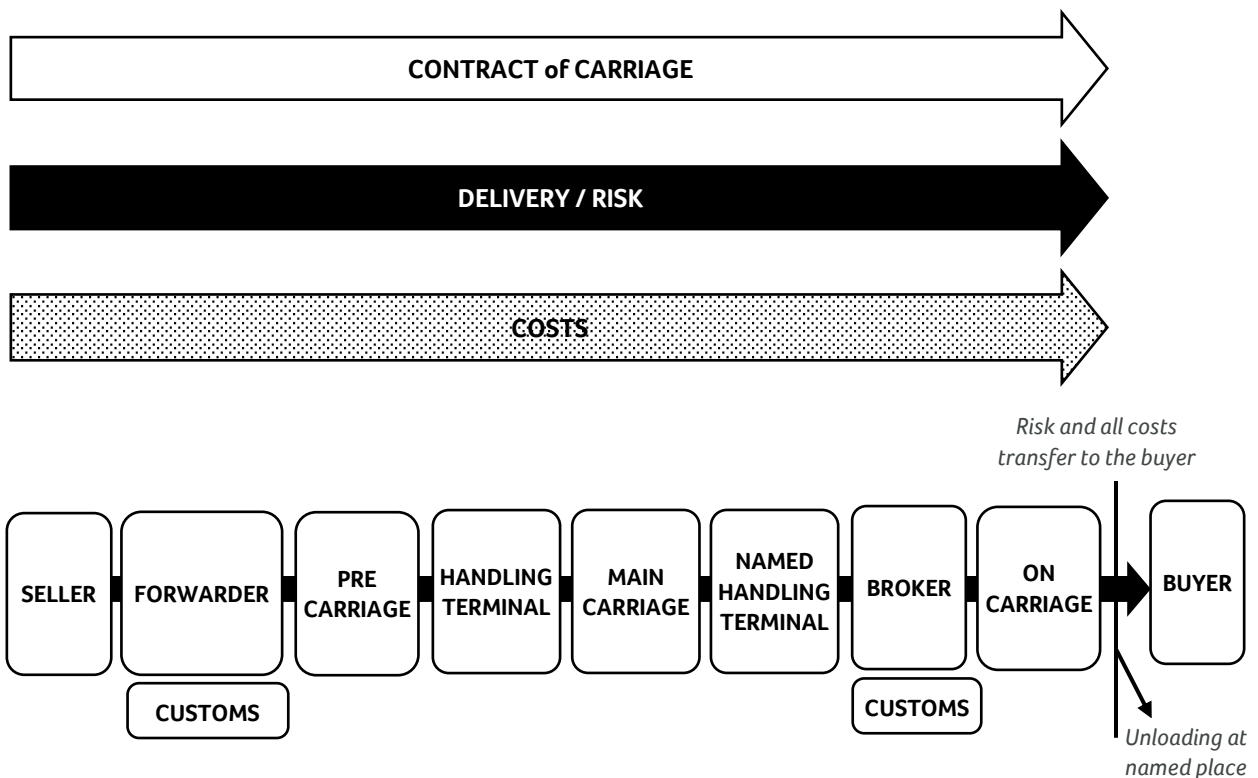






**Delivered Duty Paid – DDP (named place of destination)**  
**Incoterms® 2020**

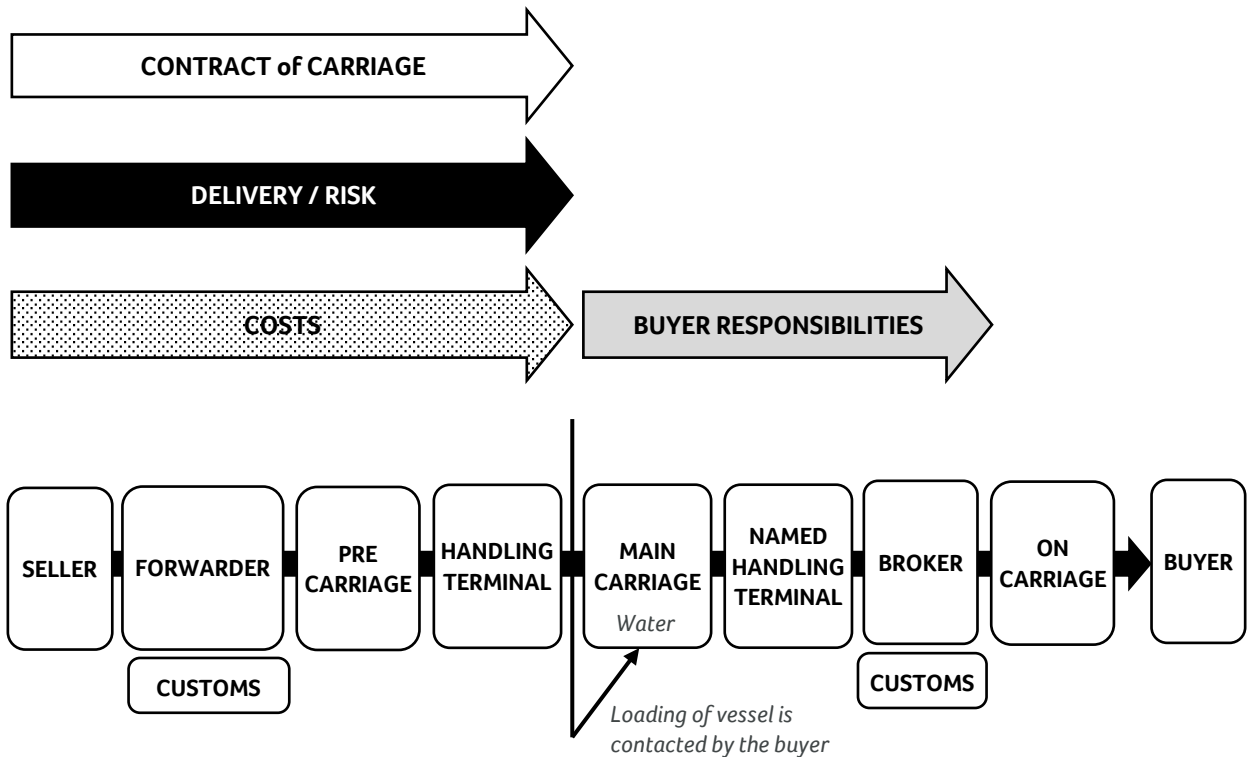
Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller must contract for the carriage of the goods to the named place of destination</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the risk until the goods are delivered, cleared for import and ready for unloading at the named place of destination</li> </ul>	The seller bears the cost of... <ul style="list-style-type: none"> <li>Carriage including loading for carriage</li> <li>Transport of the goods through any country, prior to delivery at the named place of destination</li> <li>All customs formalities &amp; payments of duties on export &amp; import up to the named place of destination</li> </ul>





**Free Alongside Ship – FAS (named port of shipment)  
 Incoterms® 2020**

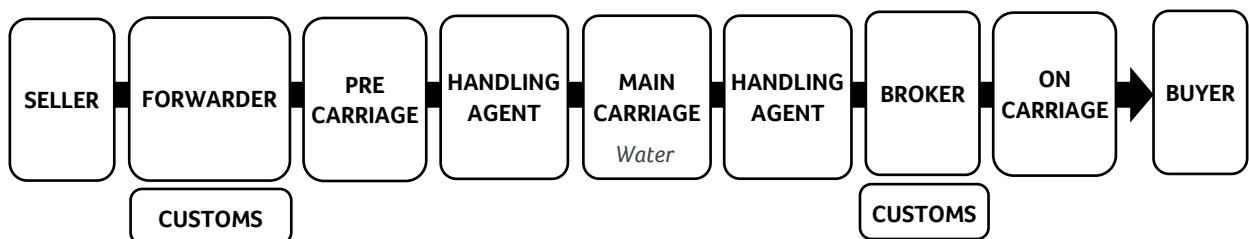
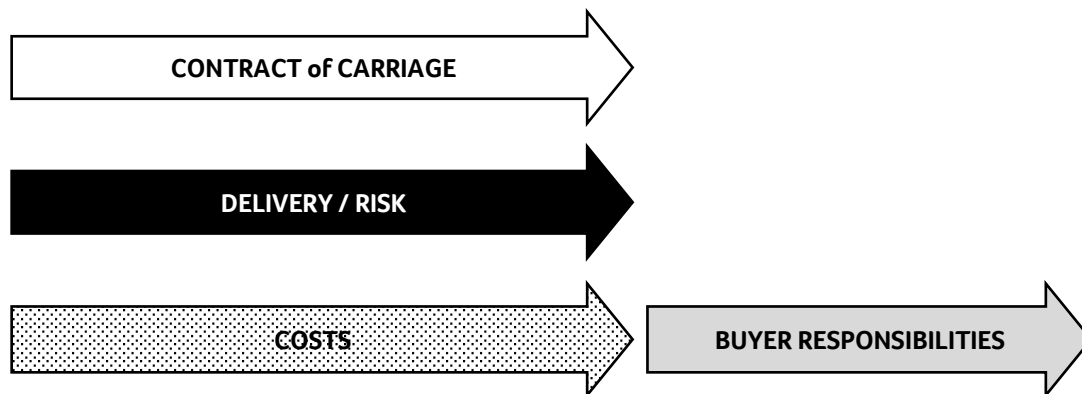
Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller is responsible for carriage of the goods until they are placed alongside the vessel nominated by the buyer at the named port of shipment</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the risks until the goods are delivered alongside the vessel at the named port of shipment</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the costs until the goods are delivered alongside the vessel at the named port of shipment</li> <li>The seller also bears the cost incurred for export or security clearance in country of export</li> </ul>





**Free On Board – FOB (named port of shipment)  
 Incoterms® 2020**

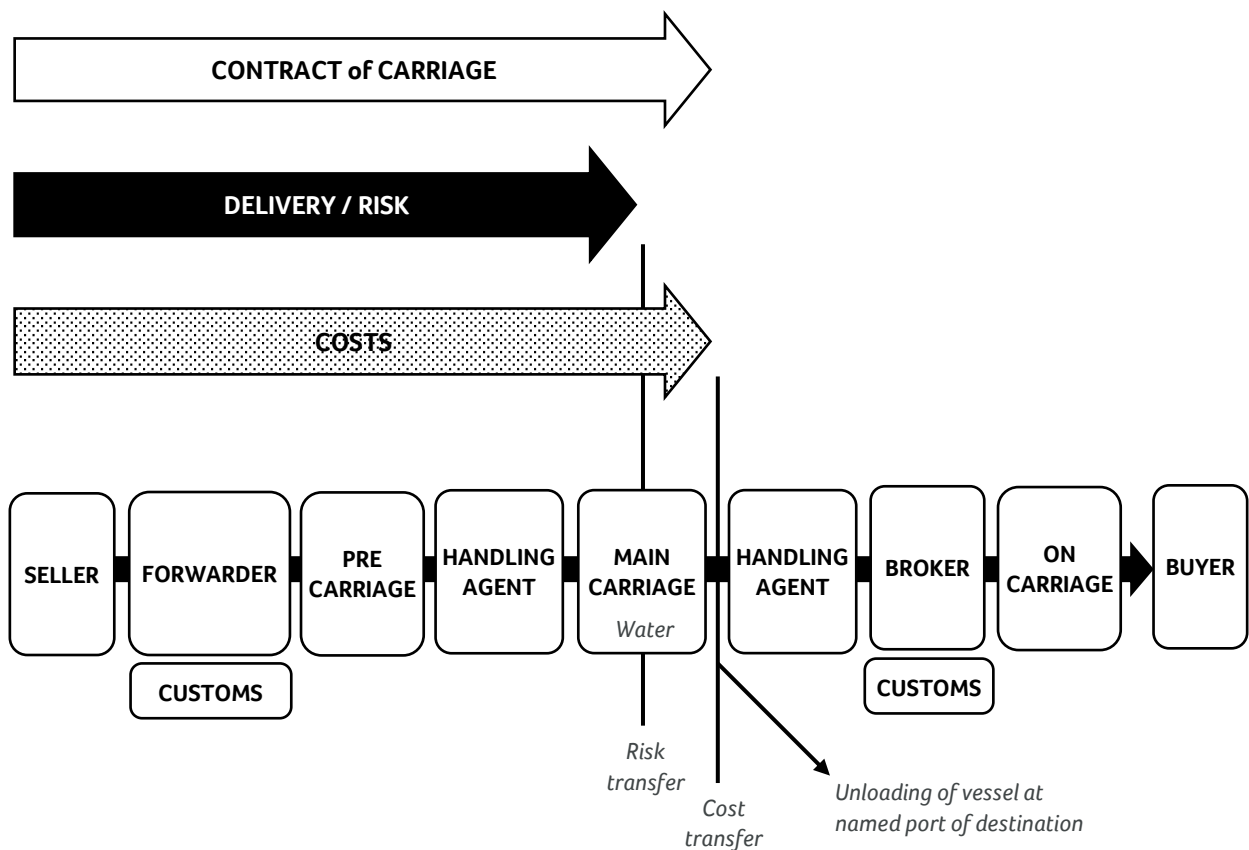
Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller is responsible for carriage of the goods until they are delivered on-board the nominated vessel at the named port of shipment</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the risks of loss or of damage to the goods until the goods are delivered on-board the vessel at the named port of shipment</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the costs until the goods are delivered on-board the vessel at the named port of shipment</li> <li>The seller also bears the cost incurred for export or security clearance in country of export</li> </ul>





**Cost and Freight – CFR (named port of destination)  
 Incoterms® 2020**

Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller must contract for the carriage of the goods to the named port of destination</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the risks of loss or of damage to the goods until the goods are delivered on-board the vessel at the named port of shipment</li> </ul>	<p>The seller bears the costs of...</p> <ul style="list-style-type: none"> <li>Carriage including loading to the named port of destination (and unloading if included in the contract of Carriage)</li> <li>Export or security clearance in country of export</li> </ul>

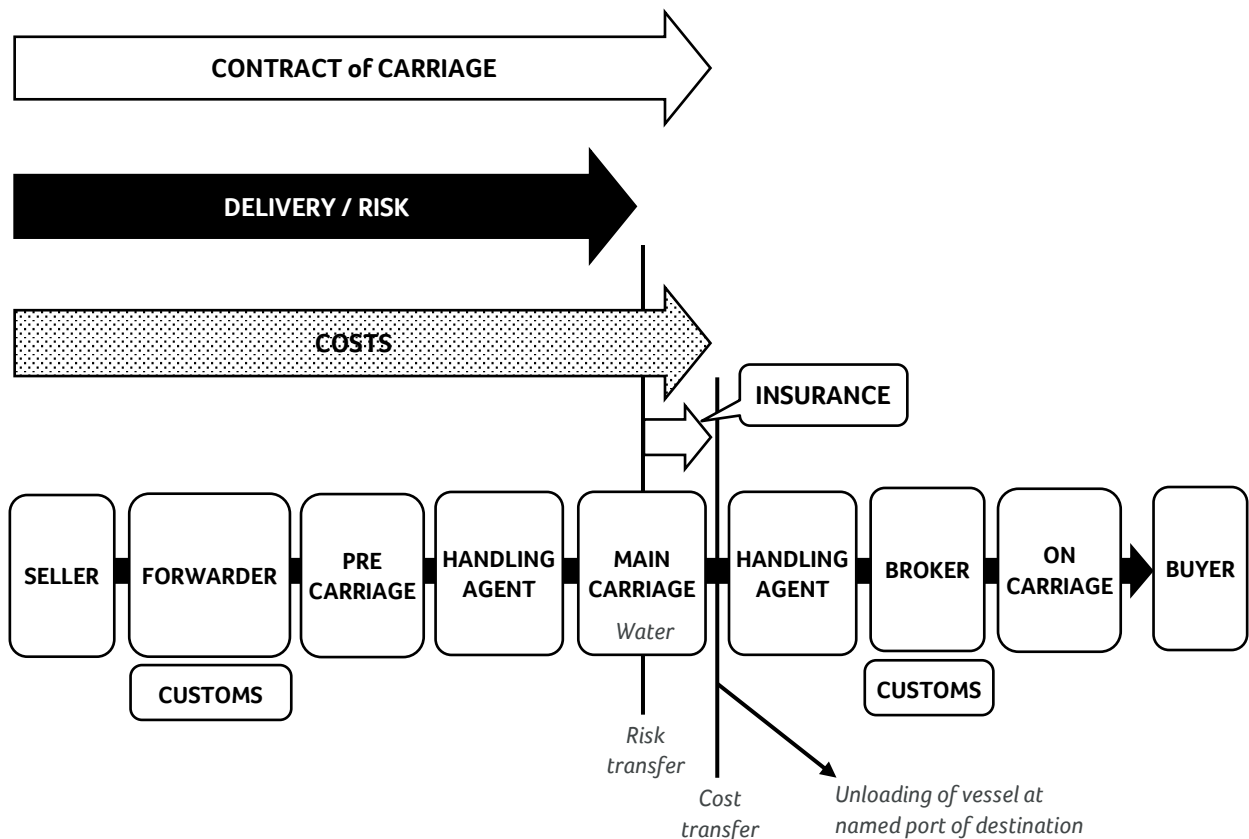




**Cost, Insurance and Freight – CIF (named port of destination)  
 Incoterms® 2020**

Contract of Carriage	Delivery / Risk	Costs
<ul style="list-style-type: none"> <li>The seller must contract for the carriage of the goods to the named port of destination</li> </ul>	<ul style="list-style-type: none"> <li>The seller bears the risks of loss or of damage to the goods until the goods are delivered on-board the vessel at the port of shipment</li> </ul>	The seller bears the costs of... <ul style="list-style-type: none"> <li>Carriage including loading to the named port of destination (and unloading if included in the Contract of Carriage)</li> <li>Insurance of the goods with minimum cover up to the named port of destination</li> <li>Export or security clearance in country of export</li> </ul>

*\*The insurance shall cover at a minimum, the price provided in the contract plus 10% and shall be in the currency of the contract*



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